

Connecting Well

2022 Environmental, Social and Governance Report



SleepCountry

At Sleep Country, we know the importance of being connected. We're connected to our customers, our people and our planet. These connections keep us focused on what's most important when it comes to our commitment to well-being for all.



There is so much to consider for us as a retail business, from our inbound to final mile delivery, our distribution, our store locations, our packaging and even the type of lighting we use. We need to understand our current state and use that to inform our journey."

~ Christine Magee, Chair of the Board



We are committed to integrating into the communities we operate in. In 2022, we donated over 33,000 mattresses and diverted over 125,000 beds from landfills through recycling throughout the country. In addition, we donated over \$720,000 worth of sleep essentials to help families displaced by the devastation in Ukraine."

~ Stewart Schaefer, President and CEO

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About This Report

Our Approach and Scope

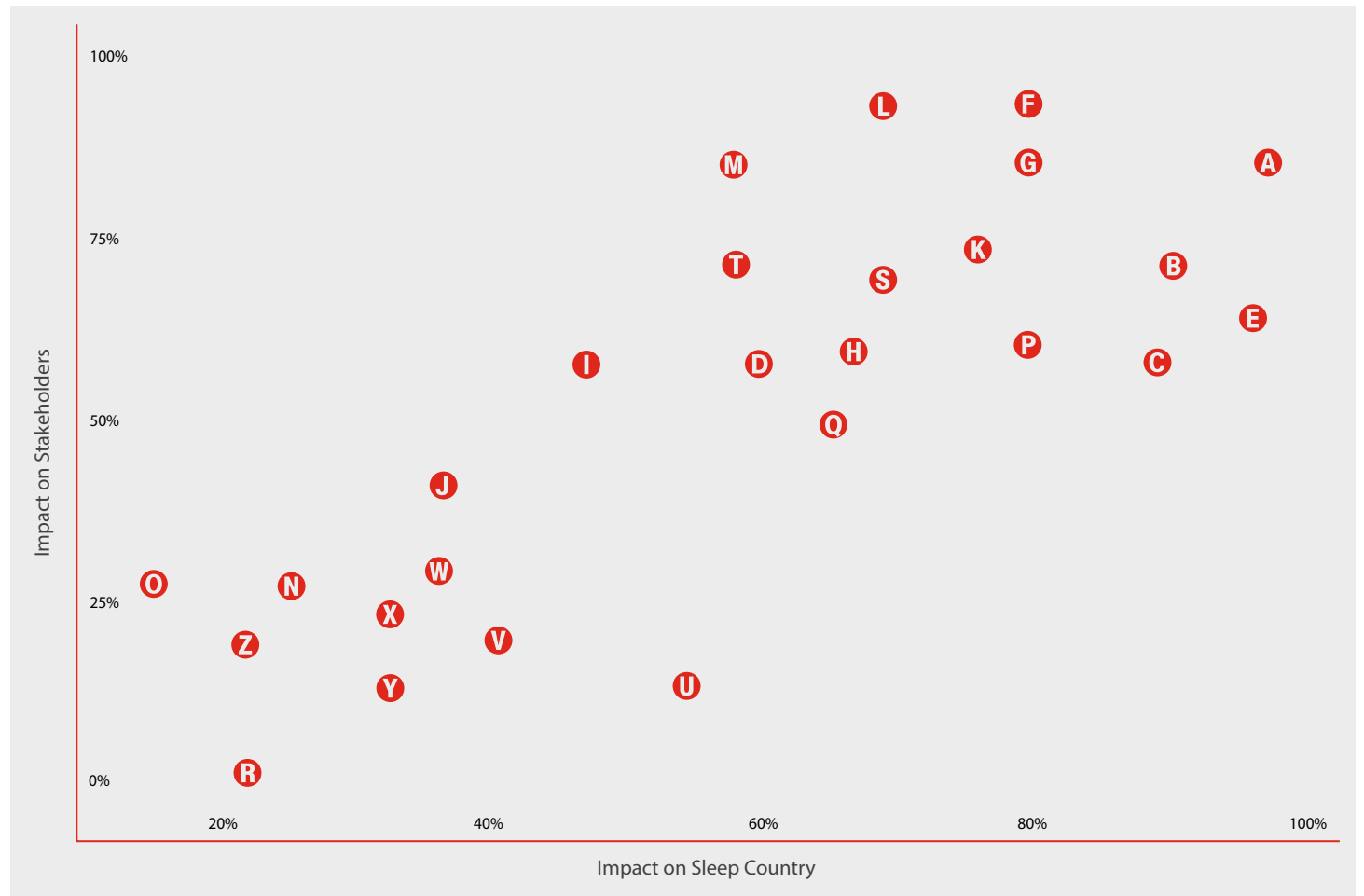
The scope of information covered in this report relates to our operations in Canada during the 2022 calendar year, unless otherwise noted. All currency is in Canadian dollars, unless otherwise noted. The Company's fiscal year-end is December 31.

Reporting Standards and Assurance

This report has been prepared in alignment with the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB) – Multiline Specialty Retailers and Distributors. 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 continually improving our environmental, social and governance (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 2022, we received input from our internal teams to understand the ESG topics that most influence their decisions or perspectives of Sleep Country (the **Company**). 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 Cybersecurity
- V Tax Transparency
- W Anti-Corruption
- X Public Policy
- Y Privacy
- Z Anti-Competition

A Message from Our Chair

In 2021, we took the ambitious step of formalizing our commitment to ESG and confirming it as an integral part of our corporate culture. Aligning our activities with actions to reduce our carbon footprint, solidify our commitment to our stakeholders and strengthen our corporate governance will advance our position as a purpose-driven organization.

Our new way of working

In April 2022, we officially launched our return to the office plan. Then, in late May, we began welcoming our teams back into the office with a new hybrid working model based on corporate associates coming in two days a week.

We believe that a mix of working from home and working on-site helps employees find a work-life balance that accommodates their individual needs. While we want to be flexible and responsive, we also want to foster an environment that supports collaboration, creativity, innovation and organizational improvement while building on Sleep Country's unique culture.

Focused on diversity, equity and inclusion

Drawing on nearly three decades of experience, Sleep Country is taking the initiative to structure and inform how we continue to build a company that is responsive to the ever-changing dynamics of our world.

Through our Associate Inclusion Meeting (**AIM**) groups, we both support and acknowledge the impressive diversity of people that come together to create a culture that is all ours and continue to deepen our commitment to equity, diversity, inclusion and belonging (**EDI&B**). We've also been taking steps to bring equality into the equation. From our board level to our associates,

we are working towards gender equality as well as identifying opportunities to increase diversity in our workforce. We are excited about what the future holds for all current and future Sleep Country associates, ensuring our team is reflective of the communities and incredible customers that we serve.

Achieving net-zero

It's an ambitious goal that we have set for ourselves, but we are up for the challenge. To start, we must properly understand our current baseline. There is so much to consider for us as a retail business, from our inbound delivery to final mile, our distribution, our store locations, our packaging and even the type of lighting we use. We need to understand our current state and use that to inform our journey. We must understand the size of our carbon footprint so we can look at our impact and decide how to act.

As we continue to expand, we will take a more global view of our suppliers and how their work for us impacts the climate and environment. We need to ensure that the products coming from our suppliers are environmentally friendly and that our products are ethically sourced. We have the confidence in our management teams to give them the latitude required to get things done and achieve our goals.

Managing risk

From a governance standpoint, we must consider our Company's potential risks. The economy has been challenging over the past year with inflation, rising interest rates and impacts to our supply chain.

As a modern retailer, we must also be concerned with the risks associated with cybersecurity. It's a subject we continue to address through investment, and in 2022 we added a new third-party external assessment of our cybersecurity posture that constantly monitors and rates our position.

In closing, I thank all our stakeholders for their ongoing support of our products, work and initiatives.

Sleep well. Stay well.



Christine Magee
Chair of the Board



Sleep Country is taking the initiative to structure and inform how we continue to build a company that is responsive to the ever-changing dynamics of our world."



A Message from Our President and CEO

I'm excited to bring you Sleep Country's 2022 ESG Report. Before I get into all our fantastic accomplishments, I want to take this opportunity to extend a sincere thank you to our dedicated team.

The extraordinary commitment shown by our people is a testament to the kind of culture we are working to achieve. While the worst of the pandemic appeared to be behind us, we still dealt with many challenges. Inflation continued to be a significant concern, and ongoing supply chain disruptions continued to be felt across retail in 2022. Regardless, the extraordinary commitment shown by our people is a testament to the dedication and culture we have built.

Bringing good sleep to all

2022 saw us bring our revolutionary sleep solutions to more Canadians. Through an expanded network of stores, brands and our newly launched sleep app, All for Sleep, we provided sleep solutions to improve people's health through a better night's sleep. We invested in our ecosystem, further expanding our distribution channels with the launch of Sleep Country/Dormez-vous online stores on the Loblaw Marketplace, adding four net new full service retail stores, and seven Sleep Country/Dormez-vous Express stores in Walmart locations nationwide – growing our total store count for the Express stores to 17 at the end of 2022.

In the fall, we opened our first-ever pop-up retail experience for our Hush banner at Yorkdale Shopping Centre in Toronto, bringing its popular online sleep brand to life. And in early 2023, we welcomed Silk & Snow into the family fold, expanding our premium array of mattress and sleep accessories with this rapidly growing direct-to-consumer sleep company.

Wide awake on the environment and community

To help reach our goal of net-zero emissions by 2040, we partnered with BrainBox AI – a pioneer in autonomous artificial intelligence – to install its climate technology solution in our stores. This ground-breaking technology is reducing our carbon footprint by taming the biggest energy culprit – HVAC (heating, ventilation and air conditioning) systems.

It isn't just the environment that has our attention. We continue to support community initiatives by helping to foster good sleep for those in need while also doing our part to reduce waste. In 2022, we donated over 33,000 refurbished mattresses and diverted over 125,000 beds from landfills through recycling throughout the country. We provided over \$720,000 worth of sleep essentials to help families arriving in Canada who were displaced by the devastation in Ukraine. And once again we championed World Sleep Day and supported the Canadian Mental Health Association (**CMHA**) with a donation of \$100,000 to enable better sleep and well-being for all. We also partnered with CMHA and made another donation of \$100,000 over the Back to School season to reinforce the importance of sleep on children's mental health in preparation for the school year. This list includes just some of the contributions we have made during 2022. As you will see later in this report, we are dedicated to doing our part to provide good sleep for Canadians coast to coast.

It's all about our people

Where would we be without the outstanding individuals who make up the core of our culture? Our incredible team is at the heart of making us the leader in sleep solutions. And we've been recognized for our efforts, too. We were lauded as one of Canada's Most Admired Corporate Cultures in 2022, and our Endy banner was recognized for the fourth consecutive year as a Great Place to Work. I am immensely proud to see our values come to life and am committed to continuing our EDI&B journey to ensure a safe, diverse and inclusive culture.

Into the future

With all our fantastic work over the decades, I am constantly looking forward to the future. We accomplished great things in 2022, and I am excited to see what else we can achieve in 2023. We will continue working hard towards our net-zero GHG goal, expanding our network with BrainBox AI and finding innovative ways to increase our recycling efforts.

I look forward to sharing more good news in the future.

Sleep well. Stay well.



Stewart Schaefer
President and CEO



Our incredible team is at the heart of making us the leader in sleep solutions."



Who We Are

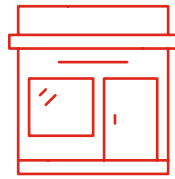
Purpose: to transform lives by awakening Canadians to the power of sleep

Vision: to champion sleep as the key to healthier, happier lives

About Sleep Country

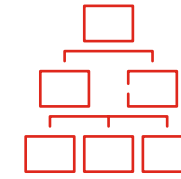
With our highly differentiated model of service, unmatched sleep ecosystem and expertise, and superior brand trust and commitment to world-class customer experience, we strive to transform lives through sleep. Starting in 1994 with four storefronts, we have grown to become Canada's leading specialty sleep retailer with a national retail store network and multiple robust e-commerce platforms.

As of December 31, 2022, the Company had 289 corporate-owned stores and 20 warehouses across Canada. Sleep Country Holdings Inc. (**Sleep Country**) operates under retail banners: "Sleep Country," 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 in Q4 2021 "Hush," one of Canada's fastest-growing digital retailers.



289

Stores



6

Retail Banners¹



20

Distribution Centres



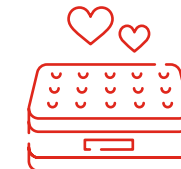
1,600+

Associates



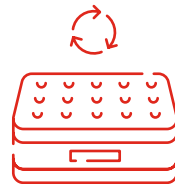
1,100+

Sleep Experts²



33,000+

Mattresses Donated



125,000+

Mattresses Recycled



\$1.2M

Total value of donations for 2022 (of which \$308K was monetary and 904K represented the retail value of all product donations made)

¹ This figure reflects the acquisition of Silk & Snow completed subsequent to year-end on January 4, 2023, and the acquisition of the Canadian operations of Casper Sleep Inc. completed subsequent to year-end on April 14, 2023.

² Our Sleep Experts have a comprehensive understanding of sleep and in-depth product knowledge to help our customers find personalized solutions for their best sleep. All of our Sleep Experts attend extensive training sessions that delve into the science and statistics of the importance of sleep, including gaining an in-depth understanding of the sleep cycle and that vital key to every good night's sleep: the right mattress and pillows to ensure complete spinal alignment and neck support.



Our Approach

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

Our four key pillars – *Sleep Well*, *People Well*, *Earth Well* and *Govern Well* – are a reflection of what drives us as an organization.

Within each pillar, we identified our strategic priorities and aspirations with a careful assessment of their importance to our stakeholders. This report provides an overview of the progress we have made in 2022.

Our Strategic Pillars

We have four strategic pillars that focus on wellness and work to support our overall ESG program. By setting priorities and goals, Sleep Country has developed our pillars based on organizational priorities and how we can drive initiatives to support key areas of focus:



Sleep Well

This pillar focuses on product innovation, an outstanding customer experience and overall sleep well-being. Our goal is to awaken Canadians to the health and wellness benefits of a good night's sleep by providing world-class sleep solutions and expert advice, whether in person or online, and championing the power of sleep.

People Well

We have a compelling associate value proposition that promotes EDI&B, overall health and safety and a caring community. We aim to recruit and retain talented people and empower them to succeed within an open and respectful workplace where everyone feels they belong and feels safe. By providing the right environment within our Company, we can come together to give back to our communities and provide impactful customer service.

Earth Well

We understand the importance of climate change – aiming to achieve net-zero by 2040 – and continue to be focused on positively impacting the environment by sourcing responsibly made products and applying conscientious waste management. By using resources more efficiently, we can reduce our carbon footprint to help protect our ecosystem.

Govern Well

While we must live by the principles of our Code of Conduct, good governance requires us to look carefully at every decision we make. Good governance also ensures we are accountable by embedding ESG in our strategy, risk management and compliance and adhering to the highest standards of ethics while building stakeholder trust.

Our Values

In 2022, we refreshed our values, which better reflect our beliefs and attitudes, to guide us in everything we do.

Our goal is to represent our evolving culture, what we believe is important and that we want to be seen as a caring corporate culture. Ultimately, our values reflect what we think of in our work as we bring our purpose and vision to life every day:

WE care about people

We listen carefully, respond thoughtfully and are dedicated to supporting one another. We show respect, empathy and kindness to those around us, making us a caring company that promotes well-being for all.

WE win together

We believe in the power of people coming together to achieve greatness. We will do amazing things by working as a team and sharing our ideas through collaboration. We are fostering an inclusive workplace where everyone feels they belong.

WE dream big

We have a clear vision of where we are going and how we will get there. We are inspired by the power of purpose and team collaboration. We are always looking ahead with positivity and inspiration, and we're always looking for new ways to meet and exceed our customers' expectations.

WE deliver with excellence

We are passionate about all that we do, and we are constantly striving to be the best that we can be. We are always open to input and feedback and always looking for ways to improve and be better. We set high standards and work to improve consistently. We always seek ways to set ourselves apart and reinforce our commitment to excellence.








These values build on our foundation and support our work, setting us up for continued success now and into the future.





Supporting the UN Sustainable Development Goals

In 2015, the United Nations introduced a series of 17 Sustainable Development Goals (**SDGs**). These SDGs were created as goals that countries and companies around the globe could use as guides for prosperity, peace and well-being to bring focus and direction to ESG initiatives in the hope of creating a better world by 2030. Sleep Country contributes to several of the SDGs through the following commitments and initiatives.

SDG	SDG Sub-target	Our Impact
Sleep Well		
	12.2 Achieve sustainable management and efficient use of natural resources.	By striving to use responsibly made materials where possible for our products and actively reusing and recycling old mattresses, we are helping more Canadians sleep well.
People Well		
	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.	The health and well-being of our associates are paramount, so we provide extended health benefits, including dental, prescription drugs and vision care. We also contribute to their fitness programs and classes to offer a complete wellness package.
	5.1 End all forms of discrimination against all women and girls everywhere. 5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	We strongly believe in EDI&B and actively work to build a workplace that’s not only welcoming but provides equity and opportunities regardless of gender identity, ethnicity or ability.
	8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Providing meaningful and fulfilling work is critical to keeping our associates engaged and providing the customer-centric service that drives our business.
Earth Well		
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	We are actively working with our suppliers on a roadmap with an outcome of using sustainable materials in our product lines, and we minimize waste by reducing, reusing and recycling as much as possible.
	13.2 Integrate climate change measures into national policies, strategies and planning.	We take the climate seriously, and to that end, we are working to reduce our carbon footprint, becoming net-zero by 2040.
Govern Well		
	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.	By prioritizing the ESG goals most important to our people, we can inform and execute our strategic ESG initiatives more effectively.



2022 ESG Performance Summary

Sleep Well

1.1M+

new in-person touchpoints created for customers to work directly with our Sleep Experts, improving their overall quality of sleep

14.3%

three-year compounded annual growth rate (CAGR) from 2019 to 2022 of accessories revenue

Launched our All for Sleep mobile app, giving users access to tools to help improve their sleep habits and well-being

People Well

\$1.2M

in donations

\$720,000

worth of sleep solutions to support Ukrainian humanitarian relief efforts

1.7

Total Recordable Incident Rate fell from 2.1 in 2021 to 1.7 in 2022

Expanded our wellness benefits to include a family leave top-up, supplementary parental leave, and an expanded wellness credit

Earth Well

214 stores

with Brainbox AI, resulting in improved HVAC energy efficiency and lower carbon emissions

158,000+ mattresses

diverted from landfills through donations or recycling program

15 tonnes CO₂ emissions

equivalent to the emissions of approximately 4 million km of driving by a standard car (see [page 25](#) of this report)

Govern Well

99%

of associates signed off on the new integrated Code of Conduct

40%

of our executive leadership team are women

100%

of suppliers and strategic partners signed off on the Supplier Code of Conduct

Delivered general IT security awareness to associates and training

Added a new third-party external cyber assessment of our cybersecurity posture that continuously monitors and rates our position





Sleep Well

Helping our customers achieve the best possible sleep each and every night is a vitally important goal for us. Ensuring everyone has the best in sleep products and the best customer experience possible also matters to us. We aim to be the champions for sleep, doing everything we can for our customers to provide both subject matter expertise and a wide assortment of quality sleep products to give them everything they need to sleep well and become their best self. Ultimately, we want to be their number one option for sleep well-being and to help Canadians achieve healthier and happier lives.



SDG Alignment





Expanding Our Impact

To offer the power of a good night's sleep to all Canadians, we continue to expand our reach through in-person and online opportunities. We are also constantly evaluating and integrating new brands to enhance the range of products we can offer to help Canadians achieve better well-being through sleep.

Our Hush Banner Pops Up at Yorkdale

On November 2, 2022, people wandering through the corridors of Yorkdale Shopping Centre in Toronto had the added benefit of visiting our Hush banner pop-up store just in time for the onset of colder weather and the upcoming holiday season. Hush's ice-themed store featured an experiential sensory Hush Room for customers to immerse themselves in Hush's wide range of sleep-improvement products. Customers could touch and feel all of Hush's products, from its popular weighted classic blanket, new eco-pillow, weighted robe and black-out eye mask, to its newly launched Hush Knit Blanket and Hush Iced Hybrid Mattress. The in-store experience also included reclining chairs for testing weighted blankets and an on-site embroidery service to personalize purchased products.

Our Express Stores Continued to Expand within Canada

In 2022, we were thrilled to bring Canadians even more opportunities to achieve a great night's sleep by expanding our pilot program by opening an additional seven new Sleep Country/Dormez-vous Express stores, for a total of 17 stores in Walmart Supercentres. These innovative in-store locations represent an essential part of our sleep ecosystem and multi-channel strategy to bring the power of positive sleep to more Canadians through exceptional products, sleep expertise and service.

Staffed by our Sleep Experts, the seven new Sleep Country/Dormez-vous Express locations have an average footprint of 700 square feet, a substantial increase in size from the initial 10 stores, which averaged 500 square feet. The larger footprint offers an expanded selection of pillows, sleep accessories and mattresses. We include a well-curated assortment of bed-in-a-box mattresses, conveniently ready for purchase and carryout, and traditional mattresses delivered with the Company's green-glove service.

The Ontario roll-out started at the end of September with the opening in Scarborough and a new location in Bolton. In November, the nationwide expansion began in Western Canada with Sleep Country Express stores in Saskatoon, Lethbridge, Calgary, Edmonton and Duncan.



Welcoming Silk & Snow to the Sleep Country Family

This ground-breaking new brand launched in 2017 with the dream of creating the perfect mattress that could be delivered to your door in one box. Founded by Albert Chow and Kenneth Mo, Silk & Snow launched its single memory foam made-in-Canada mattress following a successful Kickstarter campaign. Five years later, the Company has grown into a one-stop, curated lifestyle brand offering mattresses, furniture, bed essentials and its new bath lineup with an impressive following in Canada and the United States. In 2020, Silk & Snow made Canadian Business' top 10 start-up list of Canada's Fastest Growing Companies and has been ranked one of Canada's top growing companies by the **Globe and Mail** for three consecutive years (2020–2022).

Introducing the Simba Hybrid Green Organic Mattress

In 2022, we were excited to welcome the Simba Green (Organic 3000) mattress to our product lineup. The Simba Hybrid Green Organic Mattress is made from ethically sourced organic components and is 100% recyclable. Customers can be assured that the mattress has minimal environmental impact. Using the highest quality sustainable materials, the Simba Hybrid Green Organic Mattress is breathable, hypoallergenic and non-toxic. The mattress is Global Organic Latex Standard and Global Organic Textile Standard certified, and its packaging is Global Recycling Standard certified.

Customer experience at a glance

1,100+

Sleep Experts served more than 1.1 million customers

\$182M+

in sales through our e-commerce platforms

All for Sleep Mobile App

In July 2022, Sleep Country was excited to introduce our free innovative mobile sleep app, All for Sleep, available for iOS and Android devices. With one in 10 Canadians experiencing insomnia, we knew it was the perfect time to create a unique sleep tool to help Canadians achieve better well-being. The app allows users to perform a sleep evaluation, which helps the user identify a potential sleep disorder as well as evaluating the user's sleep environment. Users can access features such as a sleep tracker and relaxation guides. The app also provides full access to Sleep Country's Sleep Experts, who are ready to help customers create their perfect sleep environment.



World Sleep Day – Giving Canadians the Gift of Good Sleep

As a leader in sleep, we celebrated World Sleep Day to motivate actionable change in sleep and raise awareness about its importance for people’s overall health and well-being.

In 2022, we launched an integrated 360-degree marketing campaign across multiple channels championing the importance and power of sleep. In addition, we partnered with CMHA to reinforce our message about the role of sleep in physical, mental and emotional well-being and made a \$200,000 donation to CMHA for World Sleep Day and a back-to-school campaign that reinforced sleep as an essential school supply. Our World Sleep Day campaign was an overwhelming success, generating 106 million mentions across news outlets and 6.3 million social media mentions.

\$200,000

donated to CMHA





People Well

Many initiatives we undertook in putting together our ESG commitment involved supporting our employees while building a culture of acceptance and inclusivity that would resonate with all our stakeholders. That meant creating an environment that contributes to the development and empowerment of our associates so they can be successful. It meant offering a safe space that builds on our commitment to EDI&B and overall well-being. And it meant helping to build up the communities where we do business through active initiatives and donations to local non-profits and community organizations.



SDG Alignment



A Growing Career with a Growing Company

Dave Cluteman joined Sleep Country in 1996 as a delivery driver and launched a rewarding career.

It wasn't long before Dave was promoted to work as an assistant to the warehouse manager, helping with the scheduling and warehousing of stock. Soon after, he was promoted again to the Toronto Warehouse Distribution Centre Manager and then on to Customer Service as a home inspector before landing in his last role as Maintenance Coordinator for all of Ontario and Western Canada.



There were a lot of opportunities as the Company was just starting out. I was also just starting my own family, so essentially, I grew as the Company did."

As Dave begins his retirement, he reflects back on the good times he's had during his tenure. "Sleep Country has been a very supportive organization throughout my career. The Company offered opportunities for advancement by allowing existing employees to apply for open job positions, providing us with the chance to grow and learn new skills as well as learn about other parts of the business. We also had in-person team meetings, which not only helped build relationships for those of us who spent a lot of time on the road but gave us the opportunity to provide input to new and future developments. It really makes you feel like you provide value to your team."



Dave Cluteman
Maintenance Coordinator,
Ontario and Western Canada



Kathy Higham
Regional Sales Manager
in Manitoba

Diverse Skills and Backgrounds Are Our Competitive Advantage

At Sleep Country, we have an inclusive workplace where everyone is empowered to reach their full potential. The diverse skills and backgrounds of our team are our competitive advantage and critical to our success.



Kathy, a beloved and well-respected retired Regional Sales Manager, was the embodiment of what it means to be a strong leader. She brought with her the perfect blend of integrity, compassion and effective communication to her team. Her many years at Sleep Country were marked by her passion for helping people get a great night's sleep, leading to significant growth in the Manitoba region."

~ Mike Sorley, Director, National Stores Division

We're particularly proud of our female sales associates, who represent a growing proportion of our sales force and are among our highest performers. Like Kathy Higham, Regional Sales Manager in Manitoba, who joined Sleep Country in 2008 and successfully built a career in various progressive roles and opportunities. Kathy noted that her inspiration comes from her desire to help others excel and achieve as much as, if not more than, she has during her career. Just recently retired, Kathy was a valued asset to the Company, and her outstanding years of dedicated service as a member of our team were highly valued.

Committed to EDI&B

Our strong commitment to EDI&B is enabled by our multi-year strategy and roadmap to advance our culture through education, learning, dialogue and meaningful action.

Across our banners, alignment on core values is the framework to drive commitment to inclusion, collaboration, excellence and belonging. Our associates' stories, suggestions and ideas have helped inform our values and bring them to life. They underpin the collective ways of working, reflecting the power of our inclusive culture to our associates, customers and community. Specific behaviours are also attached to each value to further embed and reinforce shared workplace norms.

In 2022, we made extensive progress with our EDI&B strategy through a wide range of initiatives.

AIM Groups Take Flight

When our associates are actively engaged, they feel both seen and heard. Associate Inclusion Meeting (**AIM**) groups help bring feelings of belonging and connection to life.

AIMs are associate-led, voluntary, and focused on race, gender, disability, sexuality or other personally identifying characteristics and experiences. This year, our AIM initiative gained momentum with our four groups:

- **Gender Equity** – supports gender equity and balance in our workplace (male, female, non-binary)
- **Black** – created for our African, Black and Caribbean associates
- **Neurodiversity** – a group for those with different thinking, problem-solving and learning styles
- **South Asian** – providing a welcoming space for our South Asian associates

Membership is open to all associates, including "allies" (those who may not have shared characteristics of the group but want to learn, advocate and support).

We deeply value the lived experience and expertise of our associates and work with our AIM groups and other forums to build programs, events and spaces that are inclusive and representative of everyone.





Learning About Respect and Bias

Learning and development remain a core component in our strategy to drive a more inclusive environment. Our new hires must complete mandatory EDI&B courses as part of their onboarding. Building on this core foundation, various new courses have been added to our growing curriculum including **Respect in the Workplace**, to provide support and address bullying, discrimination and harassment at work.

We also launched **Mitigating Bias to Elevate the Customer Experience** workshops in key areas of the business. These sessions allowed us to come together to explore the concept of unconscious bias, and how to reduce bias to better support our customers and each other. We utilized a “train the trainer” concept during our implementation, preparing in-house facilitators to engage the business in a more personal and bespoke manner and to build more internal advocacy for EDI&B priorities.

Workshops were introduced to provide education on **Workplace Inclusion for Gender and Sexual Diversity** as part of Pride Month and a **First Nations 101 workshop** to support Indigenous History Month.

Our next priority focus will be on allyship. These open dialogue sessions will highlight what being an ally means for those individuals who may not share characteristics or life experiences of a particular group but want to learn, support and advocate for positive change.

Finally, mental health awareness and support continue to be an important priority for us and a core element in driving a respectful workplace. This is highlighted by initiatives like our Mental Health Week, which takes place each year in May to promote mental well-being, as well as ongoing investments in our **Employee Family and Assistance Program (EFAP)** and Inkblot virtual counselling, ensuring associates have access to the most appropriate resources, infrastructure and targeted support.

Self-Directed Learning and Exploration

The focus on learning and exploration continues with the launch of a new virtual EDI&B resource centre. Curated material, articles, and videos will be made available on timely EDI&B topics, leveraging our LinkedIn Learning platform, as well as a range of other resources from organizations such as the Canadian Centre for Diversity and Inclusion (**CCDI**) and the National Centre for Truth and Reconciliation. Our goal is to support associates in their personal learning as it pertains to all aspects of diversity, equity and inclusion, both at work and in life.

The centre will be organized to align with our EDI&B roadmap and key events and in support of our various AIM groups. A variety of resources will also be made available to help leaders embrace their accountability for navigating an increasingly diverse workforce.

EDI&B Training	Sales Associates Trained
Respect in the Workplace	95%
Mitigating Bias	95%

Leadership and Belonging – A Message from Our Endy Brand

At Endy, leadership accountability for EDI&B will be driven through the launch of the 2023 Belonging Moments challenge. Belonging Moments are shared moments and stories that drive workplace awareness and learning towards an inclusive environment for all.

Each Endy leader has been asked to live their commitment to EDI&B by becoming more actively involved and intentional with Belonging Moments. Leaders will share broadly how they professionally or personally relate to moments and commemorative events throughout the year and the impact on their own learning, discovery and advocacy.

Our Endy brand, recognized as one of the Best Workplaces for Women by Great Place to Work, continues to lead our banners, as the majority of its senior executives identify as women.

Commemoration and Spotlight Events

Ensuring an inclusive workplace involves engaging with our associates to reflect, celebrate and learn throughout the year. As a result, we recognize and commemorate a wide array of multicultural and other noteworthy EDI&B events. Over the past year, we supplemented this calendar with special communication plans to memorialize and spotlight a number of particularly significant milestones.

To that end, we have drawn attention and focus to events like Black History Month and International Women's Day, with targeted engagement strategies for our associates to learn more, support change and share their personal stories, all in active partnership with our AIM groups and other organizational stakeholders.



Sleep Country recognized as one of Canada's Most Admired Corporate Cultures by Waterstone Human Capital

Sleep Country received Canada's Most Admired Corporate Cultures Award in 2022, presented by Waterstone Human Capital, a human capital management consulting firm. The award is given annually to recognize best-in-class organizations for having cultures that have helped enhance performance and sustain a competitive advantage. This is an incredible achievement for our Company and demonstrates our commitment to working together to foster a thriving culture that builds on our foundation and 28 years of caring for our customers' sleep needs. Our Endy banner was also recertified by Waterstone in the Emerging Business Category as a Best Workplace for Women and a Best Workplace for Mental Wellness in 2022.

Women in Sales

The diverse skills and backgrounds of our associates continue to be our competitive advantage. We are particularly proud of our female associates, who make up a growing proportion of our retail salesforce and are among our highest performers.

To continue to broaden our workforce, we recently profiled some of our top talent as part of our Women in Sales recruitment campaign, utilizing various job sites and other social media platforms. Highlighting and sharing these unique perspectives has broadened our reach to job seekers, helped strengthen our employer brand, and increased our proportion of female new hires in our salesforce.



81%

Authenticity Score

"I feel comfortable being myself at work"

27%

Increase in number of new female sales associates hired

100%

Senior leaders with an EDI&B objective as part of their 2023 goals and objectives

48%

Women senior leaders in our workforce

23%

Visible minority senior leaders in our workforce

Celebrating our Women in Sales



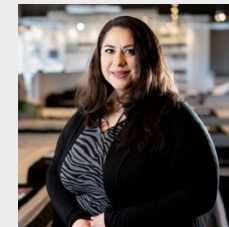
Natalie Authier built her sales career in Ontario with a variety of progressive roles while juggling a busy home and personal life.



Charu Munjal has driven her growth and development by working in several of our stores across the Greater Toronto Area, sharing her vast knowledge of our products with our customers.



Nancy Labranche brings her knowledge and expertise to help customers make the right choice on their path to wellness and a good night's sleep.



Tina Christidis is a regional sales manager in B.C. who prioritizes mentorship and support in order to help others achieve their best and reach their full potential.

Sleep Country Cares

Since we first opened our doors in 1994, it has always been our privilege to give back to the communities where we live and work. Through our Sleep Country Cares Program, we are committed to supporting local charities that focus on helping children and families in need. As a company that embraces diversity and inclusiveness, we work with charitable partners who support people of all ethnic backgrounds, sexual orientation and gender identity. We believe that, together, we can really make a difference!



Giving new Canadians from Ukraine the gift of good sleep

As the war in Ukraine continues, more than 430,000 Ukrainians have fled their homes and come to Canada to try and begin new lives. We wanted to help make these refugees feel more welcome and at home. As a result, in conjunction with other organizations such as the Ukrainian Canadian Congress, the Global Aid Network and Avanev Homes, we donated over \$720,000 worth of mattresses, box springs and sleep accessories, which we hoped would provide a place for these new Canadians to lay their heads for a bit of comfort and peace of mind.



Earth Well

Our planet is our home, and it's our responsibility to ensure that we do everything in our power to reduce our carbon footprint and support environmental stewardship. We also need to work with all our stakeholders to ensure we're doing all we can to reduce waste, encourage the use of responsibly sourced materials in all our products and divert as much as possible from landfill by reducing packaging and recycling mattresses through our community partners. We boldly committed to becoming a net-zero company by 2040. It's an ambitious goal, but through hard work and dedication, we will do what it takes to make this goal a reality. Our current roadmap towards net-zero is a work in progress, but it outlines the various components we need to consider and the groups we need to work with to bring our long-term goal to fruition.

SDG Alignment



11 SUSTAINABLE CITIES AND COMMUNITIES

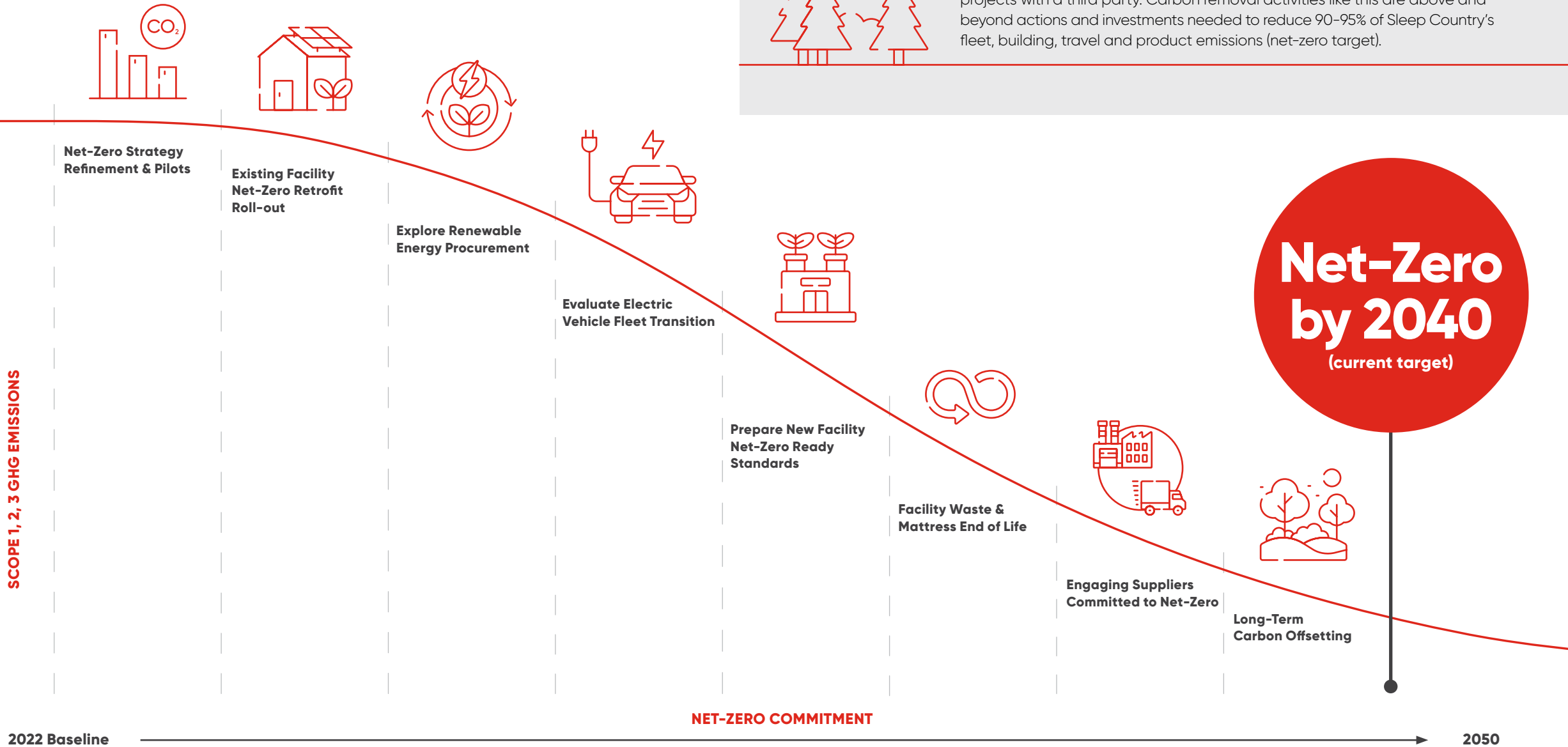


12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION

Roadmap to Net-Zero



Climate Positive

We are exploring nature-based solutions such as tree-planting/reforestation projects with a third party. Carbon removal activities like this are above and beyond actions and investments needed to reduce 90-95% of Sleep Country's fleet, building, travel and product emissions (net-zero target).

Decarbonizing Our Operations Through Energy Efficiency

In 2021, we piloted an innovative program to use artificial intelligence (AI) to help us in our quest to achieve net-zero emissions by 2040. In partnership with BrainBox AI, a pioneer in autonomous AI for the commercial real estate sector, we introduced self-adapting autonomous AI to optimize the most significant energy use in our stores: heating, ventilation and air conditioning (HVAC) systems.

Preceding the roll-out to our retail locations, BrainBox AI completed a pilot at four of our stores to explore the energy and GHG emission reductions that the technology could offer us. BrainBox AI covered approximately 20,000 sq. ft. of space at each pilot store and controlled rooftop unit-based HVAC systems. As a result, we saw an annualized 15% reduction in electricity use from our HVAC equipment, a 19% reduction in HVAC gas consumption, and a 15 tCO₂e reduction in emissions.¹

Once the accomplishments of the pilot were evident, in 2022, we decided to roll out the program across 214 of our store locations, providing us with both significant utility savings and an annual reduction in CO₂ emissions that equates to the emissions of approximately four million kilometres of driving by a standard car.

Fuel Efficiency for Our Fleet

In 2021, we started testing more effective and fuel-efficient approaches for green-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 six months in one of our regions. This pilot project allowed us to reduce fuel costs by 32.3% and cut our total CO₂ emissions by 55.9% by switching from a 5-ton cube truck to a 2.5-ton 16-foot van.

Given the success of this initial pilot, in 2023, we intend to switch out a portion of our 5-ton cube trucks to vans to cut our emissions on our store-transfer activity by an estimated 60%.

Sleep Country and BrainBox AI attend COP27

Sleep Country was honoured to be invited to participate at COP27 this past November. COP27 was the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change in Sharm el-Sheikh, Egypt. As part of the conference, Mary de Guzman, Sleep Country's Director of ESG, participated in a session hosted by ABB, a Swiss-based technology leader specializing in electrification and automation to enable a more sustainable and resource-efficient future.

Decarbonizing the Built Environment: The Role of Internet of Things, Cloud and Artificial Intelligence

focused on how Sleep Country, in conjunction with BrainBox AI, worked to increase efficiency and reduce emissions in HVAC systems throughout Sleep Country building locations. The success of this pilot project in 2021 led to a full-scale introduction of the technology in 214 of 285 – that's 75% of all Sleep Country retail locations.² The remaining stores that have compatible HVAC equipment will be updated in 2023 with the AI-enabled thermostats.



¹ Carbon dioxide equivalent (CO₂e) – a metric measure used to compare emissions from various greenhouse gases by converting amounts of other gases into the equivalent amount of carbon dioxide (CO₂).

² Full year's worth of data to be reported in Q1 of 2024.



Our Mattress Recycling Process

Our recycling partners across Canada dismantle our mattresses, heat treat them to destroy possible bed bugs and eggs, and then reuse the components.

In addition to reducing mattresses to core components for recycling, we also have a robust mattress donation program for mattresses returned to us through our 100 Night Comfort Guarantee. This program lets customers return and replace a mattress within 100 nights if it doesn't suit their needs. Those mattresses are then carefully inspected for any wear, properly cleaned and either re-sold through our [Certified Pre-Owned Model Program](#) or donated to various community groups across Canada, including Western Regional Advocacy Group Society (**WRAGS**) in Richmond, Furniture Bank in Toronto, Salvation Army in Québec City, and the Bissell Centre in Edmonton. This is our way of not only diverting waste from landfill but also supplying families and individuals with the resources they need to achieve a good night's sleep.

158,000+

mattresses diverted from landfill

80%+

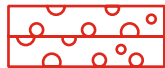
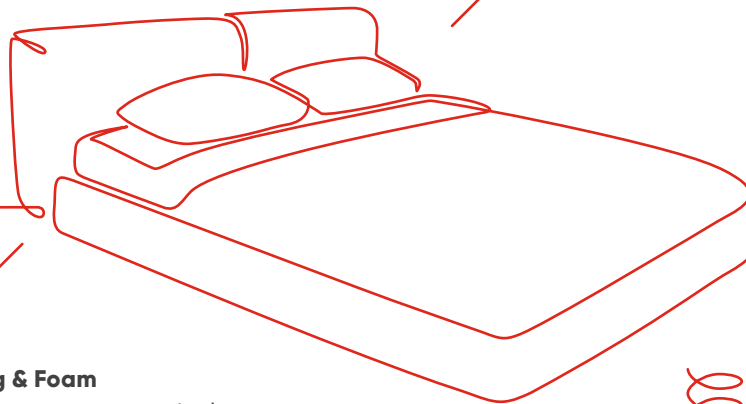
of materials are recovered from mattresses and reused



Cotton & Felt
are used in insulation



Wood
is chipped to be used as
garden mulch or biofuel



Quilting & Foam
become carpet underlay



Metal
is sold to steel companies
and reused



Govern Well

Good governance means ensuring accountability in meeting our ESG commitments, embedding ESG in our risk management practices and demonstrating exceptional corporate performance. We aim to achieve and adhere to the highest standards of ethics to help us build and maintain internal and external stakeholders' trust. We actively live the principles in our Code of Conduct, approaching our decisions with empathy and integrity while maintaining a customer-centric approach. All our employees adhere to our governance structure, ensuring the best experience possible for our stakeholders.



SDG Alignment





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 the organization.

Our Board provides oversight on our ESG strategy and ambitions and material risks to our business from a strategic, financial and reputation standpoint.

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 the organization.

Our Chief Financial Officer (**CFO**) is our ESG executive sponsor, supported by a Director ESG and 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.

Director	Nomination & Corporate Governance Committee	Audit Committee	Human Resources & Compensation Committee	Gender	Years on Board		Relevant Skills/Competencies									
					0 to 5	6 to 10	Retail	Supply Chain	Marketing/ Customer Experience	Senior Executive Leadership/ Strategic Planning	Audit, Compliance, Financial Accounting and Reporting	Risk Management	Information Technology/ Data Analytics	Human Resources/ Executive Compensation	Corporate Governance	
Christine Magee, Chair of Board	N/A	N/A	N/A	F		●	●		●	●	●	●	●	●	●	●
John Cassaday	●	●	●	M		●	●	●	●					●		●
Mandeep Chawla	●	Chair	●	M	●			●		●	●	●		●		●
Zabeen Hirji	●	●	Chair	F	●			●	●		●			●		●
Andrew Moor	●	●	●	M		●		●	●	●	●	●	●	●		●
Stacey Mowbray	Chair	●	●	F	●			●	●	●	●		●			●
Stewart Schaefer, President & CEO	N/A	N/A	N/A	M	●			●	●	●	●		●		●	
David Shaw	●	●	●	M		●		●	●	●	●			●		●

Ethics and Compliance

Refreshing Our Code of Conduct

In 2022, we continued to integrate our ESG values into our Business Code of Conduct, updated the measures we use to track and report incidents of potential code violations and created programs to improve awareness and training.

All associates sign-off on the Code of Conduct annually. Our procedure is to have HR provide a quarterly report to the Board on any non-compliance with the Code of Conduct. As our people became more familiar with our renewed expectations, Code of Conduct infractions continued to decline.

To access the Company's Code of Conduct, please visit the Investor Relations [website](#).

Ensuring Third-Party Compliance

In 2022, we continued to ensure our Supplier Code of Conduct was shared to clarify our expectations of third parties working for or on our behalf. We want to be assured that they maintain good environmental stewardship and offer fair working conditions at reasonable wages with no discrimination, harassment or forced labour. We continued to engage our suppliers on our updates to our compliance process, and we 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 Supplier Code of Conduct, please visit the Investor Relations [website](#).

Focus on Cybersecurity

Building on our security structure and framework was the focus of our activities, and we delivered IT Security Awareness training to all Sleep Country/Dormez-vous? and Endy associates to help our employees identify and avoid cybersecurity threats. We also added a Senior Security Analyst to the team and introduced a new third-party Cyber Rating Reviewer to assess our posture and continuously monitor activity to keep us, our employees and our customers' information safe.



Performance Data

This data is reflective of Sleep Country/Dormez-vous data in 2022 (excludes the other brands).

Topic	Metric	2022	2021	SASB Code
About Sleep Country				
Number of retail locations	Number	289	285	CG-MR-000.A
Number of warehouses	Number	20	20	CG-MR-000.A
Total area of retail space	Square metres (m ²)	137,441.0	135,715.0	CG-MR-000.B
Total area of warehouses	Square metres (m ²)	89,019.5	83,988.2	CG-MR-000.B
Environment				
Emissions				
Scope 1	Metric tons (t) CO ₂ -e	8,351.94	Not available	
Scope 2	Metric tons (t) CO ₂ -e	4,212.97	Not available	
Energy Management				
Total energy consumed	Gigajoules (GJ)	77,042.52	Not available	CG-MR-130a.1
Environmental Compliance				
Incidents of environmental regulation non-compliance	Number	0	0	
Total monetary value of environmental non-compliance fines	CAD	\$ -	\$ -	
Social				
Community				
Cash and in-kind community donations	CAD	\$1,211,726	\$875,000	
Mattresses donated	Number	33,031	31,282	
Mattresses recycled	Number	127,293	139,375	

Topic	Metric	2022	2021	SASB Code
Employees				
Total number of employees	Number	1,623	1,500+	
Average hours of training per year	Number	27,100	34,000+	
Associate engagement (survey response rate)	Percentage (%)	81%	79%	
Associate satisfaction ¹	Percentage (%)	75%	Not available	
Health and Safety				
Hours engaged in health and safety compliance activities	Number	5,473	5,200+	CG-MR-130a.1
Governance				
Board of Directors				
Board members	Number	8	9	
Board diversity	Percentage (%)	25%	25%	
Women on the Board	Percentage (%)	37.5%	37.5%	
Independent directors	Number	7	8	
Data Security				
Number of data breaches	Number	0	0	CG-MR-230a.2
Percentage involving personally identifiable information (PII)	Percentage (%)	0	0	CG-MR-230a.2
Number of customers affected	Number	0	0	CG-MR-230a.2
Ethics and Integrity				
Corruption	Number	0	0	
Ethical Sourcing				
Suppliers signing Supplier Code of Conduct	Percentage (%)	100%	100%	

¹ Calculated by computing the average score of two survey questions: (1) How happy are you working at Sleep Country? and (2) Would you recommend Sleep Country as a great place to work?



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 2022 Annual Information Form (the **AIF**) filed on March 2, 2023. 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.

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. silk&snow Casper

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