

# INDIGO BOOKS & MUSIC INC.

Fighting Against Forced Labour and Child  
Labour in Supply Chains Report

# INTRODUCTION

Modern slavery is a pervasive global issue that spans nearly every region and industry on earth. Despite international efforts to combat this devastating reality, the number of people trapped in modern slavery has continued to rise over the past five years. According to the International Labour Organization (ILO) there were more than 50 million people living in modern slavery in 2021, an increase of 10 million compared to 2016 estimates. [Armed conflict, climate change and the impacts of Covid-19](#) on financially stressed households have all contributed to the rise in modern slavery.

At Indigo, we do not tolerate any forms of modern slavery, including forced labour and child labour, in our operations or supply chains. We are committed to participating in the on-going fight against forced labour and child labour in global supply chains and will leverage our resources and network to understand and address any risk that may arise in our business. As a retailer, we feel a responsibility in actualizing our potential to contribute to the elimination of modern slavery.

Throughout this report we will give an overview of Indigo's structure and activities, as well as the policies and processes in place to prevent and reduce the risk of forced and child labour. We are committed to sharing the on-going progress towards the fight against forced and child labour in our annual modern slavery report and impact report.

## STEPS TAKEN TO PREVENT AND REDUCE THE RISK OF FORCED LABOUR OR CHILD LABOUR:

- Indigo's corporate social responsibility program, which includes the ethical sourcing program, is led by the senior director of global sourcing and sustainability. Our executive team has full accountability over the performance and progress of Indigo's corporate social responsibility program. Indigo's Board provides oversight and support on performance and governance.
- Our corporate social responsibility committee and ongoing stakeholder meetings are an opportunity to provide education related to forced and child labour that is tailored to specific functions within the organization.
- During the on-boarding of our book publishers and general merchandise suppliers, we communicate Indigo's supply chain requirements, including the responsibilities and expectations we have for our suppliers as it relates to human rights. We also describe our social compliance audit requirements and corrective action process. All new suppliers must agree to our Vendor Code of Conduct.
- All new private label suppliers must submit a valid social compliance audit to be reviewed by the corporate social responsibility team prior to onboarding. If a private label supplier is unable to provide a compliant social compliance audit, they will not be permitted to work with Indigo. All social compliance audits are performed by an accredited third-party audit body.
- Our social compliance database houses all audit information for our private label suppliers including results, factory address, date the audit was performed, and any corrective actions that may be required. This database is reviewed annually at minimum to ensure there is a valid social compliance audit compliant with the Vendor Code of Conduct.
- Indigo's [Whistleblower Policy](#) outlines the steps an individual can take to anonymously report a grievance or concern related to forced and child labour.

# OUR STRUCTURE, ACTIVITIES AND SUPPLY CHAIN

## **STRUCTURE:**

Indigo is Canada's leading book and lifestyle retailer, offering a curated assortment of books, gifts, home and paper products that support customers by simplifying their journey to living with intention. Indigo operates retail stores in all ten provinces and one territory in Canada and has retail operations in the United States through a wholly-owned subsidiary, operating one retail store in Short Hills, New Jersey. Our retail operations are complimented by our digital channels, including indigo.ca and our mobile applications. As of December 30, 2023, we operated 89 superstores under the Chapters and Indigo banners, and 83 small format stores under the Coles and Indigospirit banners. Indigo is headquartered in Toronto, Ontario and employs approximately 4,200 people across Canada.

## **ACTIVITIES AND SUPPLY CHAIN:**

Indigo participates in the import, sale and distribution of goods into and within Canada through retail trade. Our business is made up of two key categories; books and general merchandise. Indigo's mission is to inspire reading and enrich the lives of booklovers.

Books are at the core of the business, offering customers access to over 12 million books on our digital platforms and tens of thousands of titles in-store, with localized assortments that reflect the communities in which we operate. Indigo sources books from over 100 different publishers. Our category managers share expertise and responsibility across categories of books, reviewing over 40,000 new publications each year.

While books anchor Indigo's approach to retailing, they are complimented by a general merchandise assortment. The main product categories include Home, Fashion, Paper and Kids. Our general merchandise business consists of a mix between national branded products and our proprietary private label products. The majority of the proprietary product assortment is globally sourced. Proprietary products are sold under a number of private labels including, but not limited to, Indigo, OUI, LOVE & LORE®, NÓTA™, !ndigoKids® and Indigobaby®.

## **GOVERNANCE:**

Accountability for Indigo's corporate social responsibility is provided at the executive level and continuously maintained by the senior director of sustainability & global sourcing. Indigo's Board provides oversight and support on performance and governance. Additionally, our monthly internal stakeholder meetings provide an opportunity for the corporate social responsibility team to meet with partners from across the organization with the shared goal of reaching specific corporate social responsibility and ethical sourcing targets.

# OUR POLICIES AND DUE DILIGENCE PROCESSES

Indigo is committed to doing business in a legal, ethical, socially responsible and sustainable manner. In turn, we expect our suppliers, agents, service providers, and contractors to embrace this commitment to integrity by complying with the standards detailed in our **Vendor Code of Conduct** and communicating these standards to their workers and suppliers. Upon agreeing to Indigo's standard terms and conditions, suppliers acknowledge acceptance of the Vendor Code of Conduct and commit to adhering to its requirements.

We insist that our suppliers uphold the highest ethical standards in their workplace, business practices, conduct and policies. In addition to adhering to the Vendor Code of Conduct, suppliers must always comply and stay updated with local laws and regulations applicable in the countries in which they do business. Where there is a differing standard between the Vendor Code of Conduct and the local legal requirements, suppliers must comply with the higher standard. The Vendor Code of Conduct is based on the [United Nations Universal Declaration of Human Rights](#), [International Labor Organization Conventions and Recommendations](#) and other international standards.

**EMPLOYEE CODE OF CONDUCT:** Indigo expects its employees to treat all suppliers, or those seeking to do business with us, with honesty, integrity and respect. In conducting business on behalf of Indigo, employees are bound by the Employee Code of Conduct. Our employees must certify acknowledgement and compliance to the Employee Code of Conduct on an annual basis.

**WHISTLEBLOWER POLICY:** Indigo Open Door is available to external parties to confidentially communicate any Code of Conduct concerns or violations with respect to Indigo employees and the suppliers that Indigo conducts business with. Any person who believes that a violation of the Indigo Vendor Code of Conduct or Employee Code of Conduct has occurred is asked to report the relevant information in confidence to: [www.IndigoOpenDoor.ca](http://www.IndigoOpenDoor.ca)

**PROCESSES:** We at Indigo know that a strong due diligence process is not static, but ongoing, responsive and changing. We continuously review and evolve our due diligence processes to reflect the most up-to-date industry knowledge and best practices.

- **Onboarding:** All book publishers and general merchandise suppliers must agree to our Vendor Code of Conduct prior to commencing business with Indigo.
- **Social Compliance Audit Program:** All new private label suppliers must submit a valid social compliance audit to be reviewed by the corporate social responsibility team prior to onboarding. If a private label supplier is unable to provide a compliant social compliance audit, they will not be permitted to work with Indigo.
- **Corrective Action Plans (CAPs):** If the result of a social compliance audit fails to meet Indigo's standards, we will request a corrective action plan (CAP) from the supplier. We value partnership and continuous improvement. However, because improvement is not always possible, we reserve the right to terminate a relationship at any time for failure to comply with our Vendor Code of Conduct.

# VENDOR CODE OF CONDUCT

**Wages and Benefits:** Indigo is committed to pursuing fair compensation for workers within its supply chain. The Code requires that suppliers must compensate all workers with wages, including overtime, that meet or exceed minimum legal standards in the countries in which they conduct business, or by their collective agreements, whichever is greater. The wage paid shall be sufficient to cover the basic needs of workers and their families. Illegal deductions from wages, including deductions as a disciplinary measure, are prohibited. Wages must be disbursed in a convenient and timely manner to workers with the details of pay provided on a pay slip or similar documentation. Suppliers must also provide all legally mandated benefits. *ILO Conventions 26, 95 and 131 apply.*

**Working Hours:** Indigo endorses internationally accepted working standards within its supply chain. The Code states that suppliers shall comply with the applicable local laws of working hours of the countries in which they conduct business, or with industry standards and relevant International Labour Organization (ILO) conventions, whichever standards are more stringent. In either case, a worker's weekly hours must not exceed 48 hours or 60 hours with overtime, on a regular basis. Workers must be permitted to receive at least one (1) day (24 hours) of rest following each six (6) consecutive days of work. Overtime must be voluntary, and suppliers must compensate workers for overtime at the legal premium rate. *ILO Conventions 1 and 14 apply.*

**Child Labour:** Indigo prohibits the use of child labour. The Code mandates that suppliers, and any subcontractors they use, shall not employ in any of their facilities any person under 15 years of age. Where the minimum age for work or mandatory schooling is higher than 15 years of age by local law (where work is performed), such stipulated higher age applies in that locality. Workplace apprenticeship programs must comply with all applicable local laws and the Code. *ILO Conventions 79, 182 apply.*

**Forced Labour:** Indigo does not tolerate the use of forced labour. The Code mandates that suppliers shall not engage in, or support forced or compulsory labour, including slave, prison, trafficked, indentured, or bonded labour in any of their facilities or their subcontractor facilities. Workers must not be coerced to work (regular or overtime hours) by means of violence or intimidation and must have sought work on their own free will and have the freedom to leave work or terminate their employment with reasonable notice. Neither the supplier nor any entity supplying labour to the supplier shall withhold any part of any personnel's salary, benefits, property or documents in order to force such personnel to continue working for the organization. Workers must be given clear contracts in a language understood by the worker. *ILO Conventions 29 and 105 apply.*

**Freedom of Association/ Worker Representation:** Indigo supports rights to collective action. The Code makes clear that all suppliers shall respect the right of workers to form or join at their own discretion an association or organization dedicated to protecting and promoting worker interests. Suppliers shall not interfere with or inhibit the workers' pursuit of freedom of association and collective bargaining, where legally permitted. Where restricted by law, workers must be allowed to pursue parallel means to freely associate for bargaining purposes. Suppliers must provide an open and anonymous communication channel for workers to report grievances. *ILO Conventions 87, 98, 135, 154 apply.*

**Ethical Conduct:** Indigo enshrines ethical practices with its organization and with suppliers. The Code makes clear that suppliers shall not engage in, or allow, any unethical practices such as fraud, bribery, corruption, or any matters that may pose a conflict of interest when dealing with Indigo or any worker, agent, public official, or an individual in the private sector. Suppliers shall provide a mechanism or means by which workers may report anonymous workplace grievances and shall protect worker whistleblower confidentiality and prohibit retaliation.

**Sub-contracting:** Indigo holds its suppliers responsible for their own supply chains. Suppliers must ensure that all permitted subcontractors comply with the requirements of the Code.

**Management systems:** Indigo requires ongoing compliance with its Code, not just a point in time assessment. To combat forced and child labour, Indigo mandates that suppliers develop and maintain management systems to implement, monitor and ensure compliance with this Code. This must include clear processes, policies, documentation, appointment of staff responsible for implementation, ongoing monitoring, and worker feedback and participation. In the event of any violation of the Code's requirements, suppliers must document and take prompt remedial action. Documentation and records must be maintained by suppliers at all times.

# FORCED LABOUR & CHILD LABOUR RISKS:

According to the OECD's report (*Ending child labour, forced labour and human trafficking in global supply chains*), child labour, forced labour and human trafficking in global supply chains can be traced to the interplay of three critical dimensions:

1. Gaps in statutory legislation, enforcement and access to justice that create space for non-compliance
2. Socio-economic pressures facing individuals and workers
3. Business conduct and overall business environment

These labour rights violations need to be understood as structural phenomena that require comprehensive responses. At Indigo, we are aware that our global supply chain and the industries in which we operate may present a risk of forced labour and child labour. Considering today's global context and in consulting resources from the [United Nations Global Compact](#), [International Labor Organization](#), and the [Government of Canada](#), we recognize the potential for, and impact of risk factors pertaining to gender, geographic location, legal status, recruitment practices and sector, and are working on further integrating these risk factors into our sourcing strategies and processes.

In our current state, we mitigate these risks by working with our suppliers to ensure that products are sourced, manufactured, and transported according to the standards outlined in the Vendor Code of Conduct. This Code is based on the United Nations Universal Declaration of Human Rights, International Labor Organization Conventions and Recommendations and other internationally accepted standards.

## **SUPPLIER SELECTION:**

Monitoring the social compliance of business partners is an integral part of our corporate social responsibility program. We monitor each active business partner on an annual basis to verify compliance with applicable laws and regulations as well as minimum standards included in the Vendor Code of Conduct.

Indigo's procurement procedures are designed to enforce our Vendor Code of Conduct and Vendor Manual standards' minimum level of compliance prior to awarding a purchase order. The global sourcing team screens potential business partners for social compliance indicators during the qualification process. Each business partner is individually evaluated to determine viability prior to awarding a purchase order and continued compliance with required standards is necessary to remain an active business partner.

# OUR TRAINING, REMEDIATION AND EFFECTIVENESS MEASURES:

## **TRAINING:**

During this reporting period Indigo conducted awareness training sessions through our corporate social responsibility roundtable for department representatives within the organization. The purpose of the training was to provide an overview of the current state of modern slavery globally, root causes, as well as the various forms of modern slavery.

We are currently implementing formal training related to modern slavery for our merchants, procurement staff and vendor management teams. Training will be required during the employee onboarding process, followed by annual re-certification training. Training will include an overview of the different forms of modern slavery, indicators of modern slavery, and information regarding the Act. Training is set to begin in May 2024.

## **REMEDIATION MEASURES:**

To date there have been no identified or reported instances of forced or child labour or loss of income to vulnerable families that resulted from measures taken to eliminate the use of forced labour and child labour in our activities and supply chains.

## **EFFECTIVENESS MEASURES:**

To reduce and prevent the risk of forced and child labour within our operations and supply chains, we assess the effectiveness of our ethical sourcing program on a minimum annual basis.

- We review our social compliance database on an annual basis at to ensure a valid social compliance audit is on file for all active private label suppliers, and that the standards in our Vendor Code of Conduct are being met.
- We track and monitor corrective action if a corrective action plan (CAP) is required from a supplier.
- Our corporate social responsibility team continuously engages with industry experts and associations to ensure we're implementing the latest recommendations and best practices.
- The Indigo Open Door platform and hotline is operated by an independent third party (WhistleBlower Security Inc.) and is continuously monitored for possible grievances and concerns.

# APPROVAL & ATTESTATION:

In accordance with the requirements of the Act, and in particular section 11 thereof,

"I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above."

**Full name:** Markus Dohle

**Title:** Chair of the Board

**Date:** May 24th, 2024

**Signature:**

A handwritten signature in blue ink, appearing to read 'M. Dohle', is written over a horizontal line.

"I have the authority to bind Indigo Books & Music Inc."