

TEMPUR+SEALY



# TPX CORPORATE SOCIAL VALUES REPORT

JANUARY 2021

“We have donated over \$100 million in products, cash, and stock over the last ten years.”

—Scott Thompson, Tempur Sealy Chairman and CEO



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# Letter from the Chairman and CEO



**Scott Thompson**  
Chairman, President  
and CEO

As a global leader in the design, manufacturing, and distribution of bedding products, we recognize the strong connection between a good night of sleep and health and wellness. Our organization-wide commitment to improve the sleep of more people, every night, all around the world utilizes over a century of knowledge and industry-leading innovation to deliver award-winning products that provide breakthrough sleep solutions to consumers in over 100 countries.

We recognize that we have a responsibility to protect our communities and environment. These commitments have never been more important than in this past year, which has been an uncertain and vulnerable time for so many.

We are pleased to share with you that we made significant progress in our social values initiatives in 2020. Here are some highlights:

- **Published our first Corporate Social Values report and communicated to our global workforce our responsibility to our communities and environment**
- **Established ESG performance as a metric in executive leadership's compensation beginning in 2021**
- **Improved the percent of waste recycled from our North American wholly owned manufacturing operations to 91% in 2020**
- **Achieved a 28% reduction in greenhouse gas emissions per unit produced at our wholly owned manufacturing and logistics operations compared to the prior year**
- **Committed to investing over \$5 million in solar panel technology for our largest manufacturing operation**
- **Transitioned to sourcing renewable energy from wind farms to power 100% of our wholly owned U.S. and European manufacturing operations**
- **Commenced the design and development of a sustainability-driven mattress product line**
- **Executed a rapid implementation of industry-leading consumer and employee protection COVID-19 protocols**
- **Increased the wages of U.S. salaried employees at our wholly owned operations by 4% and created new jobs, increasing global employee headcount by 21%**
- **Established the goal of achieving carbon neutrality for our global wholly owned operations by 2040**

We believe that success must be defined broadly and must be inclusive of our impact on our communities and environment, and we look forward to sharing updates on our future social values progress with you.



# COMPANY PROFILE

Tempur Sealy<sup>1</sup> is committed to improving the sleep of more people, every night, all around the world. As a global leader in the design, manufacturing, and distribution of bedding products, we know how crucial a good night of sleep is to overall health and wellness. Utilizing over a century of knowledge and industry-leading innovation, we deliver award-winning products that provide breakthrough sleep solutions to consumers in over 100 countries.

Our highly recognized brands include Tempur-Pedic®; Sealy®, featuring Posturepedic® technology; Stearns & Foster®; and our non-branded offerings including value-focused private label and OEM products. Our distinct brands allow for complementary merchandising strategies and are sold through third-party retailers, our Company-owned stores, and e-commerce channels. This omni-channel strategy ensures our products are offered wherever and however customers want to shop.

Lastly, we accept our global responsibility to serve all stakeholders, our community, and environment. We continue to implement programs consistent with our responsibilities.

Our global headquarters is located in Lexington, Kentucky. In 2019, we generated approximately \$3.1

billion in net sales. As of December 31, 2020, we had approximately 9,000 employees, approximately 6,400 of which are located in the United States (“U.S.”) and 2,600 in the rest of the world. For financial reporting purposes, we operate in two segments: North America and International. Our North America segment consists of Tempur® and Sealy® manufacturing and distribution subsidiaries and licensees located in North America. Our International segment consists of Tempur® and Sealy® manufacturing and distribution subsidiaries, joint ventures, and licensees located in Europe and Asia-Pacific. We utilize four research and development centers, one in Denmark and three in the U.S., and a product testing facility in the U.S. We have traditional wholesale and direct distribution networks across the globe, including a growing number of our own Tempur-branded retail stores. We also maintain a growing e-commerce business. Our focus is to be a true omni-channel distributor so that our products are available wherever our customers want to shop.

You may find further information about our business in our Annual Report, which can be accessed at <http://investor.tempursealy.com/financial-information/sec-filings>.

<sup>1</sup> When used in this report, the terms “Tempur Sealy,” “Company,” “we,” “our,” and “us” refer to Tempur Sealy International, Inc., and its subsidiaries.

# ABOUT THIS REPORT AND OUR VISION



We have made a Company-wide decision from the top of our organization to commit to global efforts to improve our environment and communities. We have enlisted the same innovative spirit that has guided our world-class bedding business to the top of the industry in our drive to develop world-class sustainability and environmental initiatives. Our Corporate Social Values wheel sets forth the values our Board of Directors, executive management team, and global workforce have embraced.

We are continuing our journey of clarifying the scope and framework of our vision and goals, and are pleased to share these ongoing efforts in a comprehensive way with our shareholders, customers, business partners, fellow industry participants, and the general public. Our Corporate Social Values Report provides a snapshot of our existing initiatives and goals. We hope that you will read this report and engage with us as we continue toward these goals while continuing to improve the sleep of more people, every night, all around the world.



# ENVIRONMENT

Tempur Sealy leverages well-established practices and processes within the Company and continually seeks to identify additional areas of opportunity to protect and preserve our environment and reduce our global environmental footprint.



## WASTE MANAGEMENT

We are committed to reducing waste, increasing recycling efforts, and identifying trends in waste usage. Globally, we monitor waste from production, use an internal reporting system, and have hired third-party consultants to help us understand the type and amount produced in our corporate offices and manufacturing and distribution centers located in the U.S.

In 2020, we recycled 91% of our waste from all of our wholly owned U.S. manufacturing facilities and 90% of foam waste from our wholly owned European manufacturing facility.

**Our U.S. and European wholly owned manufacturing facilities' recycling efforts in 2020 were equivalent to saving 22,683 barrels of oil, 69,098 trees, 22.92 million kW hours of electricity, 4,064 tons of CO<sub>2</sub>, and 28.45 million gallons of water.**

### Waste Reduction and Recycling Efforts

Our global recycling and waste reduction efforts include the following:



### **Zero Landfill Commitment for Manufacturing Sites**

Globally, we have committed to achieving zero landfill waste at each of our wholly owned U.S. and European manufacturing facilities by the end of 2022. We are pleased to share that we have made significant progress toward this goal, with an incremental three facilities achieving zero landfill waste this year. **At the end of 2020, 100% of our European operations' and over 90% of Tempur Sealy U.S. operations' process by-products, packaging, and other materials are recycled or used in energy generation.**

At our manufacturing facilities, we currently recycle materials such as cardboard, wood, foam, steel, plastic, textiles, and aluminum and continue to evaluate additional recycling opportunities.

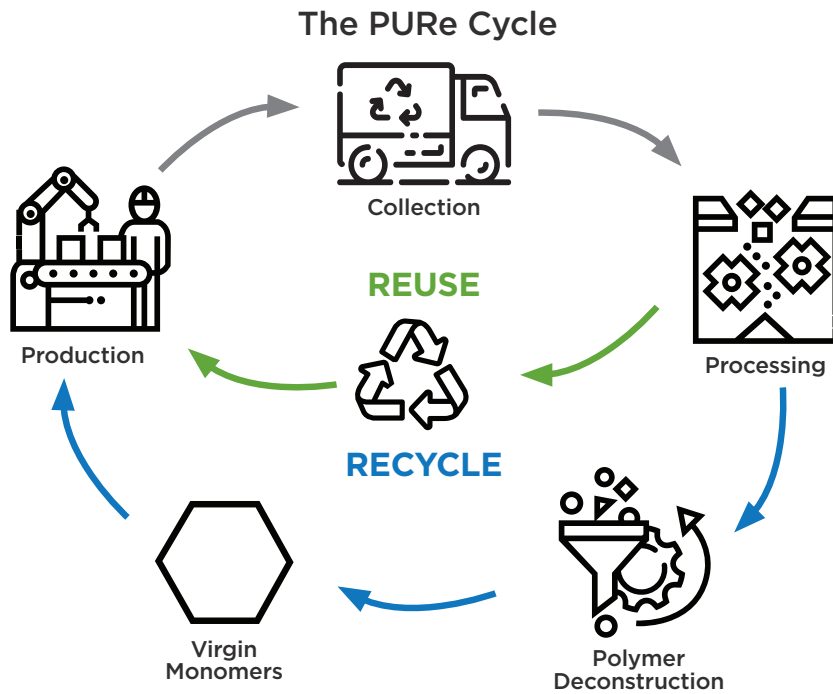
### **Signs and Additional Training at Facilities**

In order to help provide recycling information to all of our employees, we post diagrams in our facilities depicting the materials that need to be recycled. Each diagram features translated captions in the languages used by the employees at each facility. In 2020, we implemented a pilot program in two facilities using best practices from across our manufacturing network and insights from our recycling partner to optimize in-plant waste management processes. The knowledge gained from this program will be deployed in all facilities in 2021 as part of our Zero Landfill initiative.

### **Soft Landing Product Stewardship Scheme**

Our subsidiary in Australia is a founding member of the Soft Landing Product Stewardship Scheme. The Soft Landing Product Stewardship Scheme partners with social enterprise recycler Soft Landing to work toward reducing the disposal of mattresses in landfills and provide employment and training opportunities to people experiencing barriers to employment. Soft Landing has:

- Recycled up to 75% of all mattress components.
- Over the last year, provided 220 employment opportunities for people across Australia, 77% of whom had previously faced challenges upon entering the workforce.



**RePURpose (REUSE + RECYCLE = RePURpose)**

In a close collaboration between the Danish Technological Institute and a number of Danish companies, Tempur and our Danish factory Dan-Foam are working in a cross-sector consortium to recycle polyurethane foam and turn the excess production polyurethane foam into a valuable resource. The RePURpose project uses great innovation and strong cooperation to lead the way for a more sustainable life cycle of polyurethane foam.

There are two tracks in RePURpose: ReUSE and ReCYCLE. ReUSE focuses on redirecting excess polyurethane foam from our advanced manufacturing process into new products. ReCYCLE deconstructs polyurethane foam into its original chemical building blocks and supplies viable material back into the PUR value chain.

**Mattress End of Life**

We are working around the globe to identify regional recycling opportunities for returns. We are in discussions with mattress recyclers worldwide to identify potential opportunities for used foams and the development of new channels for end-of-life mattress material. We will use this information to design products with the end-of-life process in mind so that we can increase the recyclability of our products. In the U.S., **we recycle 94% of the Tempur-Pedic products returned to us.**



### **Scrap Management Program**

We continue to improve our scrap management programs to assist teams at each of our facilities with waste reduction efforts. In our foam-pouring facilities, we have continuous improvement programs and have taken steps in 2020 to maximize the utilization of new foam while minimizing the scrap sent for recycling.

### **California Efforts**

We have partnered with the Mattress Recycling Council, a member of the International Sleep Products Association, to participate in the Sleep Products Sustainability Program (SP2) in our Richmond and Los Angeles, California, production plants to potentially reduce waste, emissions, and energy consumption, while increasing operational efficiencies at these facilities. We anticipate applying lessons learned from SP2 to our other U.S. production facilities.



### **Zero Landfill Initiative for International Offices and Warehouses**

After achieving zero landfill waste at our European manufacturing sites, we are now reducing landfill waste generated by our international offices and warehouses. We are in the process of obtaining baseline measures and developing targets to improve waste streams and waste management best practices with the goal of decreasing landfill waste and increasing the amount of recycled waste.



## RESOURCE CONSERVATION

Renewable energy and energy efficiency are increasingly important to our own operations and sustainability measures. Across our operations, we are investing in more resource efficiency and improving our production processes. Not only do these efforts help address our impact on the climate, but they also improve operational efficiencies and decrease our resource costs. We are continuously improving our understanding of our resource usage and are taking efforts to improve the tracking and monitoring of resources, which is critical to improving efficiency from an emissions and cost standpoint.

### **Carbon Neutral by 2040**

**In 2020, we announced a new commitment to achieving carbon neutrality in our global operations by 2040.** We will reduce or offset 100% of Scope 1 and 2 greenhouse gas emissions from our wholly owned manufacturing, retail, and logistics operations. This will reduce both Scope 1 emissions (direct emissions from sources we own or control) and Scope 2 emissions (emissions attributable to the electricity we consume). We plan to achieve this challenging long-term goal through absolute emission reductions from the continued use of renewable energy and operational efficiency improvements, as well as the funding of carbon offset initiatives.

We will also extend our sustainability efforts to our global supply chain by encouraging our suppliers to establish their own sustainability goals. Through this initiative, we aim to increase sustainability awareness and initiatives within our supplier base with the goal of reducing our Scope 3 emissions (emissions from sources we do not directly own or control) and reducing the environmental footprint of our global supply chain.

The following resource conservation projects are the first steps to achieving our new goal of carbon neutrality by 2040.



### **Solar Panels**

In the first half of 2021, solar panel technology is being installed in Tempur Sealy's largest mattress manufacturing operation, the facility in Albuquerque, New Mexico. This technology is expected to generate enough renewable energy to power all of Tempur

Sealy's Albuquerque mattress assembly lines. In addition, our wholly owned European bed base manufacturer uses solar energy generated by its array of solar panels to power nearly 20% of the operation's energy needs.

#### **Renewable Energy Credits**

In 2020, we announced a new commitment to sourcing 100% of renewable electricity for our U.S. and European Tempur-Pedic and Sealy manufacturing operations.

The Company is sourcing renewable energy certificates (RECs) from wind farms across the U.S., Denmark, and Estonia. In the U.S., the RECs are Green-e certified and, in the European Union, revision-based documents are provided to guarantee that the RECs are retired and owned by Tempur Sealy.

#### **Greenhouse Gas (GHG) Emissions**

In 2020, our global wholly owned manufacturing and shipping operations consumed 62.3M kWh of electricity, 918K CCF of natural gas, and 3.7M gallons of diesel. Estimated GHG emissions associated with natural gas, electricity, and diesel from these operations were 43,915 MTCO<sub>2e</sub>, or 6.2 kgCO<sub>2e</sub> per unit produced. **Emissions were reduced by 10,311 MTCO<sub>2e</sub> compared to prior year, resulting in a 28% improvement in kgCO<sub>2e</sub> per unit produced.**

The preceding emissions numbers are internal calculations using internationally recognized calculation methods. In 2021, we will transition to third-party World Resources Institute-certified accounting of emissions.

#### **Environmental Management Systems**

Our assembly facilities throughout North America currently use an integrated risk management software system. This software improves the control structure, productivity, transparency, and sustainability of key business workflows in order to decrease strategic, compliance, operational, and personnel risk.

#### **ENERGY STAR Challenge**

In December 2019, our foam manufacturing facility in Duffield, Virginia, met the ENERGY STAR challenge. In 2015, we partnered with the U.S. Environmental Protection Agency (EPA) and initiated an ENERGY STAR challenge program. The ENERGY STAR challenge program is

a joint program of the EPA and the U.S. Department of Energy with a goal to help protect the environment through the adoption of energy-efficient equipment and practices, as well as the reduction of greenhouse gases. The program also provides energy cost savings as a long-term benefit.

The Duffield facility committed to a 10% energy reduction program over a five-year period and has achieved a 37.8% reduction in energy consumption per pound of chemical processed since 2015. To meet these program requirements, we have invested in:



By meeting the ENERGY STAR challenge, the plant has averted more than 3,800 tons of greenhouse gases per year and saved enough energy to power more than 500 homes.

- Variable speed chillers
- New LED lighting with daylight harvesting and occupancy sensors
- Variable-speed air compressors
- New “cool roof” installation
- Integrated building control system
- Large high-volume low-speed fans to reduce temperature stratification throughout the facility
- A transition from a mostly propane-powered forklift vehicle fleet to a fleet of battery-powered forklift vehicles
- Optimized glue usage, which resulted in a reduction of HVAC-loading for water drying in mattresses production
- A new baler, which reduced forklift travel and optimized the number of outbound trailers of recyclable foam

### **Energy Usage Reduction Efforts**

In addition to the energy conservation efforts described above, we are committed to further reducing our energy consumption, emissions, water consumption, and waste. During 2020, we began tracking our electricity usage, water usage, and carbon emissions at our manufacturing facilities and distribution centers so that we can create baselines, adopt target reduction goals, and implement programs to reduce energy consumption and emissions.

Additional resource management efforts include:

### **Energy Efficient Equipment**

The Dan-Foam facility has annual targets for energy consumption and monitors the energy used per unit produced. We have invested in equipment that is expected to lower the facility's electricity consumption by approximately 6% and transport approximately 70% of the excess heat generated by the equipment to the central heating system at the facility. We anticipate the facility's annual gas consumption will decrease by approximately 8% as a result of this investment.

### **LED Lighting**

We are currently transitioning to energy-saving LED lighting in all of our production and assembly facilities. At present, approximately 70% of our wholly owned facilities in the U.S. utilize LED lighting, while Sherwood Bedding, our OEM joint venture operation, uses 100% LED lighting with occupancy sensors at its manufacturing facilities.

### **Energy Load Shifting Programs**

Our foam manufacturing facilities in Duffield, Virginia; Albuquerque, New Mexico; and Mountain Top, Pennsylvania, participate in energy load-shifting programs with their local municipalities. During times of peak demand, each facility will adjust operations—optimizing manufacturing processes during peak demand periods to support high-priority facilities such as hospitals, schools, and emergency services.

### **Waste Water Treatment**

In 2012, our Mountain Top, Pennsylvania, facility invested in its internal wastewater treatment plant to effectively purify the water that results from our production processes. During 2020, this wastewater treatment process has resulted in the processing of 2.04

million gallons of water, which is safely returned to the natural water cycle through the local publicly owned treatment works.



### **Product Insourcing**

Through product insourcing at our Duffield, Virginia, plant, this facility has been able to avoid 2,000 metric tons of CO<sub>2</sub> emissions in 2020 and eliminate approximately 1.1 million truck miles per year.

## Fleet Fuel Efficiency Improvements

As a bedding and sleep products manufacturer that deploys its own private fleet as the primary means of distributing its products, we partner with lessors of our tractors and trailers in North America so our North American fleet meets or exceeds all federal and state environmental guidelines.

### Trailers

In 2018, we retired over 20% of our trailers and upgraded them to new trailers that incorporate three fuel-saving features: low resistance tires, underbody skirts, and auto-inflating tire systems. In 2020, we added 80 new trailers with the same features and plan to add 118 additional new trailers in 2021.



### Tractors

In 2018, we replaced a majority of our existing Class 8 tractor fleet with 2019-model-year tractors that are more fuel efficient. While the earlier model tractors were fully compliant with all environmental guidelines, **the new tractors have a miles-per-gallon (mpg) fuel efficiency that is estimated to be 1.2 mpg better than the old tractors. This will result in an estimated annual savings of approximately 310,000 gallons of diesel**

**fuel, which in turn will result in an estimated reduction in CO<sub>2</sub> emissions of 3,158 metric tons. In addition, in 2020 we added 53 new 2020- and 2021-model-year tractors that have state-of-the-art fuel efficiency technologies.**

### Delivery Initiatives

We are continually looking at methods to improve our delivery operations through optimizing delivery routes, reconfiguring truck cube utilization, combining Tempur and Sealy products for delivery in the same truck, and co-locating manufacturing facilities and distribution centers for Tempur and Sealy products whenever feasible.

**These efforts over the past several years have helped us reduce our fuel costs and greenhouse gas emissions.**

Plans are underway for a Class 8 electric truck pilot program in 2021. Utilizing an electric Class 8 tractor can reduce emissions by as much as two-thirds compared to a diesel tractor. The goal of the pilot program is to verify the emissions reduction opportunity, derive detailed learnings on electric vehicle operation and maintenance, and better understand which Tempur Sealy routes would be compatible with electric vehicles.

During 2020, we collected data on the historical mpg of Tempur Sealy's fleet so that we can establish baselines and implement reduction targets in the future. Additionally, we continue to monitor all emissions and fuel-efficiency legislation, and partner with industry leaders to meet or exceed these requirements. Current legislation outlines fuel-efficiency improvements for both tractors and trailers in the calendar years beginning 2021, 2024, and 2027, and our fleet will be compliant with the efficiency targets set for these dates.

## **Environmental Certifications**

### **International Organization for Standardization (ISO) Certifications**

We are ISO 14001 certified at our three Tempur-Pedic foam-pouring facilities located in Albuquerque, New Mexico; Duffield, Virginia; and Aarup, Denmark. In addition to being ISO 14001 certified, our manufacturing facility in Denmark is also ISO 9001 certified, ISO 50001 certified, and ISO 45001 certified.



### **LEED-Certified Headquarters**

Our 126,000 square foot corporate headquarters building is Leadership in Energy and Environmental Design (commonly referred to as LEED) certified. We have water-saving faucets, primarily recyclable building materials, high-efficiency vehicle preferred parking, water-efficient landscaping, carpeting made from recycled components, and energy-saving LED lighting.



## PRODUCT & PACKAGING

### Repurposing Materials

We are always looking for ways to repurpose or upcycle what might otherwise become waste.

### Reduced Packaging Materials

We continuously look to reinvent the packaging of our products to reduce the amount of materials needed while ensuring the highest-quality goods for our customers.



### Compressed Mattress Products

Our product lineup now includes compressed mattresses. By compressing mattresses into smaller sizes before shipping, we are able to reduce the amount of product packaging and the fuel usage and greenhouse gas emissions associated with our transportation operations.

### Replaced Double-Walled Boxes with Corner Inserts

In the past, our shipping containers were comprised of two full corrugated cardboard boxes with one nested inside of the other in order to increase the containers' strength. We now use a

single-wall box with corrugated cardboard inserts in the corners, which enables us to obtain the same stacking strength with approximately 45% less cardboard material.

### Recycling

We constantly monitor and pursue opportunities to foster recycling, including the use of recycled materials in our products. For example, innersprings used in the Sealy Response, Hybrid, and Stearns & Foster products are manufactured using approximately 90%-95% recycled steel scrap. Our new product development center in North Carolina recycles all of the mattresses it uses in testing, reducing our waste stream by approximately 2,000 mattresses annually. Internationally, our brown packaging boxes for our Tempur products in Europe are made from up to 78% of recycled fibers.

### Annual Audit of Conflict Minerals

We are required to comply with the U.S. Securities and Exchange Commission's "conflict minerals" disclosure and reporting requirements. We undertake annual diligence to ensure



that none of our products include conflict minerals (e.g., tin, gold, tungsten, tantalum) that originate in the areas covered by the conflict minerals regulations. In 2020, we added cobalt to the minerals included in our annual due diligence efforts.

### **Sleep Product Certifications**

We believe that products that improve our customers' sleep experience will facilitate the health and happiness of our customers. As part of improving our customers' sleep experience, we strive to use sustainable materials in our products. We have the following certifications:

- All Tempur-Pedic, Sealy, and Stearns & Foster mattresses are CertiPUR-US® certified
- Products made in our latex pouring plant in Mountaintop and many of the products made in our Denmark facility are OEKO-TEX® Standard 100 certified
- Many of our Tempur-Pedic retail mattresses made in our Denmark facility are TÜV certified
- Our Mountaintop plant also obtained FSC® certification, Rainforest Alliance certification, TFI Aachen GmbH certification, and UL GreenGuard® and UL GreenGuard Gold® certifications

### **Affiliations**

Tempur Sealy is an active member of the Sleep Product Safety Council (SPSC), which focuses on sleep-product safety and the consumer impact from an industry perspective. Through our affiliation with this group, we engage on issues from mattress flammability and chemicals to mattress recycling. As members of this group, we also participate in interactions with the EPA and the U.S. Consumer Product Safety Commission.

We also have representatives in the European Bedding Industries' Association and EuroPur (European association of flexible polyurethane foam blocks manufacturers). Focus areas for these groups include the "Zero Plastics to Landfill" initiative of PlasticsEurope, investments into waste treatment facilities, and reducing the amount of end-of-life mattresses going into a landfill.

### **Lumber Suppliers**

All three of Tempur Sealy's internally manufactured flat foundation base lumber suppliers are Sustainable Forestry Initiative (SFI), Forest Stewardship Council (FSC), or Canadian Standard Association (CSA) certified.



# PURPOSE

We believe that our products improve our customers' sleep experience so that health and happiness benefits can be realized. As part of our commitment to improving sleep, Tempur Sealy is proud to be making a difference in the communities where our employees live and work through volunteering, improving consumer health and safety in our sleep products, and making charitable and product donations.



## COMMUNITY ENGAGEMENT

### Volunteering

We believe that personal engagement and participation in charitable activities is as important as charitable giving. The organizations we support often have close ties to our employees. Many Tempur Sealy employees serve on boards for charitable organizations and are enthusiastic volunteers in the community. The Company supports this hands-on approach to giving back to the communities where we work and live.

In Lexington, Kentucky, our corporate office often leverages volunteering as a team-building activity, working together to carry out our Company values. In 2020, Tempur Sealy volunteers provided support for organizations, including:

- Habitat for Humanity
- American Red Cross
- Ronald McDonald House
- Lexington Rescue Mission
- God's Pantry
- Sunrise Children's Services
- Lexington Humane Society
- Pancreatic Cancer Action Network
- And many more



## IMPROVING SLEEP

Tempur Sealy's stated purpose is "to improve the sleep of more people, every night, all around the world." This commitment manifests itself in everything we do, including:

### Offering a Comprehensive Portfolio of Brands and Products

As the world's largest bedding manufacturer, Tempur Sealy develops, manufactures, and markets mattresses, adjustable bases, pillows, and other products. Our Tempur®, Tempur-Pedic®, Sealy®, Stearns & Foster®, Comfort Revolution®, and private label brands and products are tailored to meet the broad range of consumer needs, tastes, preferences, and budgets... and to help make truly great sleep available to them.

### Broad Geographic and Omni-Channel Distribution

In line with our commitment to improving sleep for more people around the world, Tempur Sealy's brands and products are sold worldwide and via the industry's most-expansive network of third-party retailers, online outlets, and Company-owned stores and websites.

Beyond our product development and commercial endeavors, we also strive to have a positive impact within society and within the communities in which our employees work and live.

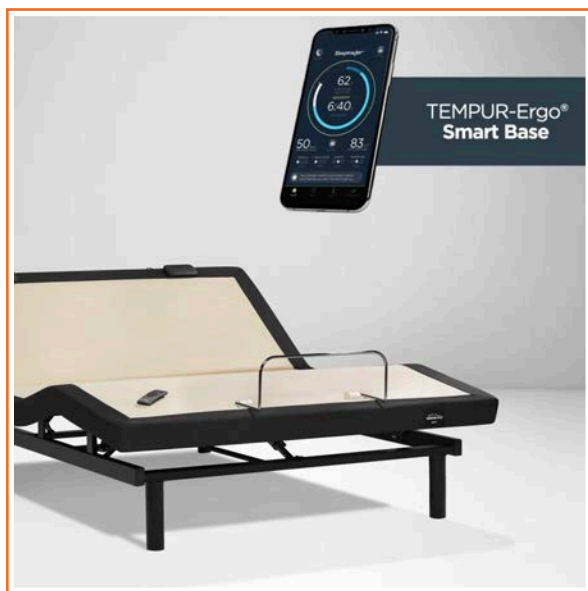


### Groundbreaking Consumer-Focused Innovation

Informed by our substantial investments in consumer and sleep research and enabled by our experienced product development team, Tempur Sealy has a longstanding history of developing product innovations that build upon a legacy of sleep-enhancing innovations that includes our revolutionary and NASA-inspired TEMPUR® Material and Sealy Posturepedic® technology.

In 2020, our innovative Tempur-Pedic brand was again awarded a **#1 ranking in Customer Satisfaction** for the retail mattress category in the U.S. in the J.D. Power 2020 Mattress

Satisfaction Report.\* The award marks the **second consecutive year** Tempur-Pedic has achieved this distinction, and the **third time overall**. In addition to being ranked #1 in overall customer satisfaction, Tempur-Pedic earned #1 rankings for support, durability, comfort, variety of features, value, and contact with customer service.



#### **TEMPUR-Ergo® Smart Base powered by Sleeptracker®-AI**

We created the TEMPUR-Ergo® Smart Base powered by Sleeptracker®-AI in collaboration with MedTech and BedTech company Fullpower® Technologies. Combined with a body-responsive Tempur-Pedic mattress, the TEMPUR-Ergo® Smart Base creates a completely integrated sleep system. The smart base has sensors that monitor a consumer's heart rate, breathing rate, and sleep cycle and uploads personalized sleep analytics and coaching to their smartphone via the Sleeptracker app. In addition, it features sleep-sensing technology that detects snoring and responds automatically without waking the sleeper.\*\*

#### **Surface-Guard Technology™**

Our latest innovation is our new Surface-Guard Technology™, which builds upon the pioneering mattress protection treatment first developed and used by Tempur Sealy over 10 years ago. The new Surface-Guard Technology™ will be included on Sealy, Tempur-Pedic, and Stearns & Foster product lines this year.

#### **Sustainability-Driven Products**

We are increasing our emphasis on sustainability within our product development process. We are exploring methods to integrate additional sustainable components, supply chains and methods of assembly into our products. We anticipate launching our first sustainably driven product line this year.

#### **Sleep Health Education**

We are committed to helping consumers adopt a healthier lifestyle by raising consumer awareness of the connection between quality sleep and an overall healthy lifestyle. We have

\*For J.D. Power 2020 award information, visit [jdpower.com/awards](https://www.jdpower.com/awards).

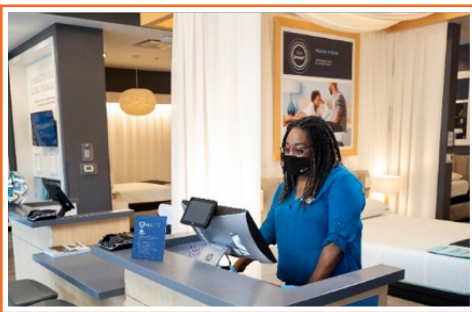
\*\*Bed raises once approximately 12 degrees in response to snoring. This may reduce snoring in otherwise healthy individuals who snore due to body positioning.



historically raised awareness on the positive impact of a good night's rest through a variety of methods, including through consumer interactions with retail sales associates, partnerships with accredited sleep experts, and educational content across diverse platforms, channels, and publications.

Going forward, our commitment to sleep health education will be enhanced with the data collected from our Sleeptracker®-AI technology. **We are**

**leveraging nearly 1 million data points across thousands of Sleeptracker® users in the U.S. to take a closer look at sleep trends and behaviors, as well as general sleep issues and interrupters like elevated stress levels and snoring.** The insights and data generated will be used to start and nurture conversations with consumers about achieving quality sleep.



#### **Consumer Comfort and In-Store Shopping Cleanliness Guidelines**

Consumer comfort has always been at the forefront of how we think about our business, evidenced by the unique, low-pressure shopping experience that we offer in our Company-owned stores. Now more than ever, we are focused on ensuring our consumers who want to experience our products first-hand feel comfortable while shopping in-store for a Tempur Sealy product.

We built upon our unique combination of robust consumer insights and global industry experience to develop a holistic set of guidelines designed to offer a clean and comfortable in-store experience. Called the Clean Shop Promise, our industry-leading cleanliness guidelines were implemented in all of our Company-owned stores as soon as they began to open in May 2020 after being closed due to COVID-19 government directives. Additionally, we supported our third-party retail partners through their own store reopenings and continue to support them today by offering the Clean Shop Promise protocol as a resource.



### **Rigorous Product Testing**

We champion the industry’s most comprehensive array of product performance, quality, and safety tests. The Tempur Sealy suite of industry-standard, proprietary, and patented testing tools and processes—world-class in the mattress industry—ensure that our products consistently live up to the expectations of our consumers and to the high standards that we have established and maintained since the first Stearns & Foster mattress was introduced in 1846.

As the only mattress manufacturer with a CPSC-Firewall accredited Flammability & Regulatory Laboratory, as well as an industry-leading Analytical & Emissions Testing Lab, Tempur Sealy establishes its commitment to consumer safety. Our patented durability testing and strict testing protocol requirements provide confidence that only the highest quality of products can display our Tempur Sealy brands.



## CHARITABLE GIVING

Our charitable giving efforts reflect one of the Company's most-core values: We do the right thing. The Company's charitable giving includes both product and monetary donations that assist charities and people in need.

**We have donated over \$100 million in mattresses, cash, and stock over the last ten years.**



### Tempur Sealy Foundation

The Tempur Sealy Foundation is focused on supporting charities that assist children and families in Central Kentucky. The Foundation creates long-lasting relationships with the organizations it supports.

Our partnership with these organizations is not limited to Foundation grants. Tempur Sealy and our employees are proud to volunteer with these organizations, consistently donating time and resources to support them and their important work in the Lexington community.

In December 2019, we made the largest single charitable contribution in our history—100,000 shares of our common stock with a value of more than \$8 million. The contribution is being used in part to fund the long-term needs of the Tempur Sealy Foundation. Tempur Sealy marked the contribution by making an initial donation of \$200,000 to four Lexington, Kentucky-area charities that focus on children and families in need.

### Product Donations

Our mattress donation program helps us deliver on our Company purpose of “improving the sleep of more people, every night, all around the world.” Our mattress donations help thousands of people in need each year.

Since 2011, we have donated more than 215,000 mattresses to charities, including more than 16,000 in 2020.



Many different types of charities have benefited from this program, including:

- Veterans Homes
- Military Charities
- Homeless Shelters
- Children's Homes
- Transitional Housing
- Elderly Homes
- Firehouses
- Special Needs Homes
- Natural Disaster Relief Organizations

In 2020, Tempur Sealy utilized its extensive operations and expertise to manufacture medical-grade mattresses and other products for use by medical professionals in the fight against COVID-19. Specifically, we developed specialized products and manufactured mattresses, medical grade foams used in medical equipment, and other related products for use in hospitals and medical facilities during the time of crisis. The Company was actively engaged with numerous government and healthcare organizations to assess the product need and timing of each unique situation.



### **Executive Contributions**

In April 2020, Company executives pledged to contribute a portion of their base salaries to the Tempur Sealy Foundation. Furthermore, the Company's Board of Directors elected to forego their annual board fees for the remainder of 2020, which the Company contributed to the Tempur Sealy Foundation.

### **Pancreatic Cancer Action Network**

We have had a strong relationship with the Pancreatic Cancer Action Network (PanCAN) for the past twelve years. The donations made by Tempur Sealy to PanCAN fund pancreatic cancer research, advocacy, and education. Tempur Sealy donated \$200,000 to the cause this year and, over the course of the relationship, Tempur Sealy has raised \$2.6 million for PanCAN.





“Tempur-Pedic has been an incredible corporate partner over the last twelve years,” said PanCAN president and CEO, Julie Fleshman, JD, MBA. “Their passionate support directly benefits pancreatic cancer patients and their families. Thanks to the efforts of the entire Tempur Sealy team, they are increasing public awareness about the disease and PanCAN.”

### **Diversity**

In July 2020, we announced a number of diversity initiatives to support organizations doing important work. The Company provided grants to support programs that serve vulnerable children in minority communities, such as Sunrise Children’s Services and KVC Kentucky, as well as new initiatives to recruit foster parents from those communities. The Company also announced a multi-year grant to support diversity initiatives and scholarship programs at the University of Kentucky.



As a global organization, our workforce and communities are important to us. We believe in investing in our workforce to promote health and safety, to train and develop future leaders and corporate citizens, and to encourage diversity and inclusiveness.



## WELLNESS—HEALTH & SAFETY

TEMPUR+SEALY

# STRONGER TOGETHER

ENVIRONMENTAL HEALTH & SAFETY

Tempur Sealy will operate in a manner that protects the health and safety of our employees and customers as well as protecting the environment.

The health and safety of employees, contractors and customers is our top priority.

- Safety is **EVERYONE'S** responsibility
- All workplace injuries can be prevented
- Management is directly accountable for preventing injuries and occupational illnesses
- We will meet or exceed regulatory, legal and other requirements
- Working safely is a condition of employment

**“SAFETY – IT’S THE RIGHT THING TO DO!”**

## Health and Safety Policy

We are committed to a safe and healthy work environment and are committed to our global safety policy. We provide it worldwide in all our business locations, and the policy is translated into the appropriate language(s) at each location.

## Employee Wellness

With sleep and wellness at the core of our business, we recognize the connection between sleeping and living well and overall health. We offer a number of initiatives to help our employees maintain or improve their health and wellness.

## COVID-19 Employee Safety Initiatives

We have implemented numerous health and safety measures across our global operations in an effort to minimize the risk of COVID-19 infections, following all local government directives and CDC recommendations. While working in a Tempur Sealy building, employees are required to wear a mask and socially distance. Additionally, each employee is subject to a temperature and wellness check each time they enter the building. Hand sanitizer, gloves, and other sanitizing products are available throughout each building for employee use.



## Wellness Activities

Each year, Tempur Sealy coordinates a number of wellness activities ('Sleep Well, Live Well') at each of its production facilities and corporate offices. Examples include on-site open enrollment benefit fairs, biometric health screenings, and financial wellness and retirement planning education sessions. While the pandemic has created some barriers to

carrying out these events in person, we are providing the information to employees virtually in 2021. We have established an online Virtual Benefits Fair with "booths" of videos and information that will support our employees as we head into the new year.

## Diabetes Prevention and Management

In 2020, we implemented a new health and wellness program for insurance plan members. At no cost to the member, the prevention program is designed to help employees lose weight,

adopt healthy habits, and reduce their risk of developing type 2 diabetes. For members who are currently managing diabetes, we implemented a new health benefit that provides an advanced blood glucose meter, unlimited strips and lancets, and personalized coaching, paid for by Tempur Sealy.



### **Fitness Centers**

Employees have 24/7 access to fitness centers located on-site at our corporate locations. Our fitness centers feature 2,000 square feet of cardio equipment, weight machines, free weights, and a yoga room. At our Lexington corporate office, we also supply bicycles for employee use on the nearby nature trails. Additionally, Tempur Sealy supports group classes and voluntary “Get Fit” competitions for employees, in the absence of extenuating circumstances.

### **Manufacturing and Logistics Employee Health and Safety**

We strive to be proactive in our operational health and safety initiatives, which we achieve through setting challenging targets. We have processes in place to track our progress toward those targets across our manufacturing, assembly, distribution, and logistics operations. Our goals are focused on ensuring compliance with health and safety best practices, offering employee health and safety training, raising workplace awareness through safety initiatives, and identifying risk elimination opportunities. Adherence to our health and safety priorities are driven by a team of regional safety managers and on-site safety coordinators.

Recent U.S. Tempur Sealy manufacturing health and safety initiatives include:

- On-site physical therapy at no cost to the employee at all manufacturing facilities
- A behavior-based safety program that offers employees one-on-one coaching and feedback
- Investing in new automated equipment to reduce work-related injuries
- Ergonomic risk assessments conducted on each manufacturing process to identify risk-elimination opportunities
- Semi-annual employee health and safety audits to ensure compliance to internal policies and external regulations

Recent U.S. Tempur Sealy logistics initiatives include:

- Investments in the latest equipment and safety technology for the corporate fleet
- Upgrades to more recent models of nearly 200 tractor trailers with new safety features, including adaptive cruise control, lane departure mitigation, blind spot warning detection, and collision mitigation
- Installation of forward-facing video recording systems in all vehicles
- Implementation of driver analytics and scorecards tools, which ultimately help to identify logistics for employees who could benefit from health and safety coaching



### Health and Safety Reporting

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Our U.S. operations are subject to the Occupational Safety and Health Act of 1970 and our Canadian, European, and Mexican operations are subject to similar laws. Our leadership receives monthly reports on the Mattress and Manufacturing Industry metrics provided annually by the U.S. Bureau of Labor Statistics. We continuously monitor for and evaluate opportunities to improve the health and safety of our manufacturing and assembly operations. For example, in 2020, we took actions across all facilities to modify equipment, processes, and personal protective equipment to facilitate safe operations amid the COVID-19 pandemic. Additionally, we implemented further assembly and packaging automation in our facilities which helped to lower the risk of viral infection for our production associates.

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To further our commitment to manufacturing and logistics employee health and safety, **we are planning to implement a technology program designed to improve workplace health and safety.** The platform offers a consistent training program that has been shown to significantly reduce the frequency and severity of musculoskeletal workplace-related injuries. Our goal is to implement this program in 2021.

### Risk Management Certifications

We seek to obtain certifications relating to global worker safety. We are ISO 45001 certified at our foam manufacturing facility in Denmark and OHSAS 18001 certified at our foam manufacturing facility in Duffield, Virginia. Our goal is to transition our Duffield and Albuquerque foam manufacturing facilities to become ISO 45001 certified by 2022.

### Risk Management Systems

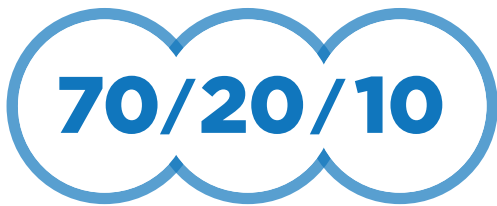
Our North American assembly facilities currently use the Riskconnect Integrated Risk Management Solutions™ software. This software improves the control structure, productivity, transparency, and sustainability of key business workflows in order to mitigate risks associated with employee health and safety.



## PEOPLE DEVELOPMENT & TRAINING

### Professional Development

Our goal is to design and offer development opportunities that improve Company performance by meeting individual learning and development needs and strengthen our culture by reinforcing Company values.



### 70/20/10 Program

We believe formal learning provides the foundation and framework upon which informal learning builds. Tempur Sealy uses the 70/20/10 learning and development model. This approach gives employees the opportunity to develop their skills through job experience, mentoring, and formal training. Training at Tempur Sealy includes, but is not limited to, formal training programs, leadership development mentorships, professional and industry conferences, and education assistance.

### Emerging Leaders Program

Additionally, at the corporate offices, we promote the growth of Tempur Sealy's entry-level professionals through our Emerging Leaders program. The overarching purpose of this program is to offer opportunities for emerging leaders to engage with other employees and senior leaders through networking, development, and philanthropic activities. We understand the importance of having strong professionals who are well-rounded and active both within Tempur Sealy and the greater community.

### Employee Engagement and Satisfaction

Our goal in this area is to encourage teamwork, communication, and a sense of ownership throughout our global organization.

### Town Hall Meetings & Audio Messages

We recognize the importance of both external transparency—with our shareholders, customers, and other stakeholders—and internal transparency with our workforce. We hold Town Hall Meetings at our corporate headquarters and issue audio messages from our CEO to engage with our employees about our financial results, the latest Company

news and initiatives, and broader industry information. Our goal is to encourage teamwork, communication, and a sense of ownership through every level of our Company. In general, the Town Hall Meetings are held quarterly.

### **All Hands Meetings**

To further foster engagement and transparency, we hold meetings at each of our U.S. manufacturing and assembly facilities to review upcoming operational changes, health and safety best practices, new product launches, and human resources topics. The important information conveyed at these meetings is made accessible to employees in both English and Spanish to ensure it is understood by all employees. In general, the All Hands Meetings are held monthly.

### **Team Bonding Programs**

We recognize the value of team bonding activities within departments to strengthen communication, collaboration, and relationships among department employees. We encourage departments to host in-person and virtual events and activities where our employees can interact with and work alongside one another outside of the office setting.



### **Employee Satisfaction Surveys**

In order to monitor the general attitudes and satisfaction of our workforce, we conduct employee surveys. For example, the 2019 survey results indicate that of those surveyed, 89% responded and 87% of those that responded would recommend Tempur Sealy as a good place to work. We value these surveys and use them as an opportunity to evaluate where we can further improve.

### **COVID-19 Safe and Healthy at Work**

We implemented a biweekly employee survey focused on Tempur Sealy's COVID-19 response and initiatives to ensure that we are delivering a safe and healthy work environment for our employees. Results from this survey are shared with senior leaders and employees to produce action plans at the local level.

### **Freedom of Association and Collective Bargaining**

**Tempur Sealy maintains an open-door policy under which each employee has the right to deal directly with members of management regarding all working conditions.** We respect the right of our employees to join or form (or not join or form) a labor union or other legal organizations of their own choosing, without being penalized for the nonviolent exercise of such rights. Where employees are represented by a union, we are committed to establishing a constructive dialogue with their freely chosen representatives and to bargaining collectively in good faith with them.

### **Discrimination Policy**

Tempur Sealy is committed to providing a work environment that is free from all forms of discrimination and conduct that can be considered harassing, coercive, or disruptive, including sexual harassment. Actions, words, jokes, or comments based on an individual's race, religion (including religious dress and religious grooming), ethnicity, color, ancestry, creed, age, genetic information, disability (mental and physical, including HIV and AIDS), medical condition (cancer/genetic characteristics and information), national origin (including language use restrictions), sex (gender, gender identity, gender expression), sexual orientation, marital status, familial status, parental status, domestic partner status, citizenship status, pregnancy (including perceived pregnancy, childbirth, breastfeeding or related medical conditions), military caregiver status, military status, veteran status, or any other status protected by federal, state, or local law, will not be tolerated.

### **Employee Hardship Program**

Tempur Sealy has implemented an Employee Hardship Fund to provide financial assistance to employees experiencing difficulty in meeting basic living needs. Employees who meet the eligibility criteria can apply for assistance from the fund to receive a maximum grant of \$1,000 over a 12-month period. **This program has assisted 188 employees for a total of over \$178,000 since the fund began on December 1, 2016. There has been a 74% disbursement increase in 2020** for individuals impacted by COVID-19 to help pay for expenses such as rent and utilities. We have also received a 70% increase in grant funding for the program to cover these types of expenses.





## **ETHICS & DIVERSITY**

### **Ethics and Risk Management**

Tempur Sealy is committed to maintaining high standards of corporate governance. We believe our success is tied to being an ethical and respectful corporate citizen.

### **Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics that applies to our entire organization. Our policy is available on our Investor Relations website. All employees receive training on this policy on an annual basis.

### **Internal Enterprise Risk Management**

We utilize an enterprise risk management process undertaken on a quarterly basis pursuant to which we seek to identify various enterprise risks related to product safety/regulatory, global environmental exposure, site environmental matters, IT system interruption and cyber security, supply chain matters, business continuity, health and safety incidents, and other matters. We have an enterprise risk management group that manages this process. Their activities include assessing the risks, prioritizing the risks, measuring the risks, implementing mitigation plans, and auditing the results. This team presents its findings to our Board of Directors on a quarterly basis.

### **Ethics Line**

Our risk management plan also includes monitoring and addressing matters disclosed through our U.S. and international ethics lines for legal compliance and for accounting irregularities. Information and metrics relating to our hotline are reported to our Board of Directors.

### **Improper Payments and Bribes**

As stated in our Code of Business Conduct and Ethics, we do not tolerate the making of payments or payments in-kind (gifts, favors, etc.) to influence individuals to award business opportunities to us or to make a business decision in our favor, regardless of local custom or practice. On an annual basis, employees receive anti-bribery training that includes the Foreign Corrupt Practices Act (FCPA) and the Bribery Act of 2010 of the United Kingdom (UK Bribery Act). In addition, all affiliates (including third parties, licensees, and joint venture partnerships) must certify they are compliant with all local laws, the FCPA, and UK Bribery Act.

## Diversity

We have a diverse global workforce that includes a range of skillsets, perspectives, backgrounds, ethnicity, genders, and qualifications.

### Global Workforce

As a result of the growing demand for our products, we were able to **create approximately 1,600 new jobs in 2020. We have approximately 9,000 employees, approximately 6,300 of whom are located in the U.S. Of our domestic employees, 30% are female and 70% are male. In addition, 51% of our U.S. workforce has self-reported as a minority (above the national average of 37%) and 54% of our U.S. workforce is over the age of 40.** We are committed to continuing our efforts to ensure that we have a workforce diverse in demographic, thought, and experience.

As an Equal Employment Opportunity Employer, we are committed to providing opportunities to all employees and applicants and prohibiting discrimination and harassment. The following are some of the actions that we take to realize our commitment to equal opportunity employment:

- Promotion of a diverse slate of qualified candidates during the hiring process
- Outreach with organizations in each of our local communities to increase the flow of minority, female, veteran, and disabled applicants for employment
- Annual gender and minority pay equity analysis
- Involvement in external, community-based activities sponsored by local organizations, including those that assist women, minorities and veterans

### Board of Directors

**Women represent 25% of our Board of Directors and minorities represent 13% of our Board of Directors.** In line with our strategic objectives, our directors demonstrate attributes and experience that are conducive to representing the best interests of our stockholders, including a range of skillsets, perspectives, backgrounds, ethnicity, genders, and qualifications.

### Executive Management Team

**Women and minorities each represent 17% of our executive management team.**



# Forward-Looking Statements

This report may be deemed to include statements that are “forward-looking” within the meaning of the federal securities laws, which include information concerning one or more of the Company’s plans, objectives, goals, strategies, and other information that is not historical information. When used in this report, the word “believe,” “expect,” “anticipate,” “hope,” and variations of such words or similar expressions are intended to identify such statements. Any forward-looking statements contained herein are based upon current expectations and beliefs and various assumptions. These forward-looking statements include, without limitation, statements relating to the Company’s expectations regarding sustainability goals; commitments and programs; business plans; initiatives and objectives; assumptions and expectations; the scope and impact of corporate responsibility risks and opportunities; and standards and expectations of third parties. There can be no assurance that the Company will realize these expectations or that these beliefs will prove correct. Numerous factors, many of which are beyond the Company’s control, could cause actual results to differ materially from any that may be expressed herein as forward-looking statements. These risk factors include the risk factors discussed under the heading “Risk Factors” in Part I, ITEM 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, and in Part II, ITEM 1A of the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. There may be other factors that may cause the Company’s actual results to differ materially from the forward-looking statements. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.