



# **Environment, Social and Governance (ESG) Report 2021**

**Sleep Country Canada Holdings Inc.**

**Sleep Well. Stay Well.™**



## Our Purpose: To transform lives by awakening Canadians to the power of sleep

Welcome to our inaugural ESG report demonstrating our commitment to provide safe, high quality sustainable sleep solutions. We believe sleep is an essential component of physical, mental and emotional wellbeing for all Canadians. We are focused on ensuring we protect our planet while acting equitably and fairly. As part of our commitment to transparency, this report describes the progress we are making to operate our business responsibly across our four key pillars: *Sleep Well, People Well, Earth Well* and *Govern Well*.

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# A Message from Christine

Christine Magee, Chair

Dear Shareholders,

We are proud to present you with our inaugural ESG report.

As a purpose-driven company, we are committed to transforming lives through sleep and improving the wellbeing of Canadians, while working towards building an equitable and fair world and also ensuring we protect our planet for future generations.

In 2021, we took an important step to formalize and embed environmental, social and governance considerations into our business strategy. We carefully reflected on the issues that matter and developed our four key pillars: *Sleep Well, People Well, Earth Well* and *Govern Well*.

While our strategy is new, its underpinnings are not. Sleep Well encompasses product innovation, dedicated customer service and championing sleep as an essential pillar of wellbeing. People Well focuses on talent attraction and retention and equity, diversity, inclusion and belonging ("EDI&B") and, to support all our associates with a safe and respectful work environment. Earth Well concentrates on reducing our operational footprint and on our circular approach. Finally, Govern Well provides us with the foundation that is integral to our business which focuses on

accountability, risk management, ethics and integrity. Together, our pillars ensure that as Canada's most trusted sleep brand and leading sleep retailer, we remain committed to meaningfully and positively supporting ESG.

We are pleased to once again be the recipient of accolades from Great Place to Work – one of the testaments to the effort, dedication and importance we place on the success and execution of these strategies. For 2021's list, Sleep Country Canada/Dormez-vous earned the Best Workplaces in Retail & Hospitality designation, as well as the Best Workplaces in Ontario award. Endy received the Great Place to Work Award for the third year in a row, Best Workplaces in Retail and Hospitality, Best Workplaces for Start-ups, Best Workplaces for Today's Youth and Best Workplaces Managed by Women. Congratulations to our leadership team and associates for these accomplishments.

We continued to make great strides on EDI&B with an emphasis on creating a workplace and Board that reflects the diverse views, skills and backgrounds of our communities. At the end of 2021, our three-year EDI&B strategy was in place. At our annual general meeting ("AGM") in May 2022, we reported that 37.5% of our Board members are women, 75% of our

Board committees are chaired by women and 25% of the Board are visible minorities.

Under Earth Well, we improved our brand-defining mattress recycling program that has been in place for more than a decade, enabling us to service our customers, protect the environment and give back to the broader community. We continue to offer our customers certified exchange models ("CEM") which are products that have been returned as part of our 100-night comfort guarantee program. This allows for gently-used models to be recycled or donated and to be diverted away from landfills, extending the life cycle of these products. In addition to our keen focus on the reduction and recycling of packaging for our products, we have our stewardship and recycling programs which we have expanded across the country to ensure we are responsibly disposing of recyclable material at our retail stores, warehouses and as part our white-glove delivery service to our customers.

As always, in 2021, we strove to Govern Well to ensure that we met the highest standards of ethics and integrity while delivering on our strategic plans. In addition to approving the new ESG strategy, the Board ensures that all ESG matters are addressed and reviewed each quarterly meeting.



We've come a long way since our first store opened in 1994 and I'm proud of what we've accomplished together. I would like to personally thank my Board member colleagues, whose commitment and expertise are greatly appreciated. We have full confidence in the leadership team at Sleep Country to serve our customers, support our associates and communities and ensure long-term value for all our stakeholders. Thank you to our shareholders for your continued support. We recognize and appreciate the trust you have placed in us.

Sleep well. Stay well.

# A Message from Stewart

Stewart Schaefer, President and Chief Executive Officer

Dear Shareholders,

Our purpose of transforming lives by awakening Canadians to the power of sleep has never been more important. This is not a commodity that we sell, this has a transformative impact on people's lives and underpins our four pillars – *Sleep Well, People Well, Earth Well* and *Govern Well*.

By focusing on Sleep Well, we improved our customer experience and introduced new innovative products – including the Endy solid wood bed, Casper's cooling and hybrid mattress, Sleepout's portable blackout curtains, Hush's weighted blankets and mattress and other sleep essentials. In order to expand our customer touchpoints, we launched our strategic online partnerships with Best Buy and, in the first week of 2022, Loblaws. In addition to these channel innovations, the Endy mattress won the BrandSpark Most Trusted Mattress-in-a-Box recognition and the Ottawa Life Magazine Award for Best Mattress in Canada in 2021.

As part of our commitment to People Well, I had the privilege of working alongside the outstanding leaders on our Inclusion Council as we developed our EDI&B strategy, conducted confidential listening sessions, a confidential demographic survey and training about unconscious bias, harassment and respect in the workplace. Soon after we offered this training, 96% of our outstanding associates completed it, a clear indication that our team is engaged and committed to fostering an inclusive and equitable work environment.

The Earth Well pillar of our ESG strategy encourages everyone on our team to continually improve our efforts to minimize waste and set goals and medium-term targets to become a net-zero climate positive organization by 2040. In 2021, our recycling program diverted over 135,000 mattresses and foundations from landfills – with many of them going to charitable organizations to help families and children in need get a good night's sleep. Currently, 91% of our mattresses and foundations contain sustainable materials. As we continue on our journey, we will focus on innovating with more sustainable products with the aim to protect our planet.

Beyond our partners' commitments to ESG and as part of our Govern Well approach, our Supplier Code of Conduct asks our partners to confirm that their employees and subcontractors have fair working conditions at reasonable wages with no discrimination, harassment, slavery or forced labour. As part of governance, this year we refreshed the associates' Code of Conduct which included ESG ambitions, reinforcing what we're working to accomplish together. Embedded in our senior leadership team's annual objectives are ESG specific goals to align with our corporate environmental and EDI&B strategy and to set annual benchmarks to measure our future progress.

We are fully committed to executing our ESG strategy – all while being driven by our purpose of awakening Canadians to the power of sleep. I want to thank everyone across the Sleep Country Canada, Dormez-vous, Endy and Hush teams for consistently providing our customers with world-class experiences. I also want to thank our partners, Board members and shareholders for supporting us as we transform lives by awakening Canadians to the power of sleep.

Sleep well. Stay well.



# Who We Are

## Our Sleep Ecosystem

Our leading omnichannel ecosystem where our customers can seamlessly purchase our innovative sleep products across our physical and digital touchpoints.

## A Leader in Sleep Retail

With our highly differentiated model of service, unmatched sleep ecosystem and expertise, superior brand trust and commitment to world-class customer experience, we strive to transform lives through sleep.

Founded in 1994 with four store fronts, we have grown to become Canada's leading specialty sleep retailer with a national retail store network and multiple robust eCommerce platforms.

As at December 31, 2021, the Company had 285 corporate owned stores and 20 warehouses across Canada. Sleep Country Canada Holdings Inc. ("Sleep Country") operates under retail banners: "Sleep Country Canada", with omnichannel operations in Canada excluding Québec; "Dormez-vous" with omnichannel operations in Québec; "Endy", Canada's leading direct-to-consumer online sleep solutions retailer; and recently acquired in Q4 2021 "Hush", one of Canada's fastest-growing digital retailers.

**SleepCountry**

**DORMEZ-VOUS?**

**ENDY**

**Hush.**

**Growing network of 285 stores**



**4 leading eCommerce platforms**



**Vast product assortment from the world's leading sleep brands**



15+ mattress brands  
40+ sleep accessory brands

**Elevated sleep expertise**



1,000+ Sleep Experts

**Exceptional logistics and stable supply chain**



20 warehouses

**Partnerships with leading Canadian retailers**



7 leading retail brands

# Being a Purpose-Driven Sustainable Business

We believe sleep is an essential component of physical, mental and emotional wellbeing for all Canadians. We are focused on ensuring we protect our planet while building an equitable and fair world.

## What sustainability means to us

To us, sustainability is about how we embed environmental, social and governance considerations into our business to support wellbeing for all. As a leader in sleep for over 27 years, we understand the pivotal role sleep plays in overall health, especially given today's demanding schedules, added responsibilities and increased feelings of stress and anxiety since the onset of COVID-19. With the addition of the changing economic climate and growing pressures related to social inequity, it is clear that Canadians need extra support.

Understanding these new realities, our focus is on helping people enhance their overall health and wellbeing, driving positive social change and protecting the environment. We accomplish this through our four pillars: Sleep Well, People Well, Earth Well and Govern Well.

We see a clear link between our Sleep Well strategy and good physical, mental and emotional wellbeing, which is crucial given that one in five Canadians will personally experience a mental health problem or illness by the age of 40. Our suppliers work with us to create the most advanced assortment of sleep solutions and we distribute them to customers and community groups through our sleep ecosystem. We aim to bring the best

sleep solutions from around the world to help more Canadians get their best night's sleep.

Our People Well strategy helps us create a diverse, inclusive, respectful and equitable workplace that reflects the many communities where we live and work. We pay our associates fairly and have good working conditions that motivate them to deliver for our customers, support our growing business and volunteer at many nonprofits that work hard to make Canadian lives better. Together, we combat racism, prejudice, reduce gender inequality and foster a culture that inspires and supports people to grow personally and professionally.

At the same time, we understand that the effects of climate change and waste are creating undue pressure on our planet and we need to focus on reducing our carbon footprint, using resources more efficiently and sourcing products more sustainably. Our Earth Well strategy focuses on a circular approach. Our long-standing program to reuse and recycle used mattresses and foundations successfully diverts waste from landfills. We partner with suppliers on their sustainably designed sleep solutions and we have a keen focus on diverting product packaging from landfills through

our white-glove delivery service, where we take back our product packaging and dispose of it in a responsible manner through recycling programs. Additionally, to reduce our carbon footprint, we use algorithms to calculate the most efficient pathway when making our deliveries. These areas of focus allow us to act in a responsible manner to help protect our planet.

Leading our business with the highest standards of ethics and integrity is of the utmost importance. Our Govern Well strategy strives to always do what is right and ensure a culture of integrity across the organization. This ensures we are accountable to our stakeholders and the communities we serve, while giving our customers confidence in our products and services. We believe our success is inextricably linked to operating in a trustworthy and responsible way, driving shareholder value and meeting stakeholder expectations.

To us, this defines sustainability.

# Our Aspirations

We believe ESG is inextricably linked to our purpose of transforming lives by awakening Canadians to the power of sleep.

We engaged our leaders on ESG and reflected on what drives us as an organization. This led us to four key pillars: *Sleep Well*, *People Well*, *Earth Well* and *Govern Well*.

Within each pillar, we have identified our strategic priorities and aspirations alongside a careful assessment of their importance to our stakeholders. This report provides an overview of the progress we have made in 2021.



## Sleep Well

### Areas of Focus

- Product Innovation
- Customer Experience
- Sleep Wellbeing



## People Well

### Areas of Focus

- Compelling Associate Value Proposition
- Equity, Diversity, Inclusion and Belonging (EDI&B)
- Health, Safety & Wellbeing
- Community of Caring



## Earth Well

### Areas of Focus

- Climate Impact
- Sustainable Materials
- Waste Management



## Govern Well

### Areas of Focus

- Good Governance
- Ethics and Compliance

## Our Aspirations

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**Product Innovation:** Providing the world's best assortment of sleep solutions

**Customer Experience:** Creating a world-class customer experience with seamless physical and digital touchpoints

**Sleep Wellbeing:** Championing a sleep movement to transform lives through the power of sleep

## Alignment with SDGs

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# Sleep Well

Our purpose of transforming lives by awakening Canadians to the power of sleep is what drives us as an organization. By providing the most advanced and innovative assortment of sleep solutions, including sustainable options and an unrivaled world-class customer experience, we are helping Canadians live healthier, happier lives.

# Product Innovation

Our goal is to be Canada's singular sleep partner and gateway to the world's best sustainable sleep solutions through product quality, innovation and customer touch points.

**91%**

**Mattresses and foundations contain sustainable materials**

## Sourcing Ethically

In 2021, we created a new Supplier Code of Conduct ("Supplier Code") which applies to all our mattresses and sleep solutions suppliers. The Supplier Code, which was led by our Environmental Steering Committee, focuses on the working and labour conditions of our suppliers, their factories and their subcontractors. Creating the new Supplier Code holds our suppliers accountable for the proper treatment of factory workers as well as their commitment to socially responsible manufacturing processes. Factories in high-risk countries must submit third-party audit reports from accredited organizations to prove that they pay their employees fairly and provide safe working conditions. They must also show that they have considered social and environmental impacts of production, as well as effects on nearby communities. Upon review of a report, we may approve a factory for production, require improvements before potential approval or decide not to source from that factory or supplier.

## Providing the Best Assortment of Sustainable Sleep Solutions

We offer our customers the largest selection of mattresses in Canada and an assortment of sleep solutions including pillows, sheets, duvets and lifestyle bases to ensure every Canadian can achieve better tomorrows through better tonights.

With our strategic partnerships, our customers have access to the world's most relevant sleep brands such as Tempur-Pedic, Serta, Simmons, Sealy, Kingsdown, Casper, Simba, Purple and more. Many of these brands use sustainable practices in their businesses and offer CertiPUR-US and/or Greenguard Gold certified products.

Additionally, in 2021, we welcomed Hush and Sleepout to our family of brands further expanding our innovative product portfolio.

## Accessing our eCommerce Platforms

We began our eCommerce journey five years ago when we first sold our private brand Bloom mattress-in-a-box online. Now, we sell a wide assortment of sleep solutions through our eCommerce platforms for Sleep Country Canada, Dormez-vous, Endy and Hush, as well as through the Walmart, BestBuy and Loblaws marketplaces. In 2021, our eCommerce sales represented 23.5% of our consolidated revenues.

## Strengthening our Sleep Ecosystem

We have strategically been adding layers to our growing sleep ecosystem.

As of December 31, 2021, we had a retail network of 285 stores and four leading eCommerce platforms where Canadians had access to our highly knowledgeable sleep experts who help our customers get their best night's sleep. Additionally, we have wide-reaching digital partnerships with six leading retail brands. Over the past year, we've been expanding our retail and digital footprint to give Canadians access to the best sleep products wherever they choose to shop.

In 2021, we expanded our marketplace partnerships to include Best Buy Marketplace and, in January 2022, we announced the Loblaws Marketplace partnership. We also announced an innovative new retail and digital collaboration with Casper, becoming the exclusive provider in Canada of six of their award-winning mattresses.

# Product Innovation

## Accessing Best-in-Class Sleep Solutions

Through channel and product innovation, we are expanding our physical and digital footprint to provide customers with seamless access to the best sleep products.

### Expanding Sleep Solutions through Innovation and Acquisitions

We offer a range of sleep solutions including lifestyle adjustable bases, boxsprings and frames, pillows, sheets, duvets, weighted blankets, quilts, blackout eye masks, mattress and pillow protectors, duvet covers and mattress toppers. With our investment in Sleepout, we now offer portable blackout curtains, sustainably designed with premium Greenguard and OEKO-TEX certifications. With our Hush acquisition, an additional selection of cooling blankets, pillows and blackout eye masks are available.



### Providing Airy Breathable Bedding

Our product offerings present customers with multiple choices of airy breathable bedding produced from materials such as sustainable bamboo and organic cotton. One of our key products, with a 4.8/5 rating from customers' reviews, is our Global Organic Textile Standard ("GOTS") certified Endy sheets that are made with lightweight and airy 100% organic cotton in a sateen weave to provide customers a better night's sleep.

### Innovating Sleep Products

We continue to expand our mattress offerings with innovative choices as part of our wellbeing promise. The concept of sustainability is inspired in Simmons' Harmony mattress collection. Each Harmony mattress contains 50 plastic bottles harvested from the ocean. Meanwhile, our Endy and private brand – Bloom mattresses as well as other brands we offer such as Purple, Simba and Casper are low VOC mattresses and produced using foam certified by CertiPUR-US because it's made without toxic substances. Additionally, each Casper mattress is made from up to 121 recycled water bottles.

We also offer accessories such as the Endy and Casper foam pillow that are certified CertiPUR-US.



**Simba** uses their engineering expertise to use the most environmentally responsible materials in their products. They use siliconized fibers from plastic bottles in their duvet fill and their mattresses are made from 100% recyclable materials. Their textiles are OEKO-TEX certified – a safeguard against harmful substances and all the foams they use are CertiPUR-US certified. Additionally, their packaging boxes are made from FSC approved cardboard that is made from 60% recycled material and their plastic wrap contains 40% recycled content. Simba's factories also have a zero waste to landfill policy, so all the materials are either recycled or reused.

Coming in 2022 to our retail network is the Simba Green (Organic 3000) mattress, which is both organic and sustainable using the highest quality, ethically sourced organic components. Additionally, the organic components are Global Organic Latex Standard ("GOLS") certified and GOTS certified. The whole mattress and its packaging is Global Recycling Standard ("GRS") certified and 100% recyclable so customers can be confident that the mattresses will not go into a landfill or cause damage to the environment.

# Customer Experience

No matter the channel or touchpoint our customers choose, we are committed to delivering an exceptional customer journey that can anticipate, adapt and evolve with our customers of today and tomorrow.

**1000+**

**Sleep Experts served close to 1+ million customers**

**\$215+ million**

**Sales through our eCommerce platforms**

**4.9/5**

**Rating earned from customer reviews on our Bloom and Endy mattresses**

## Deepening Customer Relationships

We have a relentless focus on delivering an exceptional customer experience by strengthening how we serve new customers and deepening relationships with existing ones.

In 2021, in addition to the expansion of our channel offerings, we expanded our relationship with Walmart Canada to launch 10 pilot Sleep Country/ Dormez-vous express stores within their retail locations across Ontario and Quebec. Each 500 square foot express store offers cash-and-carry products such as mattresses-in-a-box, sheets, pillows and headboards, along with eight or nine traditional mattresses for customers to test. These storefront opportunities further expand our touchpoints with our customers and provide them with a one-stop shop for their sleep needs thereby increasing the likelihood for cash-and-carry transactions.



# Customer Experience

## Creating an Engaging Digital Experience

We have fostered a digital-first mindset and changed the way we market, merchandise and interact with our customers. We updated our eCommerce platforms to provide customers access to all our products online that they would find in a Sleep Country Canada/Dormez-vous store. Additionally, we expanded our online offerings with our evolving dropship program allowing customers access to a wider selection of sleep solutions from brands such as Nautica, Eddie Bauer and Laura Ashley. Our drop ship program allows us to offer our customers more products while reducing our carbon footprint – our suppliers ship products directly to our customers, eliminating the transportation to and from our warehouses



and retail network. This program ensures lower inventory on hand across our 20 warehouses and 285 stores, less product handling and reduced overhead costs thereby improving the Company's profitability while serving our customers with best-in-class products from around the world.

In addition, we have made investments by expanding our eCommerce platforms to include Endy and Hush. We also entered into partnerships with other national retailers - Walmart, Best Buy and Loblaw – to offer a selection of our products on their eCommerce marketplaces, allowing more customers to digitally access our sleep products.

Furthermore, similar to our stores, customers have access to sleep experts digitally, through chat and phone, that can provide them with sleep expertise and help them get their best night's sleep.

## Delivering a Convenient Courteous Service

We offer delivery seven days a week within a specified three-hour time frame. To reduce our carbon footprint, all routes are algorithmically optimized to calculate the most efficient pathway; this ensures we meet our specified service window and do so in a responsible manner for our planet. Our delivery personnel are uniformed, wear shoe covers to protect the customer's home and are trained



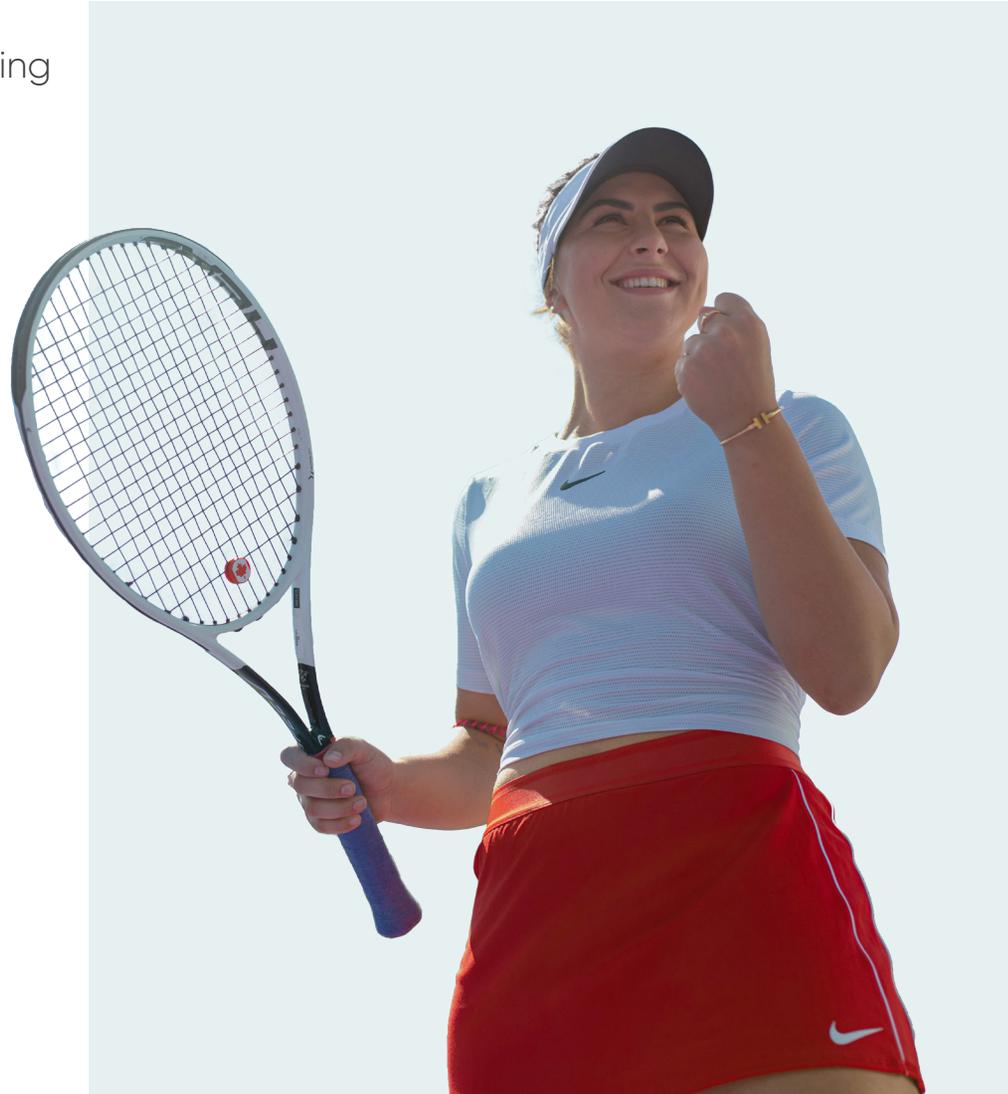
to be courteous. New mattresses are set up and the packaging materials are removed, collected and disposed of responsibly through our recycling and stewardship programs across the country. As part of our commitment to meaningfully and positively support our environment and our communities, we offer a service to take customers' used mattresses and donate or recycle them.

We also focus on the reuse element of our product life-cycle. Under our 100-night comfort guarantee, customers have the option of exchanging their purchased mattress for a new one that better fits their needs. Through our certified exchange model program, the returned products go through a rigorous, multi-step quality assurance process whereby

products are inspected, disinfected and sanitized to comply with all health and safety regulations under the Technical Standards and Safety Authority ("TSSA"). These products are clearly labelled with a yellow tag stating the process and certification under the TSSA and they are sold at a discount to our customers. Products that do not pass our stringent inspection for resale are donated to local charities or recycled through our recycling program. In 2021, we collected over 165,000 mattresses from our customers, of which 18% were donated to charity and 82% were recycled. Additionally, in 2021, we diverted from landfills and repurposed over 39,000 mattresses that were exchanged as part of our 100-night comfort guarantee.

# Sleep Wellbeing

We have a clear vision and focus of championing sleep as the key to healthier, happier lives, which we believe is an essential pillar of physical, mental and emotional wellbeing.



## Owning the Conversation Around Sleep Wellbeing

As a leader in sleep, we celebrated World Sleep Day in 2021 and 2022 to motivate actionable change on sleep and raise awareness about the importance of sleep.

As part of World Sleep Day in 2021, we partnered with SleepScore Labs to take an in-depth look at how Canadians sleep. The study found many Canadians to be sleep deprived, reinforcing the immediate need to take active measures to prioritize sleep.

As part of our wellness campaign, we partnered with Well.ca through a content and education-focused approach that promoted the role both brands can play in healthy sleep habits. We also hosted an Instagram Live event featuring inspiring conversations about the importance of sleep as an essential component of health and wellness with special guests, including Well.ca expert Samantha Piechota. Additionally, we partnered with tennis star Bianca Andreescu for a television and digital campaign called "There's No Dream Without Sleep" promoting the need for rest after a hard workout and to achieve your peak performance.

# Sleep Wellbeing



In 2022, we had our most integrated 360-degree marketing campaign across multiple channels championing the importance and power of sleep. We partnered with Canadian Mental Health Association (CMHA) to reinforce our message about the role of sleep in physical, mental and emotional wellbeing and made a \$100,000 donation to CMHA. Our World Sleep Day campaign generated overwhelming success in the marketplace with 106 million PR impressions and 6.3 million social impressions.

## Fostering Better Sleep Habits

To encourage Canadians to take better care of themselves, we launched our #MySleepPromise campaign—inspiring all Canadians to make a Sleep Promise to themselves. Recognizing that everyone's sleep is unique, we built the Sleep Promise on the idea that small, attainable steps will eventually transform into healthy habits. For some, this could be reducing screen time before turning in, creating a relaxing bedtime ritual, or calming your mind by going out in nature before bed. We also released five simple tips to help Canadians get their best sleep: calm your mind, make your bedroom a sleep sanctuary, say goodbye to blue light, maintain a consistent sleep schedule and establish a bedtime ritual.

## Our Aspirations

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### **Compelling Associate Value Proposition:**

Recruiting and retaining the most talented people, developing their skills and empowering them to be successful

### **Equity, Diversity, Inclusion and Belonging (EDI&B):**

Building an inclusive, respectful and diverse workplace where every person feels they belong

### **Health, Safety & Wellbeing:**

Creating a safe environment and fostering a culture of wellbeing

### **Community of Caring:**

Transforming lives and giving back to communities

## Alignment with SDGs

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# People Well

The wellbeing of our associates is critical to the success of our business. We strive to be inclusive and accessible; to attract and retain exceptional talent from diverse backgrounds; to provide all associates with a safe, respectful work environment where they feel valued; and to support and empower associates to serve our customers thoughtfully with enthusiasm and care.

# Compelling Associate Value Proposition

We strive to be an employer of choice, recruiting and retaining the most talented people, developing their skills and empowering them to be successful.

## Attracting Talent for Success

Our motto, “A career worth getting out of bed for”, is a direct reflection of our caring and rewarding work environment. We are committed to being an employer of choice by attracting the best people and empowering them to feel motivated every day to deliver for our customers and support our growing business.

In 2021, we attracted over 200 net new hires at Sleep Country Canada/Dormez-vous, Endy and Hush, many of whom were referred to us by our associates, or from local educational institutions. Our proud associates are our strongest advocates to attract top and diverse talent to our teams.

## Developing Leaders

Over the past year, we continued to focus on developing skills at every level, from associates who are just beginning their careers through to our most senior leaders. We tailored our mandatory sales expertise and leadership training, broadened the perspectives of our associates, offered tools to build leadership and managerial capabilities and equipped our associates with the tools to live our purpose and values.

**79%**  
Associate engagement rate

**99%**  
Completion of skills  
development training

**34,000+**  
Hours of training

In 2021, we launched our mandatory EDI&B training. Sleep Country Canada/Dormez-vous learning and development mainly took place via Sleep University (our online learning platform) and video conferences to deliver best-in-class internal sales training and development. Additionally, we added LinkedIn Learning to our toolkit to provide associates access to 9,000 new courses offered in both official languages which is also available on mobile devices and podcasts. Endy uses a variety of different learning platforms and has focused on leadership development and EDI&B learning for all associates.



## Recognizing Performance

We are committed to providing fair rewards and compensation packages that are attractive, competitive and recognize performance. Sales associates' compensation is comprised of commissions and bonuses that are based on various performance measures. Non-sales associates earn a fixed base salary and can earn annual merit increases and quarterly or annual bonuses based on various performance measures. All full-time employees have access to our group benefit plan including medical, vision and dental benefits, as well as, a wellness credit for each employee which allows our associates to recoup costs from a wide range of wellness-related expenses. The Company also provides a matching program to eligible associates making RRSP contributions as part of our deferred profit sharing plan (“DPSP”) program. In 2021, the Company made \$1.6 million in contributions on behalf of our employees. Additionally, we also established an enhanced employee purchase plan for our sleep products to help ensure our associates can achieve their best possible sleep.

## Associate Engagement: Getting Feedback From Associates

In 2021, we launched a holistic approach to measuring associate engagement, to better inform how we motivate our associates to support our purpose and vision going forward. We created the questions based on our strategy, purpose, vision and talent objectives to determine the key drivers of engagement and high performance.

Our overall engagement was 79%, six full points ahead of the North American retail benchmark and we scored above the retail benchmark across 96% of the survey's categories. Additionally, we captured 1,989 comments, with 54% of respondents leaving at least one comment, well above the average of 33%. We aggregated the insights into major organizational themes, which we then shared with each department to guide our continuous improvement efforts.

In early 2021, we leveraged external EDI&B experts to lead confidential listening sessions with our associates. The anonymized feedback helped us recognize which of our practices support an inclusive workplace culture and define opportunities for improvement. Specifically, the feedback helped shape our EDI&B strategy and identified key initiatives, such as our learning programs, Associate Inclusion Meetings and the formation of a CEO-led Inclusion Council.

We are confident that this new engagement approach will enhance our ability to have better two-way communication with our associates and help us build on our strengths as we continue to grow.



# Equity, Diversity, Inclusion and Belonging (EDI&B)

We aim to be a diverse, inclusive, respectful and equitable workplace – one that reflects the many communities where we operate and with whom we work – where all associates feel they belong.

## Strengthening Inclusive Leadership

In 2021, as part of our EDI&B journey, we convened a CEO-led Inclusion Council with seven senior leadership members dedicated to increasing understanding, promoting awareness and holding leaders accountable for creating a more diverse organization. In Q4 2021, the Inclusion Council and our Board approved our EDI&B strategy and three-year roadmap. The council provides regular updates on our progress to all associates, leadership and our Board.

We also focused on internal communication with our associates, ensuring a transparent approach to EDI&B topics such as days of recognition, making a safe and trusted space for conversation and learning to further evolve our culture.

## Establishing Associate Resource Groups

We continue to take active steps to create a respectful work environment where everyone feels fully supported in being their authentic selves and where diversity and inclusion is championed every day at all levels of the organization.

In 2021, to embed our inclusive culture, we launched three associate resource

groups, encouraging associates with common characteristics – such as race, gender, disability, sexuality or any other defining life experience – to discuss, share ideas and learn from each other.

## Promoting Awareness and Understanding

In 2021, we continued to make EDI&B a top priority by investing in our associates' personal learning and discovery, curating mandatory learning for all associates, which focused on emphasizing the importance of diversity and inclusion to the success of Sleep Country. We empowered our associates to appreciate different perspectives, uncovering unconscious bias, while reinforcing behaviours consistent with our values. 98% of our associates completed our enhanced EDI&B learning program.

As a further investment in our leaders, we asked the Canadian Centre for Diversity and Inclusion to conduct in-depth training about unconscious bias and inclusive leadership that built on the concepts introduced in the mandatory courses. We also updated our harassment and respect in the workplace training and made it mandatory for all associates across the country by incorporating it into our Code of Conduct.

Our Endy team has been especially active in this space, supporting team learning through a variety of means, including workshops and "Belonging Moments" established to drive awareness and build deeper understanding across their team.



Top: Participating at Pride Month

Below: We were proud to participate at the National Day of Truth and Reconciliation

**98%**  
Associates trained on diversity, harassment and respect in the workplace

**48%**  
Women leaders in our workforce

**24%**  
Self-identified visible minority leaders



## Creating A Strong Culture of Belonging

### How would you describe the culture at Sleep Country?

Sleep Country has an incredibly strong and inclusive culture – something quite magical that's grown over the course of our existence. When people join our company, they seldom leave; the average tenure in our company is approximately 7.2 years. We have deeply invested associates who are passionate about championing the power of sleep to all Canadians. In our 2021 engagement survey, 82% of our associates said they felt like they belong, a score that is best-in-class amongst our North American retail peers.

### What do you do to create a supportive environment?

There's a strong leadership style and clear sense of ownership around connection and relationships at our Company; a deep-rooted sense of personal accountability. Over half of our associates are sales associates. Our high-motivation culture emphasizes associate ownership of goals, targets, development (both personal and professional) as well as supporting one another.

Our deep belief in recognizing top performers through promotion from within Sleep Country also means that many associates in management are extremely aware of the realities of sales and very supportive of sales associates. Our compensation model is very competitive and associates feel attached to the greater good of sleep.

As our business evolves, we continue to attract curious, passionate and purpose-driven associates who see Sleep Country as a fantastic place to learn and grow their careers. We also understand the importance of our investment in associate development; over the past 20 months, we've shifted away from in-person training and evolved to online learning platforms. We've engaged with LinkedIn Learning and other platforms so that our associates can train wherever they are. They can listen to podcasts, watch videos and do other learning exercises at their own convenience.

### What are the next steps for cultivating belonging?

As our business continues to grow, the leadership style and emphasis on building lasting relationships remains strong. Over the next few months, we will be introducing our updated values which our associates helped design, and implementing a revamped recognition program to support these new values and tie back to our purpose and our vision. We believe this will be an important part of our associate value proposition for years to come.

# Health, Safety & Wellbeing

We aim to foster a culture that inspires and supports our people to grow and perform in a safe and healthy way, putting their wellbeing as a key focus.

## Reinforcing a Strong Safety First Culture

Over the past year, we continued to embed a strong safety culture in our day-to-day operations. We hired a dedicated National Health and Safety Manager to drive a preventive risk management approach across our business. We strengthened our team of health and safety champions from across the country forming a newly convened National Health and Safety Committee.

Together, the Committee meets monthly to review our health and safety performance, share lessons learned, determine training needs and support effective implementation. By elevating safety awareness in this way, we believe we can further improve incident rates and learn from experiences to continually strive to be better in this area.

## Focusing on Risk Prevention Awareness

We proactively monitor safety incidents and are focused on addressing high consequence hazards. Given the nature of our business, most of our prevalent risks occur when making home deliveries or while moving products in our warehouses – from strains and sprains to slips and falls. We conduct regular musculoskeletal assessments

for key roles that require oversight and ensure associates remain aware and well-trained about avoiding risks and hazards at work.

In 2021, we continued to provide ergonomic training to promote safe behaviours when lifting heavy products. We also added two updated health and safety training modules and our associates were 100% in compliance with our LinkedIn Learning training, which associates are required to successfully complete annually.

## Monitoring and Reviewing Performance

We have always tracked health and safety incidents with the intention to reduce risk. In 2021, we improved our capability to do so in real-time across all our locations with eCompliance, a new reporting software that can track accidents and incidents on both mobile and desktop devices. We also used the software to track and manage assets so that associates could seamlessly and efficiently record and share safety risks.



### Supporting the Wellbeing of Our Associates

We are committed to providing a work environment where people feel physically, mentally and emotionally well, especially during the challenging COVID-19 health crisis. Associates have access to a range of wellbeing benefits:

- **Consult+:** Access to virtual health professionals for non-urgent medical care 24/7
- **Inkblot:** Live video mental health counselors
- **Associate Assistance Program:** In-person services for associates, spouses and children.

The continuing COVID-19 pandemic challenged us to ensure that the health and safety of our teams remained protected, even as facilities opened up. In 2021, our measures included screening, physical distancing and policies for working at home, isolating, three hours of paid leave to get vaccinated and voluntary rapid antigen tests for associates in high-risk sites. We are grateful for the cooperation and responsibility our associates demonstrated during the course of the pandemic.

**5,200+**  
Hours of health, safety and wellness training

**2.1 Days**  
Lost time at our warehouses and retail store locations

**100%**  
Compliance with two-part health & safety modules on LinkedIn Learning

# Community Caring

Through our Sleep Country Cares Program, we are living our purpose to transform lives and give back to the communities where we live, work and do business.

## Promoting Wellbeing for Canadians

Every year, we partner with the World Sleep Society to promote World Sleep Day. In 2021, we gave out prizes to encourage action towards sleeping better and offered associates a week of online yoga and meditation classes. We also donated the proceeds from plush Serta Sheep sales during the month of May to the Canadian Mental Health Association (CMHA) to support their services and programs to over 1.3 million Canadians.

We continued our long-time sponsorship of children's hospital foundations in 2021, with \$80,000 in monetary and in-kind donations. We sponsored the Caring for Kids Radiothon at the Montreal Children's Hospital for the 16th consecutive year and we were a presenting sponsor in the 100 Hours for the Kids Radiothon for the IWK Hospital Foundation in Halifax. The money raised at both events went to hospital research, patient care programs, infrastructure improvements, surgical equipment and supplies, including wireless smart beds and side rails.

## Supporting Vulnerable Communities

Every year, we donate mattresses and sleep solutions, including blankets, frames, pillows and sheets to communities in need. In 2021, we reached over 71 charities, including hospitals, women's shelters and charities dedicated to helping homeless and impoverished people. Our support to 15 shelters across Canada reached 230 families with 160 mattresses and 600 sleep solutions donations.

We also partnered with World Vision Canada to send \$190,000 worth of sleep solutions to approximately 275 families in need after a major earthquake and subsequent flooding devastated Petit-Trou-de-Nippes, Haiti in August 2021.

## Empowering Indigenous People

Almost 600 mattresses went to First Nations families in Saskatchewan through a five-way partnership with the Indigenous Christian Fellowship, Eagle Heart Centre, Gathering Place through the Regina Treaty/Status Indian Services and Prairie Spirit Connections. Many of the recipients struggled with housing after moving from their communities to larger urban areas.



### Improving Challenging Conditions During COVID-19

Our giving program has helped at-risk and vulnerable communities impacted by the COVID-19 pandemic with safe and secure sleeping environments. Our commitment to donate up to \$1.7 million worth of mattresses and sleep essentials helped improve the challenging conditions faced by homeless shelters, community living programs and other organizations under severe strain. We also helped hospitals and care facilities establish temporary rest and sleeping arrangements for frontline medical personnel. Through Endy's Healthcare Heroes Giving Campaign, we donated over 300 mattresses to more than 80 hospital call rooms across Canada.

**\$875,000+**

Cash and in-kind donations invested into communities

**71+**

Charitable and non-profit organizations supported

**We fund, support and partner with local organizations to contribute to the health and wellbeing of communities. From coast to coast, these are just some of the local organizations we donated to in 2021.**

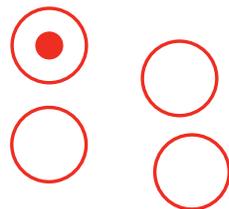
**Families in Crisis, British Columbia –**

Helped families impacted by flooding with sleep solutions.



**First Nations Families, Saskatchewan –**

Contributed almost 600 mattresses through a five-way partnership with the Indigenous Christian Fellowship, Eagle Heart Centre, Gathering Place through the Regina Treaty/Status Indian Services and Prairie Spirit Connections.



**National Nurses Week, Calgary, Kelowna and Saint-Catharines –**

Donated mattresses and sleep solutions



**Furniture Bank, Toronto –**

Gave 400 additional people a comfortable place to sleep by expanding our partnership to include gently used sleep solutions, such as sheets and pillows.



**Our Mattress Recycling Program continues to grow –**

The used mattresses we collect from our customers are first inspected for quality. Those in good condition are cleaned and donated to charities, helping communities in need. In 2021, we successfully donated over 30,000 mattresses and foundations to Canadians in need.

**Montreal Children's Hospital –**

Sponsored the Kids Radiothon, which raised more than \$1.3 million.



**IWK Hospital Foundation, Halifax –**

Sponsored the 100 Hours for the Kids Radiothon, which raised \$276,000.



## Our Aspirations

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**Climate Impact:** Becoming net zero climate positive by 2040.

**Sustainable Materials:** Encouraging the use of sustainable materials.

**Waste Management:** Minimizing waste by reducing, reusing and recycling materials.

## Alignment with SDGs

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# Earth Well

We are committed to meaningfully and positively supporting environmental sustainability. By reducing our footprint, using resources more efficiently and working with others to tackle these challenges, we can improve our products in a way that promotes and protects the health and wellbeing of our ecosystem.

# Climate Impact

We are focused on decarbonizing our operations in alignment with our goal of becoming net zero climate positive by 2040.



## Improving Building Energy Efficiency

We continued to explore opportunities to decarbonize our operations, focusing on initiatives to improve energy efficiency at our stores and warehouses. We incorporated energy efficiency into our real estate portfolio, including the design of new store prototypes.

For example, in 2021, we launched a pilot initiative at three locations connecting AI enabled technologies to HVAC and lighting equipment at our warehouses and retail locations. The setup includes an analysis module that enables us to collect, report and audit energy use in all our locations. After the initial pilot project, we identified opportunities to optimize heating, cooling and lighting. Once the project fully rolls out in 2022 across our entire network of real estate, we will reduce GHG emissions, improve our energy footprint and save on maintenance fees, as the AI software decreases run-time and lengthens the useful life of our lighting and HVAC equipment.

# Climate Impact

## Electrifying our Transportation Fleet

Improving the fuel consumption of our fleet is an important priority for us, given the sizable opportunity to reduce emissions associated with distribution and logistics activities. In 2021, we started testing more effective and fuel-efficient approaches for white-glove deliveries, store transfers and eCommerce parcel deliveries. As part of an initial pilot in 2021, we completed a test of all warehouse to store transfers over a six month period in one of our regions. This pilot project allowed us to reduce fuel cost by 32.3% and cut our total CO<sub>2</sub> emissions by 55.9% by switching from using a 5 ton cube truck to a 2.5 ton 16 foot van. We have subsequently started rolling out this process to other regions in 2022. Given the success of this initial pilot around store transfers, as part of our fleet replacement strategy, we plan to switch out a portion of our 5 ton cube trucks to vans—which is expected to cut our emissions on our store transfer activity by at least half.

As part of our continuous improvements we will investigate the efficiency of using electric vehicles to complete home deliveries as well as warehouse and store transfers. In the years to follow, we will continue to drive efficiencies across our entire network and find new ways of transporting more goods while consuming less energy.

Our drop ship program allows us to offer our customers with more products while reducing our carbon footprint – our suppliers ship products directly to our customers, eliminating the transportation to and from our warehouses and retail network. This avoids additional carbon emissions from the transportation that would have been incurred if the products had to initially go to our warehouses and store network rather than directly to our customers.



## Diverting Waste from Landfills

Emissions from the disposal of our products can be an important indirect part of our carbon footprint. To proactively address the possible impacts, we are reducing the waste we send to landfills through several innovative mattresses donation and recycling programs. For over a decade, our comprehensive Mattress Recycling Program has helped our customers dispose of their old mattresses responsibly. Once collected, we evaluate old mattresses and based on their condition, we either recycle them or clean, sanitize and donate them. In 2021, we diverted over 165,000 mattresses and foundation units from landfills through donation or recycling.

## Sustainable Materials

We work with our suppliers and strategic partners to encourage the use of sustainable materials, while helping them reduce their impacts and use resources more efficiently.

We are focused on promoting and selling environmentally and socially responsible products. Currently, 91% of the Company's mattresses and foundations have sustainable materials.

### Chemical Free

Many of our sleep products are now being aligned to the OEKO-TEX certification to demonstrate that the textiles and fabrics are free of volatile organic compounds and don't cause allergic reactions indoors. Examples of products we carry that are OEKO-TEX certified include Sleepout's blackout curtains, Simba's mattresses and Casper's Foam Pillow.

### No Ozone-Depleting Substances

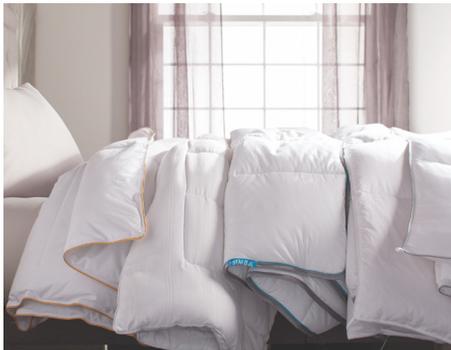
Many of our suppliers use mattress foam that is certified by CertiPUR-US, which means the foam is made without ozone depleters, flame retardants, mercury, lead and other heavy metals, formaldehyde, phthalates and low VOC emissions. Examples of products we carry that are CertiPUR-US certified include our private brand Bloom, the Endy, Purple and Casper mattresses as well as the Endy and Casper pillows.





**Organic Materials**

Organic certifications typically used in cotton products are grown according to strict guidelines, limiting the use of petroleum-based fertilizers, pesticides and synthetic products. Examples of products we carry that are made of organic materials include the Endy sheets, the Endy pillowcases and the Endy Duvet Cover.



**Plant-based**

We offer products that are GOTS and/or GOLS certified. This means the organic status of the textile/latex is ensured, from harvesting the raw materials, through environmentally and socially responsible manufacturing up to labeling. Examples of products we carry that are GOTS and/or GOLS certified include the Endy Sheets, PUR organic cotton, pillowcases, sheets, duvet covers and the foam in some of our mattresses, which are made of sustainable soy.

**Recycled Metals**

Most of our pocket coils contain recycled steel, a good choice since they maintain their strength and durability and limit metal production through this reuse approach. Examples of products we carry containing recycled steel include the Beautyrest Unity Tide Mattress and Beautyrest Unity Lux Ocean Mattress.

**Sustainable Wood**

Many of our boxsprings comply with Forest Stewardship Council (FSC) Chain of Custody (CoC) certificates, which means they are made from timber that has been harvested responsibly from well-managed forests. These forests are continuously replenished to ensure there is no damage to the surrounding native flora and fauna.



**Repurposed Ocean Plastics**

We are proud to partner with Simmons and support their use of Seaqual™ Sustainable Panel Fabric. Each mattress featuring high-quality Seaqual™ Sustainable Panel Fabric contains up to 50 recycled plastic bottles recovered from the ocean. In addition, Casper offers sustainably developed mattress covers. Each Casper mattress cover contains up to 45 recycled water bottles that have gone through a rigorous process to be converted into polyester yarns. Our focus on innovating through sustainable products will ensure we continue to help our planet, while delivering our customers the best products to aid in their best night's sleep.

# Waste Management

Minimizing waste helps us reduce our environmental footprint and improve efficiency, while protecting limited natural resources. This fits in perfectly with our circular economy approach.

**165,000+**

**Mattresses diverted from landfills from recycling or donation programs**

**80%+**

**Materials recovered from mattresses**

## Ensuring Sustainable Product Designs

We continue to work with our suppliers to understand how they use sustainable products and materials to enable their long-term recyclability. In 2021, meetings with our suppliers revealed that a majority of mattresses and foundations had sustainably sourced materials. Many of these materials have third-party certifications, such as CertiPUR-US and/or OEKO-TEX, non-toxic materials, Seaqual and organic cotton, which have also been designed for appropriate disassembly, reuse and recycling.

Coming in 2022 to our retail network is the Simba Green (Organic 3000) mattress, which is both organic and sustainable using the highest quality, ethically sourced organic components. Additionally, the organic components are GOLS and GOTS certified. The whole mattress and its packaging is Global Recycling Standard ("GRS") certified and 100% recyclable so the customers can be confident that it will not go into landfill or cause damage to the environment.

## Optimizing Packaging

When we deliver new mattresses, we also retrieve all the packing materials, which includes plastics and corrugate. These materials, which would otherwise

go to a landfill, are instead recycled through our national recycling and stewardship programs.

Two years ago, we began working with RecycleSmart, a third-party that consolidates waste and manages recycling at all our retail sites and warehouses across Canada. Through this project, compactor monitoring systems and wireless bin sensors were set up in high-volume locations to gather data and complete a volume analysis. As a result of this project, we now have verifiable data that allows us to track waste management, including which items go to recycling and which go to landfill. In 2021, we conducted waste audits at three of our warehouses, enabling us to develop a waste diversion plan for plastics and corrugated waste which has led to a higher diversion rate at our facilities.

## Recycling Products

Over the past few years, we have continued to improve the effectiveness of our mattress recycling practices. We also have an approved list of suppliers that we use to donate or recycle electronics as we modernize our operations. Electronics recycling can include computers, monitors and technology devices.



### Recycling Mattresses

When recycled, our recycling partners across Canada dismantle our mattresses, heat treat them to destroy bed bugs and eggs and then reuse the components. Today, more than 80% of the components are recovered. The materials that can't be reused can go back into other products. For instance, wood is chipped to be used as garden mulch or biofuel. Cotton and felt gets used in insulation. Quilting and foam becomes carpet underlay and metal is sold to steel companies and reused. In 2021, over 135,000 of our products were recycled into other products, breathing new life into them and giving back to our planet by avoiding landfills. In 2022, we are focused on finding uses for all components of the mattress and improving the recovery component rate (from more than 80%) through continued innovation. We are very proud of our recycling program, which has been in place for over a decade and has helped avoid landfills and emissions, while extending the product life-cycle and helping families in need.

## Our Aspirations

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**Good Governance:** Ensure ESG accountability, risk management and performance.

**Ethics and Compliance:** Adhere to the highest standards of ethics and build stakeholder trust.



## Alignment with SDGs

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# Govern Well

Living the principles in our Code of Conduct requires us to approach every decision with empathy, integrity and a customer-centric mindset.

From our associates on the frontlines, our operations teams in our warehouses, to our support teams in our stores and offices, we expect all associates to have the best interests of our customers and colleagues at the heart of everything they do.

# Governance and Accountability

We promote a culture of sustainability, awareness and engagement by ensuring ESG accountability, risk management and performance of our ESG strategy are embedded at the right levels of our organization.

## Ensuring ESG Accountability

Clear systems of governance underpin our approach to ensuring ESG is embedded at the right levels of our organization. Our Board provides oversight on our ESG strategy and ambitions and material risks to our business from a strategic, financial and reputational standpoint.

Our strong governance standards form the foundation of our ethics and compliance systems and they are underpinned by our core values and dedicated accountability for ESG matters. Senior management's responsibilities for ESG include setting the priorities and ambitions, identifying, reviewing and reporting on key risks and opportunities and embedding a strong culture of ethics, compliance and integrity across our organization.

Our Chief Financial Officer ("CFO") is our ESG executive sponsor, supported by multi-functional Environmental and Social Steering Committees. Together, we are creating a culture of sustainability awareness and engagement by sharing our ESG ambitions with our associates and incorporating them throughout our organization with active collaboration and participation.

In 2021, we formalized our ESG strategy, set up steering committees to lead our environmental and social strategies and aligned our progress with performance incentives. Our ESG priorities, including the respective initiatives, targets and plans, were reviewed by the Board and are now being deployed across the business.

## Managing Risks

Our governance standards form the foundation of our systems and proactively identifies and addresses emerging and existing risks facing our business. ESG related risks and opportunities are typically identified through our internal audit teams as part of the broader enterprise risk management framework.

Over the past year, we identified and put in place robust measures to address key ESG risks impacting our business; these included talent attraction and retention, supply chain resilience, pandemics and infectious diseases, cyber security, changing consumer behaviours and reputation. On a regular basis, the internal audit team communicates the risks to the executive team and the Board, who provides oversight on our risk mitigation measures.

## Reviewing Performance

With the launch of our recent ESG strategy, we plan to conduct regular performance reviews through our Environmental and Social Steering Committees. We have ongoing management team meetings to follow-up on our key initiatives. Progress is now being reported at the executive and Board level and will be communicated to our stakeholders through our corporate communication channels.



# Ethics and Compliance

We adhere to the highest standards of ethics, compliance and integrity in everything we do and extend our expectations to those who work on our behalf and with whom we partner.



**100%**

**Acceptance by associates of the new Code of Conduct with integrated ESG**

**100%**

**Suppliers and strategic partners signed off on Supplier Code of Conduct**

## Refreshing our Code of Conduct

In 2021, we began integrating our ESG priorities into our Code of Conduct, which was formally approved by our Board in September 2021. We updated the measures we use to track and report incidents of potential code violations and began creating programs to improve awareness and training.

All associates sign-off on the Code of Conduct annually. Throughout 2021, we tested new tracking and reporting measures to refine the Code of Conduct. Our new procedure has HR reporting to the Audit Committee, who then reports to the Board. Throughout the year, as our people became more familiar with our renewed expectations, Code of Conduct infractions continued to decline.

To access the Company's new Code of Conduct, please visit the Investor Relations section of the Company's website.

## Ensuring Third Party Compliance

In 2021, our Supplier Code of Conduct was also refreshed to clarify our expectations of third parties working for or on our behalf. We want to ensure they maintain good environmental stewardship and offer fair working conditions at reasonable wages with no discrimination, harassment or forced labour. We started engaging

our suppliers on updates to our compliance process and began vetting third party providers to conduct spot checks of our suppliers in highly exposed countries so that we can identify and address possible risks.

To access the Company's new Supplier Code of Conduct, please visit the Investor Relations section of the Company's website.

## Strengthening our Cyber Security

In 2021, we focused on setting up the frameworks necessary to ensure strong cyber security in protecting our systems, networks, programs and data. We updated our information security policy, which covers roles and responsibilities, reporting policies and multiple use management policies.

After establishing our policies, we began implementing an Information Security Management System ("ISMS") closely modeled after the ISO 27002 standard, which provides guidance for organizational information security standards and best practices. We are working across the Company to continue on the path of strengthening our cyber security risk posture.

# About This Report

## Our Approach and Scope

The scope of information covered in this report relates to our operations in Canada during the 2021 calendar year, unless otherwise noted.

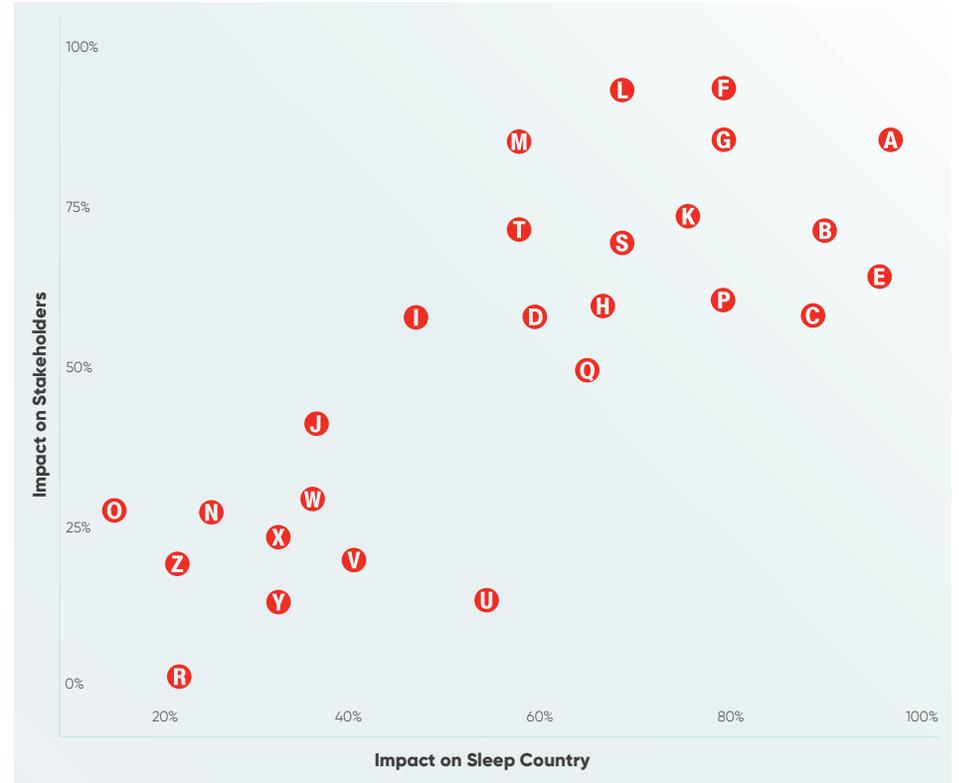
## Reporting Standards and Assurance

This report has been prepared in alignment with the Global Reporting Initiative (“GRI”) Standards and the Sustainability Accounting Standards. The GRI is an independent institution that provides a standard framework for sustainability reporting across companies and industries. The data in this report has not been third-party assured. We are dedicated to continuously improving our ESG reporting and believe that independent assurance leads to quality and process improvements. We will endeavour to work towards assurance in future years.

## Setting the Right Priorities

We apply the principles of materiality and stakeholder inclusiveness to prioritize the topics that matter most to our business and our stakeholders. This helps us focus our strategic priorities, refine our reporting and inform the evolution of our sustainability programs.

In 2021, we received input from our internal teams to understand the ESG topics that most influence their decisions or perspectives of Sleep Country. The most important topics are plotted on our prioritization matrix and covered in this report.



### People Management

- A Engaged Associates
- B Diversity
- C Health & Safety
- D Talent Development

### Responsible Sourcing and Products

- E Customer Experience
- F Materials
- G Sustainable Products
- H Labelling
- I Sustainable Procurement
- J Human Rights

### Environmental Stewardship

- K Environmental Compliance
- L Climate
- M Waste
- N Water
- O Biodiversity

### Socio-Economic Development

- P Community
- Q Socio-Economic Impact
- R Indigenous Relations

### Corporate Governance

- S Ethics
- T Corporate Governance
- U Cyber Security
- V Tax Transparency
- W Anti-Corruption
- X Public Policy
- Y Privacy
- Z Anti-Competition



# Performance Data

# Performance Data

Topic	Metric	2021
<b>Environment</b>		
<b>Environmental Compliance</b>		
Incidents of environmental regulation non-compliance	Number	0
Total monetary value of environmental non-compliance fines	Canadian dollars	\$-
<b>Social</b>		
<b>Employees</b>		
Total number of employees	Number	1500+
Average hours of training per year per employee	Hours	34,000+
Associate engagement (survey response rate)	Percentage	79%
<b>Health and Safety</b>		
Hours engaged in health and safety compliance activities	Hours	5200+
<b>Community</b>		
Cash and in-kind community donations	Canadian dollars	\$875,000
<b>Governance</b>		
<b>Board of Directors</b>		
Board members	Number	9
Board diversity	Percentage	25%
Women on the Board	Percentage	37.5%
Independent directors	Number	8
<b>Ethics and Integrity</b>		
Employees acknowledging the Code of Conduct	Percentage	100%
Incidents of corruption	Number	0
<b>Ethical Sourcing</b>		
Suppliers signing Supplier Code of Conduct	Percentage	100%

# Forward-looking Statements

This ESG report contains forward-looking information and forward-looking statements which reflect the current view of management with respect to the Company's objectives, plans, goals, strategies, outlook, results of operations, financial and operating performance, prospects and opportunities. Wherever used, the words "may", "will", "anticipate", "intend", "estimate", "expect", "plan", "believe" and similar expressions identify forward-looking information and forward-looking statements. Forward-looking information and forward-looking statements should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indicators of whether, or the times at which, such events, performance or results will be achieved. All of the information in this ESG report containing forward-looking information or forward-looking statements is qualified by these cautionary statements.

Forward-looking information and forward-looking statements are based on information available to management at the time they are made, underlying estimates, opinions and assumptions made by management and management's current good faith belief with respect to future strategies, prospects, events, performance and results, and are subject to inherent risks and uncertainties surrounding future expectations generally. Such risks and uncertainties include, but are not limited to, those described in the Company's 2021 annual information form (the "AIF") filed on March 3, 2022. A copy of the AIF can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be less significant may also adversely affect the Company.

# Sleep Well. Stay Well.™

**SleepCountry**

**DORMEZ-VOUS?**

**ENDY**

Hush.

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