

CHARTER OF THE AUDIT COMMITTEE
OF
SLEEP COUNTRY CANADA HOLDINGS INC.
GENERAL

1. PURPOSE AND RESPONSIBILITIES OF THE COMMITTEE

1.1 Purpose

The primary purpose of the Committee is to assist Board oversight of:

- (a) the integrity of the Corporation's accounting and financial reporting systems, including those used in connection with the preparation of its financial statements, budgets and forecasts;
- (b) the adequacy of the Corporation's internal controls over financial reporting and disclosure controls and procedures;
- (c) the Corporation's compliance with legal and regulatory requirements;
- (d) the appointment of the External Auditor and the External Auditor's qualifications and independence;
- (e) the performance of the Corporation's internal audit function and the External Auditor;
- (f) the Corporation's risk management procedures;
- (g) all related party transactions the Corporation is involved or proposes to be involved in;
- (h) improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting; and
- (i) such other matters as are set out in this Charter or as may otherwise be assigned to the Committee by the Board from time to time.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In this Charter:

- (a) "**Board**" means the board of directors of the Corporation;

- (b) "**Chair**" means the chair of the Committee;
- (c) "**Committee**" means the Audit Committee of the Board;
- (d) "**Nominating and Corporate Governance Committee**" means the Nominating and Corporate Governance Committee of the Board;
- (e) "**Corporation**" means Sleep Country Canada Holdings Inc.;
- (f) "**Director**" means a member of the Board;
- (g) "**External Auditor**" means the Corporation's independent auditor; and
- (h) "**Shareholders**" means the shareholders of the Corporation.

Interpretation

The provisions of this Charter are subject to the provisions of the articles and by-laws of the Corporation and to the applicable provisions of the *Canada Business Corporations Act* and any other applicable legislation.

CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

3. ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

3.1 Establishment of the Committee

The Committee is hereby established with the constitution, function and responsibilities set forth herein.

3.2 Appointment and Removal of Members of the Committee

- (a) *Appointment of Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Nominating and Corporate Governance Committee.
- (b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the Shareholders at which Directors are elected; provided, however, that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors. If a vacancy exists on the Committee, the remaining members shall exercise all of their powers so long as a quorum remains in office.

- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.
- (e) The Committee will develop a process for assessing the individual performance of each member.

3.3 Number of Members

The Committee shall consist of three or more Directors.

3.4 Independence of Members

Each member of the Committee shall be independent for the purposes of all applicable laws and stock exchange requirements.

3.5 Financial Literacy

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) *Definition of Financial Literacy.* "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
- (c) *Continuing education and orientation.* The Committee shall:
 - (i) Ensure that new members receive robust orientation to enable them to understand their role and get up to speed quickly; and
 - (ii) Ensure that all members have access to continuing education on business and accounting developments and other matters relevant to new responsibilities or changes in the business.

3.6 Qualifications

The Board will appoint to the Committee at least one Director who has accounting or financial management expertise.

4. COMMITTEE CHAIR

4.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee.

4.2 Chair to be Appointed Annually

The appointment of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the Shareholders at which Directors are elected; provided, however, that if the appointment of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed. In the Chair's absence or in the case of a position vacancy, the Committee may select another member as Chair. The Chair may exercise all powers of the Committee between meetings. Nevertheless, the Chair will reasonably involve the other members prior to exercising any power and advise them of the decisions ensuing the exercised powers.

5. COMMITTEE MEETINGS

5.1 Quorum

A quorum of the Committee shall be a majority of the members.

5.2 Secretary

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to act as secretary of the Committee. The secretary shall keep minutes of meetings that provide accurate descriptions of meetings, at the right level of detail. The Committee shall approve the minutes in a timely manner.

5.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, that the Committee shall meet at least quarterly.

5.4 *In Camera* Meetings

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements of the Corporation or at which the Committee approves the quarterly financial statements of the Corporation, the Committee shall meet separately with each of:

- (a) the relevant members of the senior management team;
- (b) the External Auditor;
- (c) the internal auditor;
- (d) the Chief Financial Officer; and
- (e) privately with just Committee members.

5.5 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 Voting

Any matter to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

5.7 Invitees

The Committee may invite any Directors, officers or employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

5.8 Regular Reporting

The Committee shall report to the Board, at the Board's next meeting, the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

6. AUTHORITY OF COMMITTEE

6.1 Retaining and Compensating Advisors

The Committee shall have the authority to retain independent counsel and any other advisors as the Committee may deem appropriate in its sole and absolute discretion and to set the compensation for any advisors employed by the Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such counsel or other advisors.

6.2 Funding

- (a) The Committee shall have the authority to authorize the payment of:
- (b) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation;
- (c) compensation for any counsel or other advisors employed by the Committee; and

- (d) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

6.3 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

6.4 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

6.5 Communication

The Committee has the authority to communicate directly with the External Auditor and the internal auditor of the Corporation.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time, having considered the recommendation of the Nominating and Corporate Governance Committee.

7.2 Directors' Fees

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than Directors' fees (which fees may include cash and/or shares, options or other equity securities, or other in-kind consideration ordinarily available to Directors, as well as all of the regular benefits that other Directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

SPECIFIC DUTIES AND RESPONSIBILITIES

8. INTEGRITY OF FINANCIAL STATEMENTS

8.1 Review and Approval of Financial Information

- (a) *Annual Financial Statements.* The Committee shall review and discuss with the relevant members of the Corporation's senior management team and the External Auditor the Corporation's audited annual financial statements together with the notes thereto and the report of the External Auditor thereon and the related

management's discussion and analysis ("MD&A") and, if appropriate, recommend to the Board that it approve the audited annual financial statements and the related MD&A.

- (b) *Interim Financial Statements.* The Committee shall review and discuss with the relevant members of the Corporation's senior management team and the External Auditor the Corporation's interim unaudited financial statements, the notes thereto and the related MD&A and, if appropriate, approve the Corporation's interim unaudited financial statements and the related MD&A.
- (c) *Material Public Financial Disclosure.* The Committee shall discuss with the relevant members of the Corporation's senior management team and the External Auditor:
 - (i) the types of information to be disclosed and the type of presentation to be made in connection with profit or loss or earnings press releases;
 - (ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and
 - (iii) press releases containing financial information.
- (d) *Procedures for Review.* The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and profit or loss or earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) *General.* The Committee shall review and discuss with the relevant members of the Corporation's senior management team and the External Auditor:
 - (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
 - (ii) information from the External Auditor that is required to be communicated under auditing and regulatory standards and seek insight on how the company's practices compare to those of peers
 - (iii) major issues as to the adequacy of the Corporation's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies;
 - (iv) analysis prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements including, but not limited

to the volume rebate and co-operative advertising accruals. The analysis should include the effects of alternative accounting methods on the financial statements;

- (v) areas involving management estimates that have a material impact on the financial statements and understands the reasonableness of the underlying assumptions;
- (vi) transactions that are unusual, complex or have increased in volume near period ends and their accounting treatment, evaluating appropriateness and consistency with members' knowledge of the company
- (vii) the effect on the financial statements of the Corporation of regulatory and accounting initiatives, as well as off-balance sheet transaction structures, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Corporation;
- (viii) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;
- (ix) any financial information or financial statements in prospectuses and other offering documents;
- (x) the management certifications of the financial statements as required under applicable securities laws;
- (xi) litigations, claims and contingencies, or other significant issues and their impact on the financial statements;
- (xii) how management captures all relevant information in the financial statements, including how the management disclosure committee functions;
- (xiii) the impact of any identified subsequent events on financial disclosures;
- (xiv) any significant identified errors in previously issued financial statements and management conclusions regarding the need for restatement; and
- (xv) any other relevant reports or financial information submitted by the Corporation to any governmental body or the public.

9. EXTERNAL AUDITOR

9.1 External Auditor

- (a) *Authority with Respect to External Auditor.* The Committee shall be directly responsible for the appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:
- (i) have sole responsibility for recommending to the Board the audit firm to be proposed to the Shareholders for appointment as External Auditor for the above-described purposes and recommending such External Auditor's compensation;
 - (ii) determine at any time whether the Board should recommend to the Shareholders that the incumbent External Auditor be removed from office;
 - (iii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees;
 - (iv) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of the Shareholders; and
 - (v) Review how management and the external auditors evaluate materiality, both quantitatively and qualitatively, for financial reporting purposes.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
- (i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, the Corporation should rotate periodically the audit firm that serves as External Auditor;
 - (ii) require the External Auditor to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation and engage in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and recommend that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;

- (iii) unless the Committee adopts pre-approval policies and procedures, it must approve any non-audit services provided by the External Auditor; provided, however, that the Committee may delegate such approval authority to one or more of its members who shall report promptly to the Committee concerning their exercise of such delegated authority; and
 - (iv) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.
- (c) Issues between External Auditor and Management. The Committee shall:
 - (i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or an access to requested information;
 - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and
 - (iii) review with the External Auditor:
 - (A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;
 - (B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement;
 - (C) any management or internal control letter issued, or proposed to be issued by the External Auditor to the Corporation; and
 - (D) the responsibilities, budget and staffing of the Corporation's internal audit function.
- (d) Non-Audit Services.
 - (i) Having regard to consideration of whether the provision of services other than audit services is compatible with maintain the auditor's independence, the Committee shall either:
 - (A) approve any non-audit services provided by the External Auditor to the Corporation or its subsidiaries; or
 - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee

is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.

- (ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous subparagraphs, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
 - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.
- (e) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year and present its conclusions to the Board. In connection with this evaluation, the Committee shall:
- (i) obtain and review a report by the External Auditor describing:
 - (A) the External Auditor's internal quality-control procedures;
 - (B) any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry, review, inspection or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and
 - (C) all relationships between the External Auditor and the Corporation (for the purposes of assessing the External Auditor's independence);
 - (ii) review and evaluate the performance of the lead partner of the External Auditor; and
 - (iii) obtain the opinions of management and of the persons responsible for the Corporation's internal audit function with respect to the performance of the External Auditor.
- (f) *Review of Management's Evaluation and Response.* The Committee shall:
- (i) review management's evaluation of the External Auditor's audit performance;

- (ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;
- (iii) receive regular reports from management and receive comments from the External Auditor, if any, on:
 - (A) the Corporation's principal financial risks;
 - (B) the systems implemented to monitor those risks; and
 - (C) the strategies (including hedging strategies) in place to manage those risks; and

10. INTERNAL CONTROL AND AUDIT FUNCTION

10.1 Internal Control and Audit

In connection with the Corporation's internal audit function, the Committee shall:

- (a) Review at least annually the organizational structure of the Internal Audit function and ensure the function has sufficient stature and authority within the Company and has unfettered access and a direct reporting line to the Audit Committee;
- (b) review the terms of reference of the internal auditor and meet privately with the internal auditor as the Committee may consider appropriate to ensure that the role internal audit plays meets the Committee's needs for assurance and provides value to management and to discuss any concerns or issues;
- (c) approve the internal audit's charter and review annual plans and any significant changes — ensuring appropriate coverage of risks and coordination of work with external auditors;
- (d) approve the annual budget of internal audit and ensure that the internal audit department has adequate resources, including quality and continuity of staff, with ability to supplement skills as needed;
- (e) approve the appointment or dismissal of the Internal Auditor;
- (f) annually assess the effectiveness and performance of the Internal Auditor, taking into account any regulatory findings with respect to the Internal Audit function, and provide the results to the Chief Executive Officer as input into the compensation approval process;
- (g) request at least every five years an independent quality assurance review of the Internal Audit function, review the results of such reviews and report such results to the Board;

- (h) in consultation with the External Auditor and the internal audit group, review the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of material deficiencies and controls;
- (i) review management's response to significant internal control recommendations of the internal audit group and the External Auditor;
- (j) review (i) the internal control report prepared by management, including management's assessment of the effectiveness of the Corporation's internal control structure and procedures for financial reporting and (ii) the External Auditor's attestation, and report, on the assessment made by management; and
- (k) periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

11. FINANCE FUNCTION

In connection with the Corporation's finance function, the Committee shall:

- (a) Review at least annually the organizational structure of the Finance function;
- (b) Approve the appointment or dismissal of the Chief Financial Officer;
- (c) Review and approve annually the mandate of the Chief Financial Officer; and
- (d) Annually assess the effectiveness and performance of the Chief Financial Officer, and provide the results to the Chief Executive Officer as input into the compensation approval process

12. OTHER

12.1 Risk Assessment and Risk Management

The Committee shall:

- (a) discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures; and
- (b) satisfy itself that a crisis management plan exists that enables the company to respond quickly and appropriately to an emerging crisis.

12.2 Compensation and incentives

The Committee shall review the compensation and incentive plan for senior management to assess whether the compensation and incentive plan is influencing accounting policy choices and how changes in accounting standards influences financial metrics used in compensation and incentive plans.

12.3 Code of conduct, fraud, bribery and corruption

The Committee shall:

- (a) review any factors that increase financial reporting fraud risk and how management addresses the risk;
- (b) assess the risks of bribery and corruption and how management is minimizing those risks;
- (c) evaluate the "tone at the top" and the company's culture, understanding their relevance to financial reporting and compliance;
- (d) understand the effectiveness of the company's programs for ensuring compliance with laws and regulations, considers any significant compliance issues identified, and is satisfied with management's actions;
- (e) ensure that management has an appropriate code of conduct and that management provides the code, along with related training, to employees and periodically requires employees to certify their compliance;
- (f) assess whether the company's ethics and conduct policies properly address culturally or regionally sensitive issues; and
- (g) provide oversight for any investigations for possible fraud or illegal acts.

12.4 Related Party Transactions

The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

12.5 Expense Accounts

The Committee Chair shall review and make recommendations with respect to:

- (a) the expense account summaries submitted by the Chief Executive Officer on a quarterly basis; and
- (b) the Corporation's expense account policy and rules relating to the standardization of the reporting on expense accounts.

12.6 Whistle Blowing

The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable or inappropriate accounting or auditing practices or other matters that relate to the Corporation generally.

13. ANNUAL PERFORMANCE EVALUATION

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Nominating and Corporate Governance Committee for assessing the performance and effectiveness of the Committee.

14. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.

Approved by the Board of Directors of Sleep Country Canada Holdings Inc. on March 3, 2022.