



## Sleep Country Canada: Modern Slavery Act Report

### ***Introduction***

Sleep Country Canada Holdings Inc. (“**SCCHI**”, business number 82000 0768 RC0001), on behalf of itself, Sleep Country Canada Inc. (“**SCCI**”, business number 13875 6192 RC0005), Endy Canada Inc. (“**Endy**”, business number 72517 3710 RC0001) and Silk & Snow Inc. (“**Silk & Snow**”, business number 72517 3710 RC0001, and together with SCCHI, SCCI and Endy, the “**SCC Group**”), is pleased to share its first annual joint report (the “**Report**”) pursuant to section 11(1) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) for its financial reporting year ended December 31, 2023. This Report represents the SCC Group’s inaugural report under the Act.

The SCC Group strives to uphold the highest standards of legal and ethical conduct and is committed to respecting and upholding human rights in its business activities. That’s why the SCC Group has a *zero-tolerance approach* to the use of child and forced labour in its operations and supply chains.

As respected corporations that are proudly committed to being leaders in ethical practices and social responsibility, the SCC Group fully endorses the objectives of the Act. The SCC Group is dedicated to ensuring transparency and accountability throughout its supply chains and actively working to identify and eradicate any instances of modern slavery. Through robust due diligence measures, ongoing monitoring and collaboration with stakeholders, the SCC Group strives to uphold the principles of dignity, equality and human rights in all aspects of its operations.

### ***Structure, Activities and Supply Chains***

The SCC Group is Canada’s leading specialty sleep retailer and is industry-leading in the sleep ecosystem, which it continuously enhances to best serve Canadians’ sleep needs. Endy and Silk & Snow are two of SCCHI’s three direct-to-consumer retail banners. Endy provides its renowned mattress-in-a-box through its eCommerce platform and has become one of Canada’s most recognized online sleep brands. Silk & Snow is a direct-to-consumer retailer of high-quality sleep and lifestyle products.

SCCHI operates under three omnichannel retail banners and three direct-to-consumer retail banners. SCCI and Silk & Snow are both wholly owned subsidiaries of SCCHI. Endy is a wholly owned subsidiary of SCCI. Each of SCCHI, SCCI, Endy and Silk & Snow are federally incorporated under the *Canada Business Corporations Act*. SCCHI has a registered and head office in Brampton, Ontario.

Each of the SCC Group are corporations, which sell and distribute goods inside and outside of Canada and import goods into Canada. Also, each of the SCC Group are “entities” under the Act and operate in the industries of retail and wholesale trade:

- **SCCHI** is publically traded on the Toronto Stock Exchange (TSX: ZZZ). SCCHI controls each other corporation of the SCC Group, which each sell, distribute and import goods in Canada.

- **SCCI** has a place of business, does business and has assets in Canada and meets all three size-related conditions for its two most recent financial years: it has at least \$20 million in assets, has at least \$40 million in revenue and employs an average of at least 250 employees.
- **Endy** has a place of business, does business and has assets in Canada and meets two of the three size-related conditions for its two most recent financial years: it has at least \$20 million in assets and at least \$40 million in revenue.
- **Silk & Snow** has a place of business, does business and has assets in Canada and meets two of the three size-related conditions for its two most recent financial years: it has at least \$20 million in assets and at least \$40 million in revenue.

The SCC Group's purchasing decisions and selection processes are rigorous and key considerations when choosing suppliers include, but are not limited to, product quality, technical specifications, aesthetics of the products, prices (including delivery costs), delivery time and terms, reliability of the suppliers, minimum quantity requirements, product development/new technologies and environmental considerations of the brand. As such, a significant amount of the mattresses and products purchased by the SCC Group are made in Canada or the United States, as members of the SCC Group mostly sell high-end products.

The SCC Group's supply chain is composed of two groups: (1) wholesalers primarily located in Canada, and (2) factories who manufacture goods in Canada and overseas. Merchandise is proudly sourced domestically in Canada as well as from countries around the world (including the United States, Italy, Vietnam, China, Malaysia and Spain).

The SCC Group has taken the following steps to prevent and reduce the risk of forced and child labour in its supply chains:

- **Mapping Supply Chains:** The SCC Group has created a list of all suppliers and their locations to identify potential countries of risk. The SCC Group has also ensured that all suppliers have signed onto and adhere to its Supplier Code (defined below) and that all direct source factories have completed social audits using the Business Social Compliance Initiative ("**BSCI**"), Worldwide Responsible Accredited Production ("**WRAP**") or the Supplier Ethical Data Exchange ("**SMETA**") frameworks.
- **Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains:** The Code (defined below) and Supplier Code (defined below) have audit mechanisms to ensure compliance relating to forced and child labour in its activities and supply chains.
- **Contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains:** The SCC Group has conducted high-quality social and labour audits and other monitoring activities under the BSCI, WRAP and SMETA frameworks.
- **Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains:** The SCC Group's Supplier Code (defined below) requires suppliers to adhere to high standards of ethical conduct,

including preventing modern slavery in suppliers' activities and supply chains. Additionally, the SCC Group performs yearly social audits and in-person factory visits.

- ***Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains:*** The Supplier Code (defined below) prohibits suppliers from using any form of modern slavery in their supply chains and activities.
- ***Developing and implementing child protection policies and processes:*** The Supplier Code (defined below) prohibits child labour, specifically requiring team members and contractors to be at least the age at which compulsory schooling has ended (with the exception of student employment allowed by local laws) or the minimum age mandated by local laws, whichever is greater.
- ***Developing and implementing anti-forced labour and/or -child labour contractual clauses:*** The Supplier Code (defined below) specifically prevents the use of both forced labour and child labour.
- ***Developing and implementing anti-forced labour and/or -child labour standards, codes of conduct and/or compliance checklists:*** The Code (defined below) and Supplier Code (defined below) promote ethical business conduct and the advancement of human rights. The Code ensures adherence to the law in Canada and maintains the highest standards of human rights for all of the SCC Group's team members. The Supplier Code specifically prohibits the use of forced and child labour in suppliers' activities and supply chains.
- ***Auditing suppliers:*** The SCC Group has conducted audits under the BSCI, WRAP and/or SMETA frameworks as well as under the Supplier Code (defined below).
- ***Monitoring suppliers:*** The SCC Group monitors suppliers under the BSCI, WRAP and/or SMETA frameworks as well as under the Supplier Code (defined below).
- ***Developing and implementing training and awareness materials on forced labour and/or child labour:*** The SCC Group implements mandatory onboarding training on the risks of child and forced labour for employees making purchasing or contracting decisions.
- ***Engaging with supply chain partners on the issue of addressing forced labour and/or child labour:*** The SCC Group proactively engages potential suppliers to address the need for vigilance. As part of these conversations, the Supplier Code (defined below) is presented to the potential supplier at the outset of the business relationship for certification.

## ***Policies and Due Diligence Processes***

The SCC Group's governance standards form the foundation of its policies to proactively identify and address emerging and existing risks of child and forced labour. The SCC Group recognizes the inherent risks of modern slavery within global supply chains and understands that complex networks and opaque practices can conceal exploitation, making it imperative for businesses to remain vigilant. As part of the SCC Group's dedication to ethical sourcing and corporate integrity, the SCC Group acknowledges the importance of addressing these risks head-on.

The SCC Group leverages a multifaceted approach which includes supplier education and fostering a culture of accountability and transparency. With every new vendor relationship, the SCC Group requires in-depth reviews and signed documentation, such as the certification in the Supplier Code (defined below).

Through social audits, supplier assessments and ongoing monitoring, the SCC Group actively identifies and mitigates the risk of modern slavery in its supply chains. The SCC Group engages internally, with local vendors and with overseas suppliers to promote transparency, uphold ethical standards and ensure compliance with legal requirements and international labour standards. The SCC Group's current policies and due diligence processes embed responsible business conduct into its policies and management systems and track implementation and results.

### *Code of Conduct*

SCCI's Code of Conduct (the "**Code**") is frequently reviewed and updated and applies to all subsidiaries, employees and contract workers. Every team member of the SCC Group is subject to completing an annual acknowledgement and confirmation that the Code has been read in a timely manner.

The Code recognizes the SCC Group's responsibility to respect and protect the human rights of associates, customers and partners through formal policies, including but not limited to the Code. The Code outlines standards to protect human rights and provide a safe and respectful work environment and is drafted to meet—or exceed—the standards set out in the applicable human rights legislation in force in all of the Provinces that the SCC Group operates.

Additionally, the Code canvasses the SCC Group's health and safety policy, which commits to providing and maintaining a healthy work environment and complying with applicable occupational health and safety legislation in all of the Provinces that the SCC Group operates.

The SCC Group's Code provides a robust reporting mechanism for team members to address ethical or legal violations, as well as other concerns, including requiring all team members to report any suspected behaviour that could be a breach of the Code to a manager or member of the management team, the regional human resources manager or Compliance and Internal Controls. The SCC Group has adopted a clear communication strategy for reporting of suspected breaches to the Code. The SCC Group also operates an anonymous whistle-blower hotline, should individuals choose to remain anonymous in reporting infractions of the Code. In the event of non-compliance, the SCC Group will work to develop and implement a corrective plan to remedy the situation.

## *Supplier Code of Conduct*

SCCI's Supplier Code of Conduct (the "**Supplier Code**") commits to conducting business ethically, in a socially responsible and environmentally sustainable manner, and in compliance with the highest industry standards and all applicable laws, regulations and codes. The Supplier Code insists on those same high standards for all suppliers, both in Canada and internationally, for each entity of the SCC Group.

In addition to complying with all applicable laws and regulations, suppliers must meet the SCC Group's specifications regarding (i) quality, safety and environmental compliance of all products and services; (ii) workplace standards; and (iii) general ethical business practices. Sub-contractors and sub-suppliers need also comply with the requirements of the Supplier Code.

Regarding supplier workplace standards, the Supplier Code explicitly prohibits forced labour and child labour for all suppliers:

### **"No Forced Labour**

All workers (whether employees or contractors) must be voluntary, and you are required to respect the right of employees to decide to work or not. Suppliers must not use forced labour of any kind, whether they be prisoners, indentured workers, or otherwise.

### **No Child Labour**

Suppliers and their sub-suppliers will not use child labour in any of their operations. Employees and contractors must be at least the age at which compulsory schooling has ended (with the exception of student employment allowed by local laws) or the minimum age mandated by local laws, whichever is greater. Further, all workers and contractors must be at least 14 years of age."

The SCC Group recognizes that the Act defines child labour as labour or services provided or offered by persons under 18 years old and that (a) are contrary to the laws applicable in Canada; (b) are provided under mentally, physically, socially or morally dangerous circumstances; (c) interfere with their schooling; or (d) constitute the worst forms of child labour, as defined in the Worst Forms of Child Labour Convention, 1999. The SCC Group is currently consulting industry professionals and considering revisions to the Supplier Code. There may be instances where employing individuals under 18 years of age is acceptable, depending on the circumstances, and the SCC Group may revise its policies and clarify these instances.

All suppliers must review the Supplier Code and must agree to strict compliance with the Supplier Code, either by completing a form or by signing an agreement with the SCC Group which incorporates the Supplier Code. In addition, the SCC Group may require suppliers to re-certify compliance with the Supplier Code as and when requested. As at the date of this Report, 100% of suppliers and strategic partners of the SCC Group have signed onto the Supplier Code.

Further, the Supplier Code provides for periodic monitoring and verification of supplier compliance with the Supplier Code, including, but not limited to, providing the SCC Group with reasonable access to facilities, records and workers for compliance inspection purposes. Once per calendar year (or more frequently as the SCC Group reasonably believes that there may be a compliance issue), upon 120 hours' written notice, the SCC Group or its agents may conduct an audit at the supplier's premises during normal business hours. In the event that a supplier

fails to comply with or promptly remedy an infraction of the Supplier Code, the SCC Group may cancel purchase orders or terminate contracts or business relationships of such suppliers.

The Supplier Code encourages any persons to report past or emerging violations to the Chief Financial Officer. The SCC Group will then promptly investigate any reported violations and take appropriate steps relating to the investigation results.

### *Manufacturing Agreements*

As mentioned above, the SCC Group's supply chain is composed of two groups: (1) wholesalers primarily located in Canada, and (2) factories who manufacture goods in Canada and overseas. Both groups are required to sign the Supplier Code, but the second group, factories who manufacture goods in Canada and overseas, are also required to undergo social audits and enter into a manufacturing agreement between the supplier and the relevant SCC Group entity (each a "**Manufacturing Agreement**", and all such agreements, the "**Manufacturing Agreements**").

Under the Manufacturing Agreements, suppliers represent and warrant that they will comply with the contracting SCC Group member's standards in relation to equipment, facilities, personnel and products and upon reasonable request, provide the contracting SCC Group member with evidence of such compliance. Upon 24 hours' notice to the supplier, the SCC Group member shall have access to all equipment, facilities and operations that relate to the manufacture, processing, packaging or distribution of products for inspection and audit purposes. In addition, the Manufacturing Agreements require that suppliers comply with all applicable federal, state, provincial and local laws, rules and regulations applicable to the importation, manufacture, shipment, sale, use, performance, safety, branding, packaging and labelling of the products in connection with the particular Manufacturing Agreement. Moreover, the Manufacturing Agreements attach as a schedule and incorporate the Supplier Code by reference, requiring the supplier to have read, certified and undertaken to remain in compliance at all times with the Supplier Code.

### ***Forced Labour and Child Labour Risks***

As fast-growing corporations with many on-going growth initiatives, the SCC Group acknowledges the complexity of its supply chains, which encompasses multiple corporations and involves numerous domestic wholesalers and importers. While the SCC Group strives for transparency and accountability throughout its operations, the SCC Group recognizes the challenges posed by the lack of visibility into the supply chains of such entities.

Beginning in 2022, the SCC Group began vetting third-party providers to conduct spot checks of its suppliers in highly exposed countries in order to identify and address possible risks. The SCC Group has identified risks relating to forced and child labour in its supply chains and will continue to strive to identify emerging risks.

Despite its best efforts to promote ethical sourcing practices within its operations, the SCC Group has identified risks relating to limited transparency in its supply chains of its domestic wholesalers and importers, which presents an obstacle in identifying and addressing potential risks of modern slavery and other potential human rights issues. The SCC Group has mitigated this risk through the Supplier Code, which outright prohibits suppliers from utilizing child and forced labour and contains an audit mechanism for assessing suppliers' compliance with the

Supplier Code. In the past year, the SCC Group has performed hundreds of audits of its suppliers and has found no infractions.

In addition, the SCC Group has identified risks of forced and child labour in its activities and supply chains in the wholesale trade industry and has identified the following areas that carry a risk of child and forced labour in its activities and supply chains:

- ***The types of products it produces, purchases or distributes:*** The textile industry is known to carry a risk of forced and child labour. As such, the SCC Group mitigates this risk by requiring certifications from its suppliers, visiting tier-two suppliers (such as weavers and dyeing facilities) and requiring suppliers to sign onto and adhere to the Supplier Code.
- ***Tier three suppliers:*** The SCC Group makes best efforts to ensure reduced risk in its tier three suppliers. However, it has proven difficult to monitor, authenticate and maintain visibility. By requiring all suppliers to sign onto the Supplier Code, the SCC Group aims to mitigate such risks of forced and child labour in its tier three suppliers. The SCC Group is consulting with industry experts to improve its current practices and determine methods to improve monitoring tier three suppliers.
- ***Suppliers further down the supply chain than tier three:*** As identified above, the SCC Group has struggled to monitor suppliers beyond tier two and is currently considering opportunities for improvement.

### ***Remediation Measures***

The SCC Group has not identified any instances of forced or child labour in its activities and supply chains and thus has not undertaken any remediation measures.

### ***Remediation of Loss of Income***

Given that no instances of forced or child labour have been identified in the SCC Group's activities or supply chains, the SCC Group has not identified any loss of income to the most vulnerable families resulting from any measure taken to eliminate the use of child or forced labour, and thus has not undertaken steps to remediate any loss of income.

### ***Training***

The SCC Group currently has mandatory training on child and forced labour for team members making contracting or purchasing decisions. This training is conducted as part of onboarding education of sourcing team members. Such training has been delivered verbally and informally. However, the SCC Group is investigating specialized training on child and forced labour which may be introduced in the future to both codify existing training and increase the scope to additional team members.

More broadly, the SCC Group provides training to support the principles enshrined in the Code, including abiding by the highest standards of ethics and human rights. This training begins as early as an employee's first day and is reinforced throughout their employment. Whether through formal, informal or social channels, the SCC Group's training programs are designed to equip employees with the skills they need to conduct themselves in the most respectful, safe, transparent and fair manner and uphold the principles of the Code.

To support the policies outlined in the Code, the SCC Group's training covers, among other topics, Diversity, Equity, Inclusion and Belonging; Mitigating Bias; Respect in the Workplace; Workplace Violence, Discrimination and Harassment; Workplace Hazardous Materials Information System (WHMIS); Health and Safety; and Information Technology Security Awareness. Further, the SCC Group's employees can explore additional methods of working in alignment with the Code through the SCC Group's Resource Centre and on-demand learning providers.

### ***Assessing Effectiveness***

The SCC Group has an internal audit team as part of the broader enterprise risk management framework. In connection with the SCC Group's internal audit function, the Code requires, among other things, SCCHI's Audit Committee to review and understand the effectiveness of the SCC Group's programs for ensuring compliance with laws and regulations; consider any significant compliance issues identified; assess whether the company's ethics and conduct policies properly address culturally or regionally sensitive issues; and provide oversight for any investigations for possible fraud or illegal acts. The SCC Group's standard operating procedure requires suppliers to sign onto and adhere to the Supplier Code, which is then reviewed by the SCC Group's internal auditing team.

The SCC Group undertakes ongoing and periodic review of the effectiveness of existing measures to mitigate the risks of forced and child labour in its operations and supply chains. The SCC Group assesses its effectiveness by setting up regular review or audit of the entities' policies and procedures relating to forced and child labour.

The SCC Group is committed to taking proactive steps to mitigate the risk of modern slavery within its supply chains to align with best industry practices and policies in Canada and worldwide in its attempt to combat forced and child labour. The SCC Group commits to actively and regularly engaging with its domestic and international partners to encourage transparency, promote ethical standards and advocate for responsible sourcing practices.



**Signed Attestation**

This report was approved by the Board of Directors of Sleep Country Canada Holdings Inc. on May 7, 2024.

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In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

**DATED** as of May 10, 2024.

*I have the authority to bind Sleep Country Canada Holdings Inc., Sleep Country Canada Inc., Endy Canada Inc. and Silk & Snow Inc.*

by   
Name: Craig De Pratto  
Title: Chief Financial Officer