

sleep  number®

# 2021 CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT





## A LETTER FROM SHELLY IBACH

To Our Stakeholders,

Quality sleep is vital to health and wellness. Its life-changing benefits improve our physical, mental and emotional wellbeing, increase our energy levels, boost our immunity, and strengthen our resilience. This knowledge is fundamental to our purpose and our strategy. Sleep Number has, for years, invested strategically in sleep science-based innovation, digital technologies, an agile go-to-market strategy and brand accelerators. We have positioned digital health at the core of our product and customer experience and built a beloved brand that has improved more than 13 million lives.

Throughout 2020, our purpose, to improve the health and wellbeing of society through higher quality sleep, sustained and inspired us. The global pandemic and civil unrest highlighted the intrinsic merit of our culture, founded on individuality. Our dedication to our mission of improving lives by individualizing sleep experiences remains fundamental to our decisions and expedient actions.

In a year of challenge and change, Sleep Number accelerated our life-changing innovations, health-related advancements and inclusive culture. As detailed in this report, we further realized – and championed – the benefit of higher quality sleep with our team, consumers and communities. We see a direct correlation between our purpose, the relevancy of our brand experience and our creation of superior long-term stakeholder value. Highlights include:

- We invested in the wellbeing of our team, including gifting each of our nearly 5,000 team members a Sleep Number 360® smart bed.
- We underscored our belief in the strategic importance of diversity, equity and inclusion (DEI) with our administration of a self-identity survey and creation of a DEI Council comprised of our diverse team.
- We extended our partnerships with leading nonprofit organizations to support individuals and families in our communities who were deeply affected by the pandemic and have been impacted by social injustice. And we are more than halfway to achieving our commitment of improving the wellbeing of 1 million young people by 2025.

- In collaboration with our diverse, independent board, we enhanced our robust, long-standing and highly admired corporate governance.
- We strengthened our relationships with suppliers and continued our engagement with shareholders through consistent communication.
- We joined the United Nations Global Compact, pledging our intent to further incorporate their Ten Principles on human rights, labor, environment and anti-corruption into our company's strategy, culture and day-to-day operations, and engage in activities that advance the United Nations' broader sustainability goals.
- We made progress toward reducing our environmental impact – tracking metrics to better understand our performance in areas such as waste, energy and water usage and setting initial goals to ensure our ongoing accountability.
- And, with our purpose, values, strategy and business model in clear alignment, we delivered record financial results and superior stakeholder value.

The crises of the past year have illuminated serious issues in our society, while demonstrating the benefits of purpose and good business. Our passionate, dedicated and resourceful team, working together in our communities, bring about positive change. We all share this world, and we must all act with resolve to sustain it. This is our opportunity and our imperative. And it is why every member of the Sleep Number team takes seriously our responsibility to improve lives through quality sleep and create a kinder, healthier and more inclusive world.

Sleep well, dream big,

**CHIEF EXECUTIVE OFFICER, SLEEP NUMBER**

**SLEEP NUMBER® SETTING 40**

**AVERAGE SLEEPIQ® SCORE: 82**

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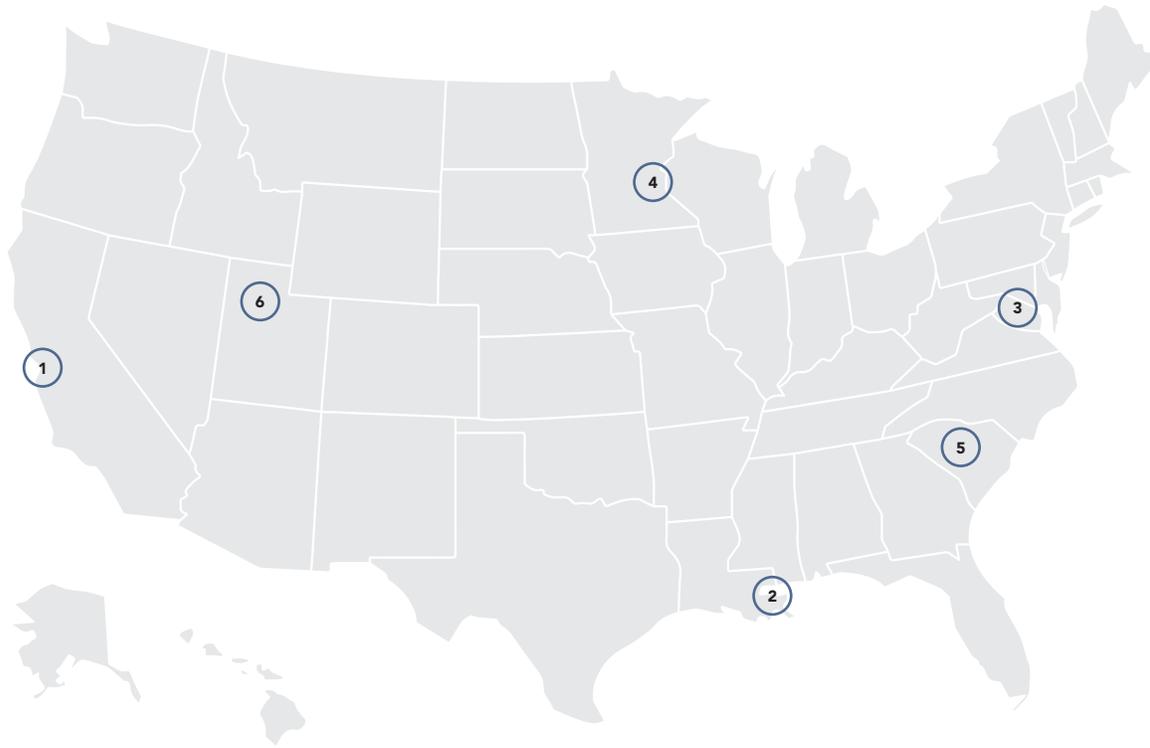
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# WHERE WE OPERATE

<b>AL</b> 11 Stores	<b>ME</b> 2 Stores	<b>OH</b> 21 Stores
<b>AK</b> 1 Store	<b>MD</b> 13 Stores	<b>OK</b> 5 Stores
<b>AZ</b> 11 Stores	Assembly Distribution Center <b>(3)</b>	<b>OR</b> 7 Stores
<b>AR</b> 5 Stores	<b>MA</b> 11 Stores	<b>PA</b> 23 Stores
<b>CA</b> 67 Stores	<b>MI</b> 18 Stores	<b>RI</b> 1 Store
Sleep Number Labs <b>(1)</b>	<b>MN</b> 15 Stores	<b>SC</b> 10 Stores
Assembly Distribution Center	Corporate Headquarters and Bedding Collection <b>(4)</b>	Manufacturing Facility and Assembly Distribution Center <b>(5)</b>
<b>CO</b> 14 Stores	Fulfillment Center	<b>SD</b> 2 Stores
<b>CT</b> 6 Stores	<b>MS</b> 6 Stores	<b>TN</b> 17 Stores
<b>DE</b> 2 Stores	<b>MO</b> 12 Stores	<b>TX</b> 55 Stores
<b>FL</b> 43 Stores	<b>MT</b> 4 Stores	<b>UT</b> 7 Stores
<b>GA</b> 21 Stores	<b>NE</b> 4 Stores	Manufacturing Facility and Assembly Distribution Center <b>(6)</b>
<b>HI</b> 1 Store	<b>NV</b> 5 Stores	<b>VT</b> 1 Store
<b>ID</b> 3 Stores	<b>NH</b> 4 Stores	<b>VA</b> 17 Stores
<b>IL</b> 21 Stores	<b>NJ</b> 14 Stores	<b>WA</b> 15 Stores
<b>IN</b> 11 Stores	<b>NM</b> 3 Stores	<b>WV</b> 4 Stores
<b>IA</b> 7 Stores	<b>NY</b> 20 Stores	<b>WI</b> 11 Stores
<b>KS</b> 7 Stores	<b>NC</b> 21 Stores	<b>WY</b> 2 Stores
<b>KY</b> 8 Stores	<b>ND</b> 3 Stores	
<b>LA</b> 9 Stores		
Customer Service Center <b>(2)</b>		

# HOW WE LIVE OUR VALUES



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## PURPOSE

Improve the health and wellbeing of society through higher quality sleep.

## MISSION

Improve lives by individualizing sleep experiences.

## VISION

Become one of the world's most beloved brands by delivering an unparalleled sleep experience.



# OUR SHARED VALUES

**PASSION** for making a difference and changing lives:

- We go above and beyond because we care.
- We love representing our brand with our customers and our communities.
- We are the champions of sleep at the center of a healthy mind, body and soul.

**INTEGRITY** to always do the right thing:

- We treat others with kindness and respect.
- We are honest, fair and sincere.
- We live our code of ethics every day.

**INNOVATION** to find a better way:

- We live and breathe innovation.
- We leave nothing to chance.
- We see innovation everywhere and ours will help shape the future.

**COURAGE** to embrace challenge:

- We take risks, learn and adapt.
- We are confident and take action.
- We are resilient, persistent and fearless in our pursuit of excellence.

**TEAMWORK** that celebrates individuality and the joy of working together:

- We are unstoppable when we work together.
- We laugh and learn and trust each other.
- We are all individuals, but together ... we are Sleep Number.

# INDIVIDUALITY IS OUR FOUNDATION



We celebrate individuality in each other, in our own lives and in our customers' lives. We embrace every individual's unique talents, perspectives and experiences, and strive to create an environment where we can be our best selves. Valuing diversity, equity and inclusion makes us stronger, smarter and fuels our innovation and teamwork. Individuality connects us to our vision of becoming one of the world's most beloved brands by delivering an unparalleled sleep experience.

## SIGNATORY TO THE UNITED NATIONS GLOBAL COMPACT

### WE SUPPORT



In 2020, Sleep Number became a signatory to the United Nations Global Compact (UNGC), demonstrating our support for the Ten Principles related to human rights, labor, environment and anti-corruption. We are committed to making the UN Global Compact principles part of our strategy, culture and day-to-day operations, and we are proud and eager to engage in collaborative projects, which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. In this report, we describe the actions we have taken – or are taking – in keeping with this commitment.



## COMMITMENT TO ETHICAL BUSINESS PRACTICES AND LEGAL COMPLIANCE

Laws and regulations touch all aspects of our business – from how we make, market and sell our products to how we disclose our financial results; from how we treat one another to how we do business with third parties. Sleep Number requires strict adherence to the letter and the spirit of all laws applicable to the conduct of our business.

We are also committed to the highest standards of ethical business practices throughout our company. Our company values, team member training, company policies and culture underscore our expectations for integrity and provide clear guidelines for business decisions and behavior. We have a Code of Business Conduct, provided to all team members, which instructs and requires

that our team members comply with applicable laws, engage in ethical and safe conduct in our work environment, avoid conflicts of interest, conduct our business with integrity and high ethical standards, and safeguard our company's assets. All team members are required to annually acknowledge their commitment to this Code. A copy of the Code of Business Conduct is included in the investor relations section of our website at <https://ir.sleepnumber.com/overview/default.aspx>.

We also train our team members on our equal employment opportunity, non-harassment and standards of conduct policies to foster a culture of diversity, inclusion, dignity and respect, and ensure adherence to our high standards of integrity. Our annual Code of Business Conduct training addresses

the company's expectations regarding a wide range of conduct, including anti-bribery and anti-corruption. Our Code of Business Conduct directs team members who observe or suspect unethical or illegal behavior to report it to their management, Human Resources or our Chief Legal and Risk Officer. The company also offers a confidential Business Abuse Hotline for team members. The hotline is operated by an independent third-party service to ensure confidentiality and 24-hour accessibility. On a quarterly basis, senior management shares reported concerns with the Audit Committee of our board of directors, demonstrating our accountability and governance practices.



As part of a larger strategy to bolster our compliance and prevention efforts related to bribery and corruption, we conduct annual training in key functions where team members may interact with foreign entities and officials, increasing their vulnerability to Foreign Corrupt Practices Act (FCPA) issues. Members of the Direct Materials and Bedding departments are among those who participate in the training which includes how to identify and refuse bribery or “agent” payments.

Sleep Number expects our suppliers and third-party business partners to uphold high standards of business integrity, reputable business practices and sound ethical judgment. To ensure all of our suppliers are aware of their responsibilities, we provide our Code of Conduct for Business Partners to all active business partners and suppliers of goods and services. This Code articulates Sleep Number expectations for performance that align with the company’s Code of Business Conduct for its team members and describes our rights to monitor and enforce supplier compliance. The Code of Conduct for Business Partners contains provisions that explicitly address business partner responsibilities related to: Labor and Human Rights, including fair treatment of workers, nondiscrimination in hiring and employment practices, strict prohibition of underage and involuntary labor and human trafficking, respect for freedom to associate, and fair and timely compensation; Health and Safety, including training, injury prevention and workplace environment, including, but not limited to, safeguards from physical hazards, access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation; Environmental Issues,

including hazardous substances, conflict minerals, waste disposal and recycling; and Legal and Ethical Practices. Compliance with the principles described in our Code of Conduct for Business Partners is a condition of doing business with Sleep Number. We ask our suppliers to agree, in writing, to the terms and conditions of our Code of Conduct for Business Partners. In addition, the contractual terms that are applicable to the vast majority of Sleep Number suppliers include language that requires each supplier to represent and warrant “that it will, at all times, comply with the Code of Conduct for Business Partners as may be amended from time to time.” Suppliers representing approximately 90% of direct spend are audited annually for compliance with the Sleep Number Code of Conduct for Business Partners and are asked to renew their written adherence to the Code. Our Code of Conduct for Business Partners is publicly available at [sleepnumber.com/vendor](https://sleepnumber.com/vendor).

# HUMAN RIGHTS



At Sleep Number, our values of passion, integrity, innovation, courage and teamwork are our compass and guide our decisions. We expect Sleep Number team members and our business partners — both key stakeholders in the implementation of our Human Rights policy — to act with the highest ethical standards and treat others with respect every single day. Their conduct should be in accordance with standards set forth in our Code of Conduct for Business Partners, our Team Member Code of Business Conduct, our Team Member Handbook, the expectations of the UN Global Compact of which Sleep Number became a signatory in 2020 and the principles detailed below. These principles provide guidance to ensure that our business practices and processes support our commitment to human rights, and that our team members and business partners understand their role in – and responsibility for – upholding human rights and equality in the workplace. No Sleep Number team member or business partner should ever be complicit in human rights abuses or ethical violations of any kind.

Our commitment to human rights, which is overseen by the Sleep Number board of directors and senior leadership team, include the following principles:

## CHILD LABOR RESTRICTIONS

Sleep Number prohibits child labor in all forms. When employing persons under the age of 18, managers must comply with all Sleep Number-established and legally required limitations on minimum hiring age, work hours and tasks performed by these team members and ensure that any work performed does not interfere with the team member’s health, safety, mental or physical development, education or morals. We maintain data on the age of all team members for auditing and reporting purposes.

## EQUAL AND NONDISCRIMINATORY PRACTICES

We believe that attracting, employing and retaining a diverse team, including people from all backgrounds, ethnicities, genders, lifestyles and belief systems – and maintaining an environment that is welcoming and respectful of this diversity – is foundational to our mission, business strategy and financial performance. We are committed to providing a work environment free from all forms of unlawful harassment and discrimination. At Sleep Number, we recruit, hire, compensate and promote team members based on qualifications and performance. We do not tolerate any conduct that creates an intimidating, offensive or hostile work environment.

## **HUMAN TRAFFICKING, SLAVERY AND FORCED LABOR**

We do not employ involuntary labor of any kind and will not knowingly conduct business with any partner who does. Involuntary labor includes prison, indentured or bonded labor or labor obtained through human trafficking or slavery. We are partnering with suppliers to monitor their performance where appropriate and working to ensure that our supply chain includes no child, forced, trafficked or slave labor.

## **WAGES AND WORKING HOURS**

We adhere to all applicable wage laws and regulations. All workers must be paid at least the legal minimum wage. In addition, workers must be compensated for overtime hours at a rate legally required by local laws and must exceed regular hourly compensation.

## **RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

We recognize and respect the right of all team members to freedom of association and the right to join unions or other work-related associations as well as the right to bargain collectively, as permitted by, and within the limits of, local laws. All team members should be able to assert their right to freedom of association and their right to remain independent without fear of retaliation or termination.

## **HEALTHY AND SAFE WORKPLACE**

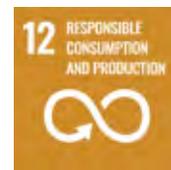
As a purpose driven company in health and wellness, the safety and wellbeing of our team members is paramount. We strive to provide and maintain a safe work environment for all our team members and partners by establishing,

communicating and encouraging adherence to company-based safety procedures and by complying with all federal, state and local laws regarding safety in the workplace. We address and remediate identified accident, injury or health risks, and believe that safety is everyone's responsibility at Sleep Number.

We take violations of these principles seriously. Team members should report, in accordance with the process described in our Code of Business Conduct and as they are reminded in the annual training on the Code, any behavior or conduct by a Sleep Number team member or business partner that they observe or suspect is a potential violation of our human rights policy or principles.

To align our suppliers – all of whom are subject to the Sleep Number Code of Conduct for Business Partners – with our company's human rights commitments, to build compliance with our expectations for performance and to promote safe and secure working environments for all workers, Sleep Number continues to monitor supplier performance related to our human rights policy. We have updated our business scorecards to include human rights violations and will begin auditing all new direct materials suppliers on human rights issues by 2023. In addition, we will continue to expand and enhance supplier training and audits that will increase compliance and improve work conditions for at-risk workers.

*Sleep Number reserves the right to amend this policy at any time. Nothing in this policy says or implies that a contract exists between the company and its team members or that compliance with these principles is a guarantee of continued employment with Sleep Number.*



# CONFLICT MINERALS

In 2010, the United States enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), including Section 1502, which is commonly referred to as the Conflict Minerals rule and which took effect on January 1, 2013. The law requires publicly traded companies who use gold, tantalum, tin, and tungsten minerals (known as 3TG) in products manufactured or contracted to be manufactured by such companies to report annually to the Securities and Exchange Commission whether the 3TG used in their products originates from the Democratic Republic of the Congo (DRC) or a neighboring country, where armed groups exploit the mining and trade of 3TG to help finance conflict in the region.

Consistent with our Human Rights policy, we fully support the aims of Section 1502 of the Dodd-Frank Act.

As described in our Conflict Minerals Rule Policy, Sleep Number does not directly source 3TG from mines, smelters or refiners. As a result, we have clearly communicated our expectations to suppliers who provide materials to Sleep Number that may contain 3TG. We rely on them to:

- Source their materials from ethically and socially responsible sub-tier suppliers and to apply a nationally or internationally recognized due diligence framework within their supply chains to determine the origin of the 3TG they use.

- Annually certify whether the materials they provide to Sleep Number contain conflict minerals, and if so,
- Provide written documentation of their due diligence efforts and the source of each mineral.

To comply with our Dodd-Frank Act annual reporting requirement, Sleep Number conducts a reasonable country of origin inquiry to determine if any 3TG necessary to the functionality and production of Sleep Number products may have originated in the DRC or neighboring countries. We survey all active suppliers about the presence of 3TG in their materials, carefully review their responses and follow up to obtain additional information or clarification about the content and origin of their materials as necessary.

# HOW WE WORK WITH EACH OTHER

Making the world a better place through proven quality sleep is core to who we are at Sleep Number. Our board of directors, management, and nearly 4,700 Sleep Number team members are dedicated to the company's mission and values of passion, integrity, innovation, courage and teamwork.

As evidenced by our top-10 ranking in the Russell 3000 Index for Gender Diverse Boards, Sleep Number values diverse perspectives in all areas of our company. We have a female CEO, a diverse senior leadership team, board of directors, and team member population – in terms of gender, race, ethnicity and age – and 60% of our board directors are female.

## BOARD DIVERSITY

TOTAL NUMBER OF BOARD DIRECTORS: 10

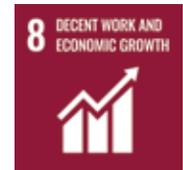
GENDER	MALE	FEMALE	NON-BINARY	UNDISCLOSED
NUMBER OF DIRECTORS BASED ON GENDER IDENTITY	4	6		
NUMBER OF DIRECTORS WHO SELF-IDENTIFY AS:				
AFRICAN-AMERICAN OR BLACK		1		
ALASKAN NATIVE OR AMERICAN INDIAN				
ASIAN				
HISPANIC OR LATINX	1			
NATIVE HAWAIIAN OR PACIFIC ISLANDER				
WHITE	3	5		
LGBTQ+		1		
UNDISCLOSED				

## SENIOR LEADERSHIP TEAM (SLT) DIVERSITY

TOTAL NUMBER OF SLT: 8

GENDER	MALE	FEMALE	NON-BINARY	UNDISCLOSED
NUMBER OF SLT BASED ON GENDER IDENTITY	5	3		
NUMBER OF SLT WHO SELF-IDENTIFY AS:				
AFRICAN-AMERICAN OR BLACK	1			
ALASKAN NATIVE OR AMERICAN INDIAN				
ASIAN				
HISPANIC OR LATINX		1		
NATIVE HAWAIIAN OR PACIFIC ISLANDER				
WHITE	4	2		
LGBTQ+				
UNDISCLOSED				

# TEAM MEMBER DEMOGRAPHICS

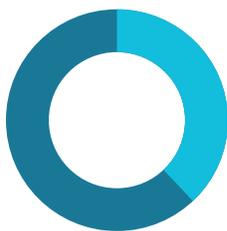


## 2020 TEAM MEMBER % BY AREA

Sleep Number is a vertically integrated company – with team members across a range of functional areas, including retail, manufacturing, customer service and management/administrative.

- SALES, 48%
- FIELD SERVICES, 18%
- CORPORATE, 15%
- MANUFACTURING, 11%
- CUSTOMER SERVICE, 9%

## GENDER



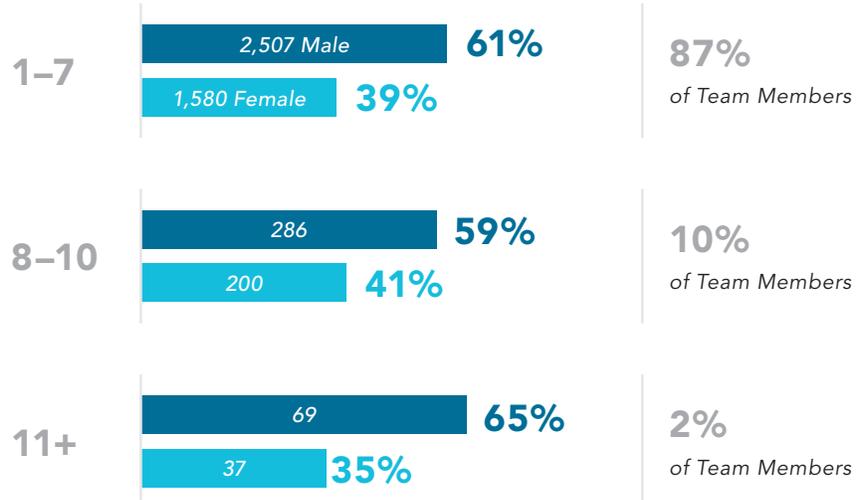
**61% MALE**

2,862 Team Members

**39% FEMALE**

1,817 Team Members

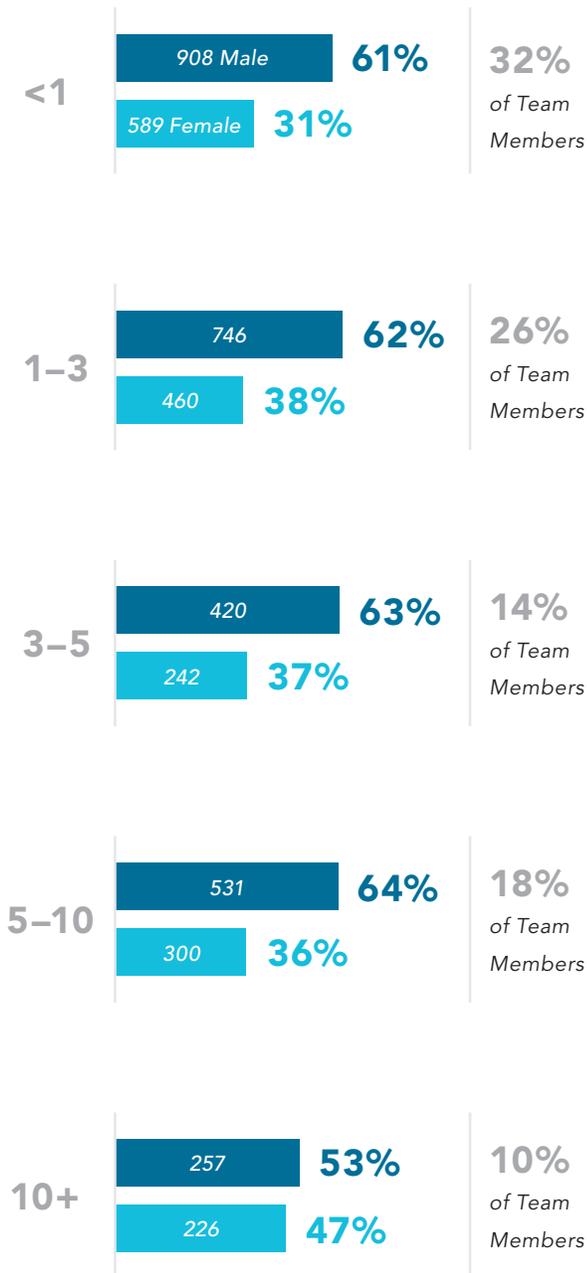
## JOB GRADE, LOWEST TO HIGHEST



Percentages may not total to 100% due to rounding

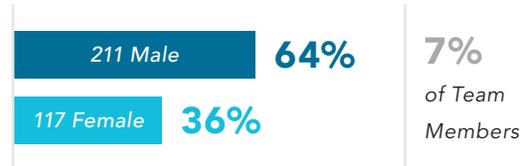
# TEAM MEMBER DEMOGRAPHICS

## TENURE IN YEARS

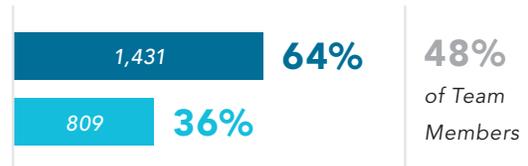


## GENERATIONAL

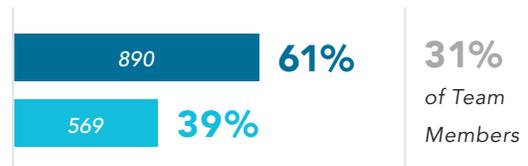
### GENERATION Z (1997+)



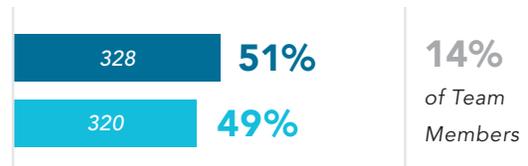
### GENERATION Y (1981-1996)



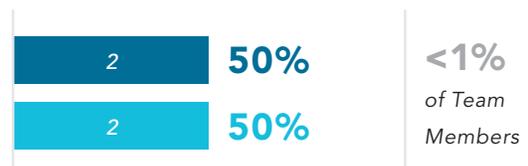
### GENERATION X (1965-1980)



### BABY BOOMERS (1946-1964)



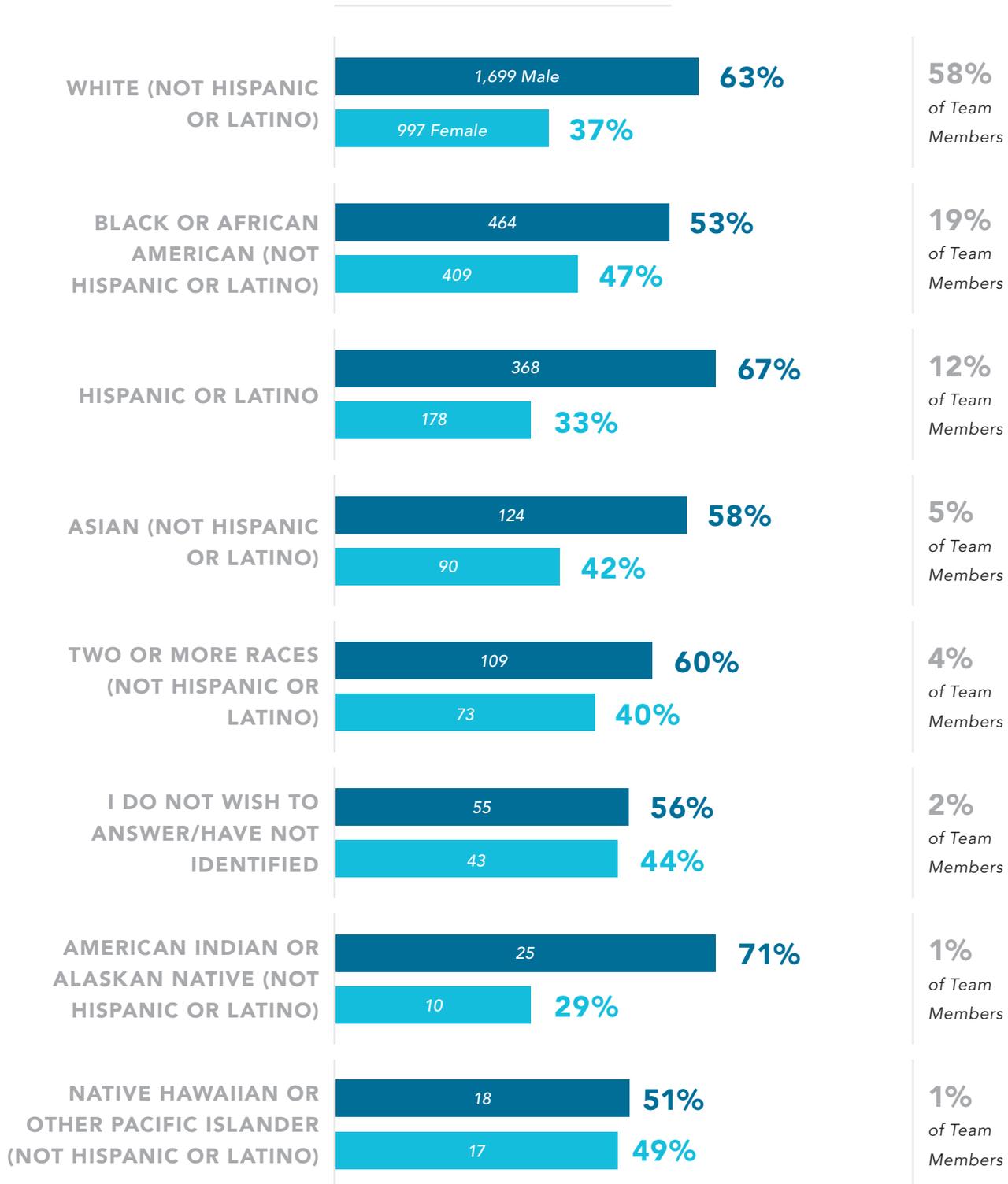
### TRADITIONALISTS (1928-1945)



Percentages may not total to 100% due to rounding

# TEAM MEMBER DEMOGRAPHICS

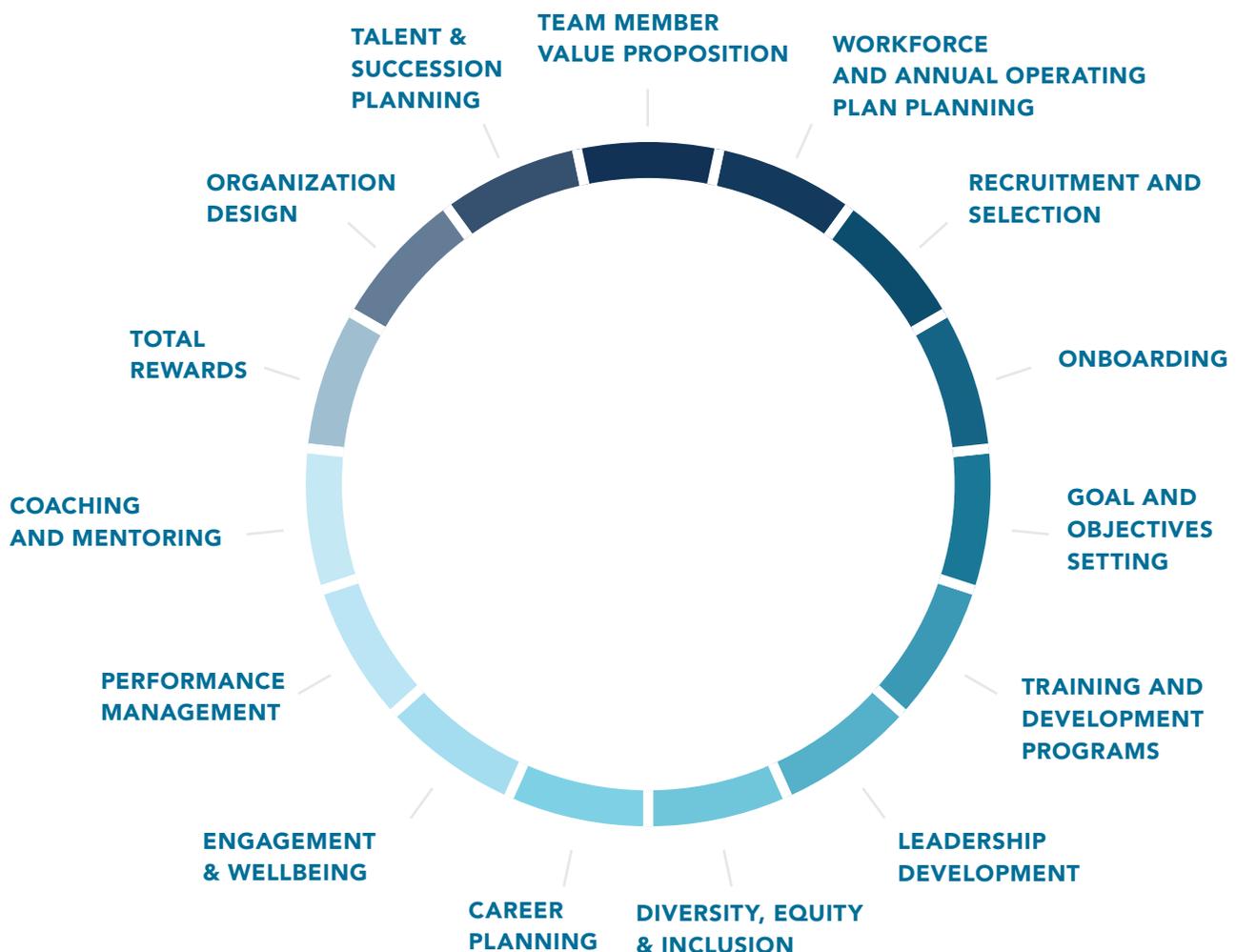
## RACE AND ETHNICITY



Percentages may not total to 100% due to rounding

# TALENT365

While elements of the talent planning life cycle at Sleep Number are discrete, we take a holistic view to planning and execution – encompassing the entire range of activities that are important to attract, motivate, develop, reward and retain a talented and diverse team, as illustrated in our Talent365 model below. These interconnected elements drive team member experience, career advancement and productivity and are key factors in our ability to achieve annual and five-year enterprise and functional area priorities. Our approach deliberately creates and sustains a work environment that allows Sleep Number team members to realize their full potential while fulfilling our company’s mission. Talent365 is owned by every leader in the company in partnership with Human Resources. Leaders are responsible for designing the appropriate organizational structure and ensuring they have the right talent in the right roles, establishing relevant processes, systems and tools, appreciating individuality, managing the pace of change within their teams, empowering team members and holding them accountable, and providing meaningful recognition, incentives and rewards to create and sustain a work culture that consistently delivers superior results. In sections of this report that follow, we provide additional detail about our **TEAM MEMBER ENGAGEMENT** and expansive team member **TRAINING AND PROFESSIONAL DEVELOPMENT** programs.





# DIVERSITY, EQUITY AND INCLUSION (DEI)



We are committed to creating a work environment where team members are treated fairly and with respect, and apply this same philosophy to the way we engage with our customers, communities and business partners.

In 2019, we formally and proudly shared our Individuality Statement with every Sleep Number team member.

Consistent with this commitment to our culture of individuality and wellbeing, in 2020, we formed a new Diversity, Equity

and Inclusion Council that is comprised of team members from diverse backgrounds and aligns with our broader DEI strategy.

Individuality and DEI are also foundational to our mission and innovation strategy. We strongly believe that each person's sleep experience must be individualized to achieve quality sleep.

Sleep is at the center of wellbeing and improves performance in every aspect of life. Our pulse of individuality fuels our mission of improving lives by individualizing sleep experiences.

Our Salt Lake City plant is a shining example of how individuality makes Sleep Number better. As of year-end 2020, 32 countries are represented by plant team members and 23 languages are spoken in this high-performing manufacturing center.



“It doesn’t matter who you are, Sleep Number allows you to be the best you possible ... most of my success comes when I am 100% authentic. I love working for a company that allows me to express myself unapologetically.”

**CRAIG LARTER, SUPERVISOR  
CUSTOMER RELATIONSHIP CENTER  
SLEEP NUMBER® SETTING 35**

## **DIVERSITY, EQUITY AND INCLUSION STRATEGY**

While Sleep Number has a long-held commitment to diversity, equity and inclusion (DEI), we initiated a new, more deliberate strategy in 2018 to strengthen our unique culture. Specifically, we are focused on deepening awareness of DEI opportunities, advancing our commitment throughout our organization and driving accountability. We invest in each of these areas concurrently over time and expect objectives within each focus area to evolve as our organization and culture continue to mature.

We continue to develop a better understanding of our team members through surveys and focus groups and provide meaningful programming that enhances inclusion. Our efforts include both formal training and informal social and educational experiences. At the same time, we are enhancing the tools, partnerships and communications that support our diversity, equity and inclusion commitment, and increasing reporting and analytics to measure our progress.

To advance DEI throughout our company and enable future progress, Sleep Number took the following actions in 2020:

### **INDIVIDUALITY**

- Individuality is a company-wide commitment and is referenced as a guiding principle within the annual priorities that are shared with all of our team members.
- We launched a self-identification survey to learn how our team members truly identify and how they want to be appreciated as individuals, allowing us to understand intersectionality at Sleep Number. We are working towards adding self-identification information to our Workday® functionality (Workday® is our Human Resources management platform).

- We are prioritizing wellbeing to make sure that our team members can bring their true and whole selves to work every day. The tenants of our wellbeing strategy encompass physical, community, financial, career and emotional wellbeing.

## AWARENESS

- As part of our Learning Management System (LMS) learning paths, we offer conscious inclusion training to all people leaders at Sleep Number, building on our strong foundation of conscious inclusion training to our full board of directors, our senior team and every operating leader.
- We purchased and are implementing an eLearning module to educate our Talent Acquisition team, people managers and Human Resources business partners on inclusive hiring.

## COMMITMENT

- We reiterated our commitment to ensuring appropriate gender representation in our senior management and workforce, including achieving gender balance in our retail stores by 2025.
- We celebrated Juneteenth, Pride, and Hispanic Heritage Days and included DEI as a key agenda topic at our national sales and services conference. We also conducted listening sessions with team members following increased social unrest in 2020, ensuring that our team members feel safe and heard.

- Sleep Number remains actively engaged with organizations and initiatives in our communities that are focused on attracting, engaging, and retaining talent from underrepresented populations, including BIPOC (Black, Indigenous and People of Color), and ensuring equality for all team members. We routinely participate in GREATER MSP, a regional economic development partnership encompassing our 15-county metro area, through its MAKE IT. MSP. and BE MSP talent initiatives. MAKE IT. MSP. is a strategic initiative of the GREATER MSP Partnership to make the Greater Minneapolis-Saint Paul region one of the country's top performers in attracting, welcoming and retaining people. BE MSP focuses on helping organizations advance diversity, equity and inclusion within their workplaces.

- We are deeply involved with the Minnesota Business Coalition for Racial Equity (MBCRE), formed in mid-2020 following protests in the Twin Cities, to increase racial and social justice and help transform our hometown into a stronger, more equitable, inclusive, resilient, and innovative city. Sleep Number also holds a board seat and actively participates with the MAKERS organization, which explores ways to accelerate equality for women. Our involvement reinforces our commitment to greater diversity, equity and inclusion in our company and communities.

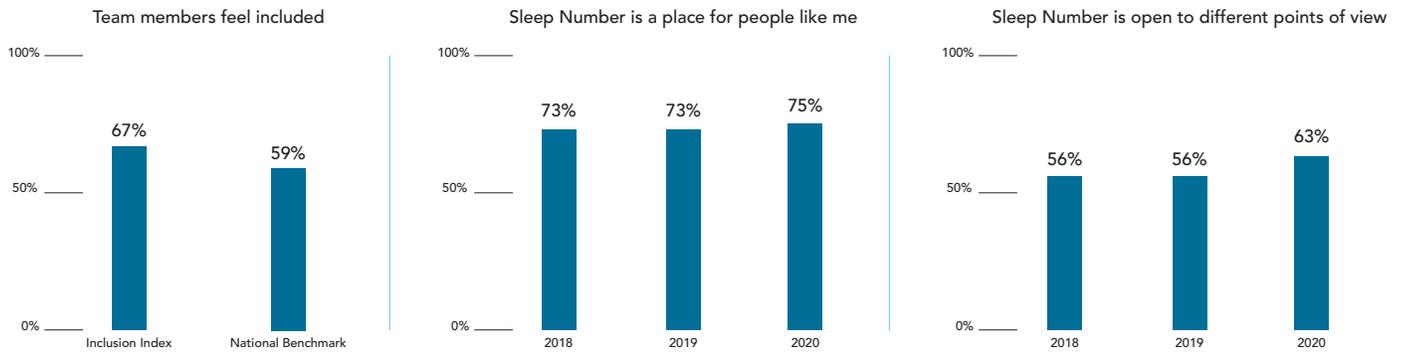
- We launched a DEI Council in 2020, comprised of 13 self-nominated team members and supported by a senior executive advisory group, to foster positive change. Key objectives include establishing a forum to influence decisions that support DEI, increasing awareness and impact of DEI initiatives and building advocacy and ownership of DEI commitments and results. The inaugural DEI Council members were selected in 2020 using a blind application process and an unbiased review with support from a third-party facilitator. Members reflect 12 different job titles, eight different job family groups, and six people leaders and the following self-described identities:

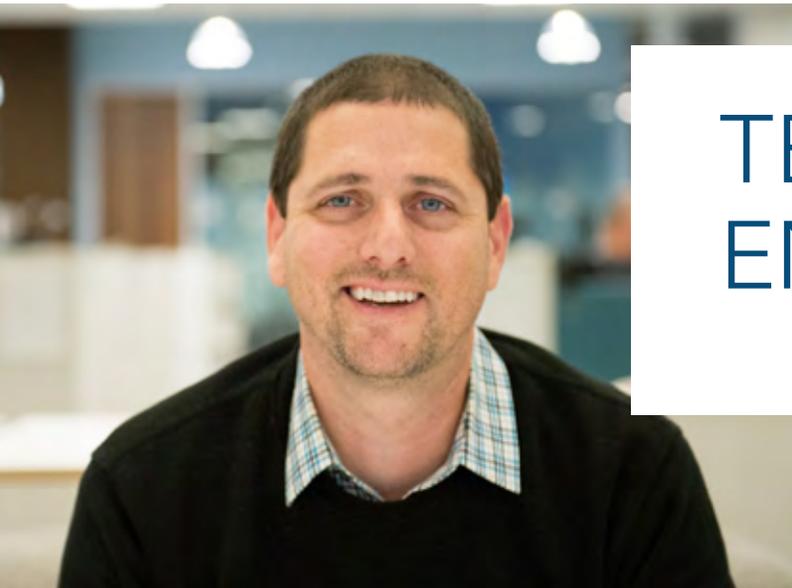
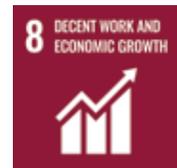
African American	Black/Brown	Community Volunteer & Activist
First Generation American	Graduates of Historically Black Colleges and Universities (HBCU)	International Upbringing
Intersectional	Lesbian, Gay, Bi, Transgender, Queer (LGBTQ+)	Multiracial
Muslim	Military Spouse	Neurodiverse
Parents	Puerto Rican	Women in Science, Technology, Engineering & Math (STEM)

## ACCOUNTABILITY

- Our commitment to take meaningful action is strong, and we've developed a multi-year roadmap to help us prioritize the most important actions to strengthen our inclusivity.
- We are working towards establishing key metrics that will show progress against our commitments. Workday will help us measure and monitor practices around who we are hiring, who is departing, and who we are promoting. This will provide useful data to establish a strong baseline of measures for accountability.
- Although we recognize that we have more work to do, our survey of Sleep Number team members on inclusion and belonging topics in 2020 returned the following results:

### Sleep Number Inclusion Index is strong and well above the benchmark





# TEAM MEMBER ENGAGEMENT



As a purpose driven company, we've created a special culture that attracts and retains people who want to make a difference. Our team members want to feel fulfilled in their support of our mission to improve lives through individualizing sleep experiences, and we know that team member engagement and wellbeing enhance their performance.

At Sleep Number, we have a continuous listening strategy to ensure we stay connected to the voice of our team members at critical times of the team member experience. The key touchpoints are new hire, pulse check-ins, annual engagement survey and exit surveys.

We have consistently demonstrated our commitment to inviting and listening to team member ideas and feedback for 16 consecutive years – through engagement surveys and various other touchpoints during the team member lifecycle. In 2020, we maintained our commitment to listening to the voice of our team members, using a modified approach due to COVID-19. Our goal was to capture real-time insights from our team members and address their feedback in the face of 2020's increased uncertainty, anxiety precipitated by the global pandemic and heightened emotions driven by the widespread movement for social justice.

The topics covered by the five pulse surveys varied:

1. Crowdsourcing the importance of benefits offerings, wellness needs and self-identification
2. Capturing team member sentiment around productivity, priorities and communication
3. Assessing readiness and ability to return to the workplace
4. Seeking to understand impact and emotions around racism and social unrest
5. Measuring belonging, inclusion, self-care and communications

Though we do not have full annual engagement survey results for 2020, our pulse survey design intentionally carried through questions that are commonly included in our annual survey. Sleep Number results on these questions strongly exceeded benchmark results. All cultural indicators remain strong, despite a year of unprecedented challenges for our team members, including personal and professional fatigue and uncertainty. While there is always room for improvement, these pulse survey results validate and reinforce the importance of our unique and special culture and the deep commitment of Sleep Number team members to make a difference and support our purpose through their work.

In keeping with our Human Rights Policy, we recognize and respect the right of all team members to freedom of association and the right to join unions or other work-related associations as well as the right to bargain collectively. All team members should be able to assert their right to freedom of association and their right to remain independent without fear of retaliation or termination.

Sleep Number is dedicated to a spirit of teamwork and respect that delivers a superior experience for our customers, partners and team members. Through our culture of individuality, our continuous listening strategy to ensure we

remain connected to team members' feedback and experience, and our strong commitment to team member engagement, we work hard to create a workplace of mutual trust — where team members don't want or need union representation.

Team member feedback directly influences company decisions and actions, resulting in changes that enhance their experience and increase the company's holistic understanding of who they really are and what matters most to them.

To conduct our team member engagement surveys:

- We partner with a leading survey/analytics provider. Our survey design considers the reciprocal nature of engagement – that you get what you give.
- Team member participation is best in class. Our high participation rates signal that our team members feel like their voices matter.
- We are transparent about the results of our surveys, sharing them with team members and our board of directors.
- We examine results at the enterprise level – and segment the data across a range of cross-sections, including level in the organization, department, gender, generations and racial diversity – to understand team member feedback.
- We host working sessions at various levels of the organization – including senior management, operating team, and department – to review results, identify opportunities for improvement and develop action plans to address them. Leaders have access to data specific to their areas so they can individualize their action plans. The tools available to our leaders are simple, intuitive and widely used.

## Continuous listening is driving positive change in team member experience





# TRAINING AND PROFESSIONAL DEVELOPMENT

Our nearly 4,700 Sleep Number team members are at the heart of our culture and the disciplined execution of our consumer innovation strategy. Attracting, motivating and retaining the right talent is critical to our success, and providing ample professional development opportunities and a superior work environment throughout the entire employment experience at Sleep Number is critical to their growth, satisfaction and engagement. We demonstrate this commitment to team member wellbeing through our focus on creating a learning culture. We support our learning culture by:

- Providing our team members with training and development when and how they need it.
- Building training that is both competency and experience based to drive productivity.
- Investing in our team members' desire for professional growth, providing cutting-edge tools and learning experiences that empower them.

Our approach begins with a robust onboarding process that is tailored to the new team member's level and function (e.g. consumer-facing, corporate, manufacturing).

All onboarding experiences can be delivered through a digital experience to accommodate our geographically dispersed and remote workforce. Each hiring manager uses a comprehensive approach to help prepare for the new team member's first day, first week, first month and first 60-90 days in their new role. The process ranges from ensuring that the new team member has access to critical technology and tools on day one, to actions that help the new team member feel welcome and included by the new team, to training opportunities and establishment of communication and coaching routines.

Our process includes check-ins and formal assessment at seven days, 30 days and 90 days to ensure that we are aware of each team member's early onboarding experience and that we are able to course-correct, if needed, to increase their engagement and ultimately their retention.

To educate and immerse new headquarters team members in our business, we encourage them to participate in three key experiences:

- A store visit to understand our selling approach.
- A field services ride-along to observe our in-home interactions with customers.

- A Customer Relationship Center listening session to broaden awareness of the nature and scope of customer inquiries.

All headquarters team members also participate in a new hire orientation that includes a direct conversation with our CEO and our senior team.

As evident below, new team members overwhelmingly articulate positive reasons for choosing Sleep Number and demonstrating high levels of engagement, consistent with the company's core values:



New hire orientation word cloud, December 2020

Once we hire and onboard new talent, we apply a 70/20/10 learning philosophy by providing simple and connected development experiences to build future skills and enable career mobility. The responsibility for professional development is shared by each team member, their manager and Sleep Number – with 70% of learning on-the-job, 20% of learning through social interaction with leaders, peers and others, and only 10% as the result of formal training or individualized professional development.

In support of this philosophy, we employ a multi-level learning strategy that provides deep functional and technical training paths and customized training programs for different

areas of the company – to support cultural awareness, role effectiveness, product knowledge and productivity. For example, for our customer-facing roles, training topics include sales, customer service, product, field service, and an array of personal development courses. Within manufacturing, we offer individualized “how to” work instructions that are designed by engineers with personalized training delivered by peer coaches to enable cross-training.

In addition, as part of our annual Code of Conduct training each spring, we currently deliver information security training to all team members with more in-depth training for headquarters and Sleep Number Labs team members.



We believe everyone is a leader, not just those with responsibility for others, so we offer:

- TRUE PRINCIPLES of LEADERSHIP on demand, including Leadership 101, available across the enterprise.
- CULTIVATE, our program for senior managers to accelerate their effectiveness and increase their readiness for broader roles, especially director.
- THRIVE, our program for new operating team leaders, either newly promoted directors or external hires at or above director level.

In addition, we continue to encourage utilization of our enterprise learning management system (LMS), which is available to every team member, with a variety of content that is intuitive and easy to use, dynamic, mobile-accessible, and enables us to track training and better manage institutional knowledge. In addition to specific functional content to enhance competencies and performance, topics in our library include legal and ethical compliance training and personal brand and leadership development training. We continue to expand our online training offerings – and add to our digital content to strengthen coaching capabilities for leaders.

## INTERN PROGRAM

We are cultivating a diverse pipeline of talent through our college relations strategy, of which our intern program is a signature component. Since 2017, our internship program has more than doubled. Our 2019 intern class was 31% racially diverse, and 40% female. Thirty-two percent of interns were converted into full-time talent, an eight percentage point increase over 2018.

Due to the global pandemic, our intern program was temporarily halted in the spring/summer of 2020, but was reactivated by late fall and is expected to be fully operational again in 2021. For five years, we have partnered with GenesysWorks to provide pathways to career success for high school students in underserved communities, including skills training and meaningful work relationships and experiences. We also support college students through programs offered by Dougherty Family College summer enrichment programs and The BrandLab, a program dedicated to helping diverse students build marketing careers.

## TEAM MEMBER CORRECTIVE ACTION AND TURNOVER

Sleep Number invests significant time and energy in hiring, onboarding and training team members to thrive and grow at our company. We measure overall team member retention and new hire retention on a rolling three-month and 12-month basis with a dashboard generated within Workday for increased visibility. However, some team member turnover is part of our normal course of business. Sometimes a team member who has been a strong performer elects to leave the company, and sometimes we must terminate a team member – either as a result of failure to improve performance over time in keeping with a corrective action plan or immediately due to an egregious violation of company policy. For team members who depart voluntarily for personal or professional reasons, we conduct an exit interview to ensure we learn from their experience and take action to reduce unwanted turnover in the future. For team members who have been

involuntarily terminated, we offer the opportunity to appeal their termination through our turnover appeal process by inviting them to provide additional information that was not considered at the time of the termination.

Our team members also have an avenue to share their opinion through a confidential hotline in the event they are not comfortable sharing their concerns with their manager and/or Human Resources.



## TEAM MEMBER HEALTH AND SAFETY



“I just wanted to take a moment and thank ... the company for the certificate towards a new Sleep Number bed. I cannot wait for the delivery of this bed. It speaks volumes for the company, especially in a year like we are all experiencing. Again, thank you so much, it is very much appreciated.”

**STORE MANAGER**

At Sleep Number, we’re constantly striving to create a workplace culture of innovation and individualization – a culture where unique talents, perspectives and experiences are valued. One way we demonstrate our appreciation for Sleep Number team members is through our emphasis on maintaining a safe and healthy work environment that contributes to their wellbeing. To underscore our commitment:

- With quality sleep at the center of our team members’ wellbeing, we invested more than \$11 million (retail value) in our 4,700 team members in 2020, offering each the gift of quality sleep with a new Sleep Number 360® bed with integrated base. In addition, we offer team member discounts on additional Sleep Number® beds and other products that help to ensure the benefit of life-changing sleep and demonstrate the importance we place on team member wellbeing.
- We survey team members to understand what wellbeing means to them, how effective our programs are and what is missing.
- We provide appropriate equipment, safeguards, personal protection, training, and administrative support to protect team member safety and health in the workplace.
- Reflecting our commitment to team member wellbeing, we are investing in new climate control systems in several of our manufacturing and distribution facilities in 2021 — to improve working conditions.
- We invest in ergonomic workstations throughout our headquarters and have staff trained in assessing individual workstation setups for proper ergonomics, including automatic standing desks and ergonomic chairs. In response to large segments of our team members



team generated new ways to connect safely with customers while delivering solutions that helped them continue to achieve proven quality sleep with our proprietary sleep innovations. Our digital investments enabled rapid, work-from-anywhere capabilities across the business, including sell-from-anywhere options for our sales professionals. We also implemented new store protocols, including additional sanitizing procedures, mask-wearing and private customer appointments to limit exposure to the virus.

working at home as a result of the pandemic, we offered team members the opportunity to receive Home Ergonomic Assessments. Based on recommendations from those assessments, we shipped appropriate equipment directly to each team member, resulting in improved comfort and ergonomic positioning for our team members while working from home.

- Sleep Number team members are trained to work safely and are empowered to drive actions that ensure we maintain a safety-first culture and are in compliance with all safety rules and standards.
- Throughout 2020, our mission driven team remained focused on keeping themselves and our customers safe. In light of forced store closures and social distancing requirements, our

- Our A Workplace Accident and Injury Reduction Program Policy (AWAIR) creates clear expectations for how each Sleep Number team member contributes to a safe and healthy workplace.
- In early 2020, Sleep Number implemented workplace safety policies and procedures to protect team members and the public from COVID-19 infection. Protocols include daily wellness self-checks for all team members, temperature screening for manufacturing team members, and a recent COVID Prevention Program in California and an Infection Control Plan in Oregon in line with state OSHA requirements.
- We offer a comprehensive array of benefits, including family support benefits and a health hotline for team members and their families.

## WORKERS' COMPENSATION CLAIMS AS % OF HEADCOUNT

YEAR	%
2014	4.8
2015	3.5
2016	4.3
2017	4.1
2018	4.8
2019	3.8
2020	3.2

- We collect and analyze workplace injury and accident information across all our locations and take appropriate steps to reduce incident rates, number of workers' compensation claims and lost work days. Since 2014, our workers' compensation claims as a percent of total team member headcount has improved meaningfully, reflecting specific actions we have taken in our retail and home delivery business units. Our manufacturing plants continue to deliver best-in-class safety performance. Sleep Number has recently received the following awards for safety and operational excellence:
  - Our Irmo, South Carolina, facility received the 2019 South Carolina OSHA and Department of Labor, Licensing and Regulations Safety Achievement Award. The award recognized the Irmo site for achieving 1 million work hours without a lost workday injury or illness.

- In recognition of safety performance at our Salt Lake City, Utah, facility, the Sleep Number team was honored with the 2019 Utah Manufacturing Alliance Workplace Safety Award. This award recognizes our efforts to increase team member engagement using the hazard recognition program and achievement of low recordable and lost workday incident rates.
- For the 2nd consecutive year, Sleep Number was awarded the Supply Chains to be Admired Award in 2020 by independent organization Supply Chain Insights. Sleep Number was recognized for transforming its supply chain while delivering unprecedented levels of speed and flexibility throughout the supply chain network.

## CORPORATE GOVERNANCE AND EXECUTIVE COMPENSATION

Our management team is responsible for leading the company’s environmental, social and governance (ESG) strategy, initiatives and results. Our board is responsible for overseeing the company’s ESG approach. The senior management team engages with the entire board, and each of the three standing board committees in ESG discussions annually, quarterly and on an interim basis, as appropriate. These discussions include:

- environmental impact, such as those related to carbon, climate, natural resources, waste and toxicity;
- social matters and talent management initiatives, such as team member engagement, wellbeing, diversity, equity and inclusion, and community involvement; and
- governance and audit topics, such as succession planning, executive compensation, cybersecurity, enterprise risk assessment, corporate policy development, internal controls, and investor outreach.

On matters related to information security, management briefs our board of directors or committees at each quarterly meeting and on an interim basis, as needed.

Sleep Number has for many years maintained exemplary corporate governance principles, which are publicly available at <https://ir.sleepnumber.com/governance/governance-documents/default.aspx>. Among the strengths of our corporate governance profile are:

- Our commitment to long-term shareholder value creation.
- Our independent and highly diverse board of directors.
- Our strong track record of pay for performance alignment.

As we disclosed in our Compensation Discussion and Analysis of the 2020 Proxy Statement – and will disclose again in our 2021 Proxy Statement – our Annual Incentive Plan (AIP) is the variable pay program that covers our executive officers as well as our non-commissioned team members. Awards made under the AIP are earned solely based on the company’s financial performance (EBITDA) relative to pre-established goals. The company’s financial goals, investments and decisions incorporate our commitment to ESG initiatives and are designed to deliver sustainable profitable performance over time.



# HOW WE WORK WITH OTHERS

At Sleep Number, sustainability is about balancing our economic success with environmental stewardship and social progress that benefits all of our stakeholders. Sustainability considerations include the way we design and manufacture our products, the products and services we offer our customers, the manner in which we engage with our suppliers and business partners, the dialogue we have with – and returns we generate for – our investors, how we support the communities where we operate, and the programs and opportunities we create to ensure the wellbeing of our team members.

## SHAREHOLDER ENGAGEMENT

Our board of directors and management team maintain a deep commitment to strong corporate governance. Engagement with, and accountability to, our shareholders are cornerstones of this commitment. Accordingly, we maintain an active shareholder engagement program that facilitates channels of communication and aims to foster relationships

with our shareholders to drive sustainable, long-term growth and shareholder value. As part of our engagement program, members of our management team meet with shareholders, in-person, by phone or via video conferencing, to discuss strategy, governance, pay for performance orientation, and other matters of shareholder interest.

## COMMUNITY ENGAGEMENT

At Sleep Number, quality sleep is our passion. Every day, we educate customers on the importance of sleep and its vital connection to overall health and wellbeing, inspiring them to make sleep a priority in their lives. As a company with purpose, Sleep Number is dedicated to improving the health and wellbeing of society through higher quality sleep. This passion extends to our commitment to make a positive impact in the communities in which we operate.

In 2018, we announced a social impact commitment to help 1 million young people improve their wellbeing through our products and sleep expertise by 2025, and we are now more than halfway to achieving this commitment.

In 2020, we expanded our focus to help children, families and organizations who were deeply affected by the dual pandemics of COVID-19 and social injustice. Our 2020 cash donations totaled nearly \$600,000, and our team members donated countless hours to support individuals and families in need in their surrounding communities.

In the early days of the COVID-19 pandemic, our Irmo, South Carolina, manufacturing team supported the South Carolina Hospital Association by refurbishing nearly 50,000 N95 masks, fulfilling a much-needed supply for healthcare workers.

Sleep Number also continued to partner with leading organizations — including GENYOUth, Good360, Blue Star Families and Bridging – reinforcing the strong and enduring relationships we have built with them over time. In the face of serious health and social justice challenges, Sleep Number also supported other nonprofits, including the National Urban League and the American Cancer Society. And, on Giving Tuesday 2020, Sleep Number announced a year-long partnership with Make-A-Wish to help critically ill children receive the quality sleep they need.

**GENYOUTH**, an organization whose programming reaches 38 million students annually in 73,000 U.S. schools, is devoted to helping students live healthfully and raise their academic achievement.

- Our support in 2020 was focused on youth whose educational environments were upended due to COVID-19. Specifically, Sleep Number supported a digital “homeroom” as part of a new web-based program on health and wellness that GENYOUth developed and rolled out nationally in the fall of 2020. The online content, which included sleep tips and health habits, provided educators with curriculum materials and enabled teachers to deliver the information virtually to comply with distance learning requirements.
- Additionally, GENYOUth developed the Fuel Up to Play 60 Sleep Champion program to educate students about quality sleep on a peer-to-peer level. Seventy-eight students were selected to share the importance of quality sleep with their classmates and teachers. Every student who provided proof that they shared the information was entered for a chance to win a 360® smart bed.

“Sleep Number has a strong record of improving people’s health and wellbeing through better sleep, but in the spring of 2020, we were able to improve the health and safety of frontline health care workers by applying our resources in a different way.”

**HUNTER MOTTEL, DIRECTOR, REGIONAL  
MANUFACTURING AND ASSEMBLY  
SLEEP NUMBER® SETTING 40**

**GOOD360** is a nonprofit that has, for 35 years, worked to provide hope and dignity to children and families who, due to circumstances beyond their control, such as a natural disaster, severe illness or loss of job, have encountered life-changing difficulties.

- In 2020, through the generosity of the Sleep Number InnerCircle® Rewards members, Sleep Number donated thirty 360 smart beds to the New York Port Authority, providing new beds to individuals who were particularly hard hit, economically, by COVID-19. By providing new beds, our goal was to improve their health and wellbeing through better quality sleep.

For the past six years, Sleep Number has supported **BLUE STAR FAMILIES (BSF)**, a national nonprofit organization dedicated to strengthening America's military families through community building. Since our partnership began, Sleep Number has donated more than \$600,000 in cash and product. In 2020, we donated \$125,000, of which \$100,000 was in cash and \$25,000 in product, including more than 100 sleep kits, five adult beds and five youth beds. The donations were made through two events: an integrated campaign of a military appreciation event and sweepstakes in May 2020 and "Thank You, Military" which was tied to the Salute to Service NFL game in November 2020.

In May, Sleep Number and BSF teamed up for a special giveaway to help provide quality sleep for youth in need. Military families were encouraged to enter the sweepstakes which led to a record number of entries and engagement metrics. Promoted through the BSF e-newsletter and social media, parents could enter daily for a chance to win dream kits for their children. In November, Sleep Number partnered with BSF to surprise one Dallas and one Minneapolis military family with new Sleep Number 360 smart beds along with a virtual meet and greet with Dallas Cowboys and Minnesota Vikings players.

The **NATIONAL URBAN LEAGUE** is a historic civil rights and urban advocacy organization with 90 affiliates serving 300 communities. The organization, which provides direct services that impact and improve the lives of more than 2 million people nationwide, provides economic empowerment, educational opportunities and the guarantee of civil rights for underserved populations in America.

- As one of the oldest and most esteemed equity organizations in the country, the National Urban League's emphasis on youth and education closely align with Sleep Number values and mission. As a result, following the racial unrest that started in May 2020 just miles from our corporate headquarters in downtown Minneapolis, Sleep Number made a \$100,000 donation to the National Urban League to support increased opportunity and equity for our neighbors in the Black community.

**CEOS AGAINST CANCER** is a powerful group of CEOs from the world's top companies, uniting to change the course of cancer by leveraging the collective knowledge, power and resources of the American Cancer Society.

- Recognizing the challenges of fighting cancer in the midst of a pandemic and driven by her personal commitment to raise awareness and funding for cancer prevention and treatment, Sleep Number President & CEO Shelly Ibach joined the Minneapolis chapter of CEOs Against Cancer in the summer of 2020 and now serves as its Chair. To support this organization and Shelly's involvement, Sleep Number team members participated in "Fit2Be Cancer Free" in July, a nationwide competition to encourage people to remain active and increase their fitness, with the goal of cancer prevention. Among the 40 companies that participated, Sleep Number ranked a highly respectable 12th in the nation. Additionally, the company held a September Childhood Cancer Awareness Month fundraising campaign for a team member whose young child is fighting brain cancer.



sleep  number.

Make-A-Wish®



**MAKE-A-WISH**, with their a mission to create life-changing wishes for children with critical illnesses, is one of the nation’s most beloved not-for-profit organizations. In 2020, as families were homebound due to COVID-19 restrictions, Make-A-Wish received an increase in home-based wishes – such as room makeovers – to help immunocompromised children find sanctuary. With our aligned missions of improving lives, Sleep Number was a natural fit to become a Make-A-Wish partner.

When the partnership was announced in December 2020, Sleep Number CEO Shelly Ibach said, “As a company with purpose, our role is to improve the health and wellbeing of society through higher quality sleep. There is no better way to fulfill our purpose than by gifting comfort and quality sleep to children in need. We know every day is better when you’ve slept well. Higher quality sleep will support these children with their physical recovery, mental fight and emotional resilience. We are honored to partner with another beloved company who shares our mission of improving lives and are thrilled to bring joy to wish kids through higher quality sleep.”

Sleep Number will help fulfill room makeover wishes and gift Sleep Number 360® smart beds to wish kids – and plans to sprinkle in some surprises through its partnership with the NFL. In addition, the entire Sleep Number smart sleeper community will be able to support wish kids; Sleep Number® Insiders can donate their InnerCircle<sup>SM</sup> Rewards points to provide additional donations to Make-A-Wish. Our partnership, which will extend throughout 2021, includes a \$250,000 cash donation and \$250,000 of in-kind Sleep Number product donations to support wish kids with their physical recovery, mental fight and emotional resilience.

#### **NFL RELATIONSHIP**

Through our integrated marketing campaigns, storytelling and social media, we are communicating the vital role that life-changing sleep plays in overall wellness. We are amplifying our purpose driven brand through groundbreaking partnerships with the NFL, the NFL Players Association and the Professional Football Athletic Trainers Society. More than 2,000 NFL players have Sleep Number beds, and are experiencing the benefits of proven quality sleep – both on and off the field.

## MAYO CLINIC COLLABORATION TO ADVANCE SLEEP SCIENCE AND CARDIOVASCULAR MEDICINE

Through a groundbreaking agreement announced in 2020, Sleep Number intends to contribute a combined total of \$10 million to Mayo Clinic through:

- An endowment to advance sleep science research with an emphasis on cardiovascular medicine.
- A dedicated research and development fund that intends to advance the science of sleep, improve health care quality and clinical outcomes with potential life-changing benefits.

Mayo Clinic and Sleep Number established a joint advisory group comprised of Mayo Clinic physicians – including Virend Somers, M.D., Ph.D., director of the Cardiovascular Facility and the Sleep Facility within Mayo Clinic’s Center for Clinical and Translational Science – and researchers, and Sleep Number leadership, including Chief Innovation Officer Annie Bloomquist. Together, the advisory group will lead initiatives to research, discover, identify and develop solutions that will impact sleep and overall wellbeing.

## SLEEP NUMBER SCIENTIFIC ADVISORY BOARD

To support our research endeavors, we founded the Sleep Number Scientific Advisory Board, an interdisciplinary group of physicians, clinicians and researchers with expertise in sleep science and health. The Sleep Number leadership team works with this collective of internationally known experts to gather counsel on the latest sleep science and research programs and integrate their knowledge and insights as we innovate new sleep-health solutions. Informed by this collaborative effort and with billions of hours of proprietary longitudinal data from our SleepIQ technology, we are extending our sleep leadership into connected health.

## TEAM MEMBER GRANTS AND VOLUNTEERISM

We encourage and support team members who choose to get involved in their communities through volunteerism, product donations and board participation grants.

Team members who participate on the board of directors of a qualified nonprofit are eligible to apply for a grant that benefits the organization. Grants are offered for general

operating support, events and sponsorships. A grant up to \$1,500 can be made to the organization. Team members may submit requests for more than one organization, but the total grant amount will not exceed \$1,500 for each team member per calendar year. Grant amount is based on size and impact of nonprofit and grant request/proposal.

## STRATEGIC COMMUNITY PARTNERSHIPS FOR TALENT

In addition to strengthening partnerships with organizations that advance our mission, social impact and make a positive difference in our communities, Sleep Number also cultivates partnerships with organizations that reinforce and accelerate our commitment to attract exceptional talent and sustain a diverse, equitable and inclusive workplace culture.

Our current approach to hiring includes partnerships with the following organizations:

### Active Military – Veteran



Military One Source



Veteran Jobs Mission



MNME & TC Military Network

### LGBTQ+



Mossier



Proud to Work MN

### Gender & Generational



AARP



Tech Talent



Sistech Society of Women Engineers



Bus Stop Mamas

### Race and Ethnicity



MLK Holiday Career Fair



People of Color Career Fair



UpTurnships



Campus Programming

## POLITICAL CONTRIBUTIONS

Sleep Number does not use corporate funds for contributions to political campaigns. However, we may indirectly engage in political advocacy activities through payments to organizations whose activities include lobbying and contributions to candidates and through payments to tax-exempt groups, including trade associations. In the past year, Sleep Number made payments of approximately \$118,000 and \$44,000 to the Minnesota Business Partnership and the International Sleep Products Association (ISPA), respectively, and became a member of the Association of National Advertisers for a fee of \$50,000.

## SUPPLIER RELATIONSHIPS

We have for many years maintained a Code of Conduct for Business Partners that is applicable to all of our suppliers and addresses a full range of relevant topics, including labor and human rights, wages and benefits, health and safety, environmental issues, ethics, and compliance with related laws, rules and regulations. All new suppliers are audited and must meet our minimum standards before production can begin. In addition, we conduct annual audits of the suppliers who represent approximately 90% of our direct spend.

For any supplier at which we have encountered issues during previous audits or assessments, we re-audit to ensure improvement and compliance. All suppliers are required to acknowledge their commitment to this Code. Sleep Number provides team members and management who have direct responsibility for supply chain management with training on matters within the scope of the Code. Sleep Number monitors suppliers' compliance with our standards and the Code through both formal audits and informal visits. Our Code of Conduct for Business Partners is publicly available on our website at [sleepnumber.com/vendor](https://sleepnumber.com/vendor).

In 2019, we introduced a Supplier Development Program which is a structured initiative designed to drive continuous systemic improvement in our supply chain, including quality, efficiency, and timeliness. Sleep Number is committed to environmental stewardship and promotes environmental responsibility among suppliers by informing them of our environmental policy as reflected in our Code of Conduct for Business Partners and encouraging them to adopt effective environmental management practices. Sleep Number suppliers who represent more than 65% of our direct materials and bedding collections spend have publicly articulated environmental policies and practices that demonstrate their commitment to similar standards.

As part of our supply chain evolution, we have shared our safety best practices and expertise and reduced the transportation time and environmental impact of our manufacturing by, among other tactics, co-locating key suppliers within – or close to – our plant facilities. By actively engaging with suppliers, including, among others, Leggett & Platt and Bernhardt Furniture, who represent a significant percentage of our annual direct spend, we strengthen our relationships with strategic direct materials and bedding collection partners.

# HOW WE PROTECT OUR BRAND AND THE ENVIRONMENT



As a purpose driven company, Sleep Number embraces the responsibility we have to move society forward and ensure a sustainable future for all. We are committed to being a good steward of the environment as we work to better understand and reduce the impact of our manufacturing, supply chain, retail operations and our products throughout their life cycles. While we have incorporated practices and policies into our business for years, we recognize that we have an opportunity – and responsibility – to elevate our commitment and prioritize initiatives that align with our values, benefit the environment and contribute to our financial results. We are committed to reducing our impact and engaging constructively with industry peers, supply chain partners and external stakeholders to help accelerate the transition to a low-carbon economy. We are identifying opportunities in our operations to reduce non-renewable energy use, increase water, energy and fuel-consumption efficiency, and support communities most heavily impacted by climate change, including extreme weather events.

In early 2020, we formalized our commitment with the following:

## ENTERPRISE ENVIRONMENTAL POLICY

*At Sleep Number, we seek to make a positive impact in society by improving lives through better quality sleep. As a purpose driven and efficiency-oriented team, we see innovation everywhere and believe that we can help shape the future for the better. Throughout our company, we look for – and implement – initiatives to reduce our impact on the environment and embrace our responsibility to our customers, shareholders and communities by adhering to the following principles:*

- *We will employ management systems and procedures designed to minimize the generation of waste, enable recycling and reuse of materials, and effectively manage our fuel consumption and energy use.*
- *We will continually seek opportunities to improve our environmental, operational and financial performance*

*by establishing objectives and targets, measuring progress, and reporting our results. By the end of fiscal 2020, we will establish 2025 goals for areas such as packaging, fuel consumption and waste.*

- *We will communicate our commitment to responsible environmental stewardship by promoting environmental responsibility among our team members – providing the necessary support to enable them to implement this policy – and by informing suppliers of our environmental policy and encouraging them to adopt effective environmental management practices.*

The global pandemic delayed, but did not lessen, our commitment to establish 2025 goals. We expect to make additional progress in 2021.

# PRODUCT QUALITY AND SAFETY

At Sleep Number, our mission is to improve lives by individualizing sleep experiences. Sleep Number is committed to advancing sleep science, tackling big challenges like sleep deprivation, and contributing to our customers' – and society's – wellbeing. We have awakened the consumer to the importance of sleep, and with our 360® smart beds that use longitudinal biometric data, algorithms and artificial intelligence, we've provided a solution that effortlessly delivers proven quality sleep. Unlike the "one-size-fits-all" solution offered by other mattress brands, the 360 smart bed offers individualized comfort that is adjustable on each side of the bed. Our proprietary DualAir™ technology features two independent air chambers and allows couples to adjust firmness to their individual preference at the touch of a button. Each sleeper can set their ideal firmness, support and pressure-relieving comfort – their Sleep Number® setting – for deep, restful sleep.

From our research and analysis of over 9 billion hours of highly accurate sleep data, we know that sleepers who routinely use their 360 smart bed features, including SleepIQ® technology, can improve quality sleep by nearly 100 hours per year, contributing to enhanced productivity and better health. Through our

longitudinal data, revolutionary innovations, and strategic collaborations, such as with the Mayo Clinic on sleep science and research, we are making higher quality sleep the new badge of honor for society. And with our Sleep Number Scientific Advisory Board, we are extending our sleep health leadership.

Sleep Number is committed to producing and delivering top quality products to our customers. We test every Sleep Number 360 smart bed model, utilizing both industry standard and proprietary Sleep Number testing protocols. Our proprietary testing was developed to more closely simulate actual customer use. Our testing supports 25-year durability for Sleep Number beds. Our beds come with a warranty that is considerably longer than industry average, and our quality is evident through our life-long relationships and exclusive direct-to-consumer distribution. We recognize that suppliers are instrumental in achieving our quality goals. We currently work with fewer than 80 direct suppliers. In 2019 we developed a Supplier Quality Manual (SQM) which defines minimum quality requirements, processes and systems for doing business with Sleep Number, and we continue to share the SQM with our suppliers to create alignment, ensure superior product quality and

demonstrate our commitment to creating a collaborative relationship based on open communication and mutual trust. Our supplier scorecard, created for each key supplier, evaluates their quality and delivery performance – measured by defective parts per million and percent on-time delivery – relative to specific goals. The assessment, which is shared with each Sleep Number supplier on a monthly or quarterly basis, informs our purchasing decisions and whether the supplier remains in our qualified supplier base.

As a vertically integrated business, we manufacture Sleep Number bed components at our production facilities in Irmo, South Carolina, and Salt Lake City, Utah. Our final mattress assembly and our distribution of mattresses and bases occurs at our Assembly Distribution Centers in Utah, Maryland, South Carolina, and California. We have additional distribution centers in Florida, Texas, Minnesota, Illinois, and Ohio. Our electrical Firmness Control™ systems also are assembled in our Utah plant.



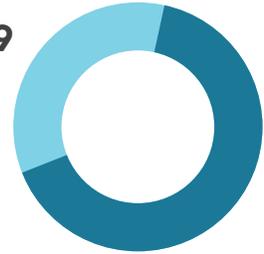
## ECO-FRIENDLY BEDDING

In addition to Sleep Number beds with SleepIQ technology, Sleep Number also offers a selection of pillows and bedding collections designed to enhance individualized comfort. Seventy percent of our bedding collection products hold the coveted STANDARD 100 by OEKO-TEX® certification. STANDARD 100 by OEKO-TEX® is one of the world's best-known labels for textiles tested for harmful substances, certifying that every component of the article, i.e. every thread, button and other accessories, has been tested for harmful substances and that the article therefore is harmless in human ecological terms. Some of our bedding collection products also hold MADE IN GREEN by OEKO-TEX® which means

that the textiles are tested for harmful substances and also guarantees that the product has been manufactured using sustainable processes under environmentally friendly and socially responsible working conditions. Each certification stands for customer confidence and high product safety.

At year-end 2019, approximately 70% of our bedding assortment was OEKO-TEX certified, and by year-end 2020, approximately 90% of our bedding assortment was OEKO-TEX certified. We expect to maintain this level in 2021.

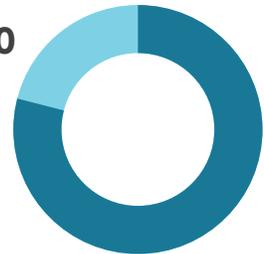
2019



70%

of Bedding Assortment  
OEKO-TEX Certified

2020



90%

of Bedding Assortment  
OEKO-TEX Certified

Also in 2020, Sleep Number formalized its commitment related to prioritizing sustainable bedding products. Our new internal policy makes clear our intent to choose the sustainable bedding product option if such an option for a product in our assortment is available and relevant.

Sleep Number has also embraced eco-friendly considerations in other areas of our bedding assortment:

- In 2016, we made the decision to transition from vinyl packaging to a breathable, re-usable bag.

- All of the comforters and pillows in our assortment comply with the Responsible Down Standard (RDS). The RDS aims to ensure that down and feathers come from animals that have not been subjected to unnecessary harm and incentivize practices that respect the humane treatment of ducks and geese.
- To minimize shipping, Sleep Number offers a variety of stocked product in stores so customers can carry them home. In 2017, our percent of carry out was 73%; in 2018, we improved to 79% and in 2019, we achieved 84% carry out.

## PRODUCT SAFETY

All Sleep Number 360 smart beds and bases are tested and comply with federal fire retardancy regulations and the electronic control systems are listed to the UL standard. Specific children's products are tested and certified to Consumer Product Safety Improvement Act regulations for children four and older.

We partner with multiple foam manufacturers to supply foam for our proprietary mattress designs and pillows. Each of these manufacturers is CERTIPUR-US CERTIFIED. CertiPUR-US certification provides confidence that the flexible polyurethane foam inside our products has been analyzed by an independent and accredited lab and meets CertiPUR-US standards for content, emissions and durability.

The CertiPUR-US accreditation also certifies that the foam we use is made without:

- Ozone depleters
- PBDEs, TDCPP or TCEP ("Tris") flame retardants
- Mercury, lead or other heavy metals
- Formaldehyde
- Phthalates regulated by the Consumer Product Safety Commission (CPSC)

CertiPUR-US foams are also low volatile organic compound (VOC) emissions for indoor air quality (less than 0.5 parts per million).



# INNOVATION AWARDS AND RECOGNITION

Sleep Number has been recognized for quality and sleep innovation for many years. In just the past three years, Sleep Number has been honored with the following awards and rankings, as well as others not listed here:

## 2018

- Experience Design & Technology Gold Award for CES booth, Event Marketer
- Business Manufacturing Honoree for Product Innovation of the Year, Minneapolis/St. Paul Business Journal
- Large Business of the Year for our Customer Relationship Center in New Orleans, Jefferson Parish Chamber of Commerce
- Loyalty360 Gold Award for Best in Class for Program Strategy
- Loyalty360 Silver Award for Loyalty and Advocacy
- Loyalty360 Silver Award for Customer Analytics & Data
- Loyalty360 Top-10 Award for InnerCircle<sup>SM</sup> Rewards program

## 2019

- Retail Design Institute International Design Awards
- Tekne Award Finalist, Minnesota Technology Association

## 2019 (cont.)

- Best of Innovation – MIT: Bristlecone Pulse Conference
- Loyalty360 Best in Class Award for InnerCircle<sup>SM</sup> Rewards program
- Experience Design & Technology Silver Award for 2019 Super Bowl LIII, Event Marketer

## 2020

- CES Best of Innovation Award for Climate360<sup>TM</sup> smart bed
- CES Innovation Honoree for Climate360 smart bed, Health & Wellness Category and Tech for a Better World Category
- CES Innovation Honoree for 360<sup>®</sup> smart bed, Smart Home Category, Health & Wellness Category and Tech for a Better World Category
- Female Leadership Honor Roll recognition, Twin Cities Business
- Sleep Number 360<sup>®</sup> c2 smart bed, 2020 Health magazine Sleep Award winner
- Best Adjustable Mattress: Sleep Number 360<sup>®</sup> p6 smart bed, Men's Health 2020 Sleep Awards

- Relaxation<sup>TM</sup> Weighted blanket – Best Weighed Blanket, Good Housekeeping's 2020 Best Bedding Awards
- 2020 Experience Design & Technology Awards, Best Trade Show Exhibit – CES 2020, Event Marketer
- CES Editors' Choice Award, USA Today
- Best of CES, Popular Mechanics
- Best of CES 2020 Award, GearBrain
- Best of CES, House Beautiful
- Best of CES 2020, Techaeris
- "Six Must Have Products for the Home from CES 2020", Forbes
- Silver Stevie Award – Customer Service Department of the Year Category, 18th Annual American Business Awards
- Corporate Event Award: Super Bowl LIV, Exhibitor magazine
- All Sleep Number 360 smart beds have earned the Good Housekeeping Seal



# SUPPLY CHAIN EVOLUTION

In 2015, Sleep Number implemented new enterprise resource planning (ERP) systems to integrate our supply chain and business applications. This new management software was the first step in our multi-year journey to build a regional supply chain with digital tools that improve our manufacturing and distribution processes, increase our factory productivity and – most importantly – enhance customer experience from order through delivery.

Since 2016, we have invested in a new distribution network of assembly and delivery centers complemented with a mobile inventory visibility application,

which, together, provide a more efficient movement of goods throughout the material supply and fulfillment process. Increased digitization and automation in our supply chain have created greater agility, responsiveness, reliability and speed, and our network design supports our improved performance consistency and continued growth.

We expect to have six individual regions established and operational in 2021 – with more cost-effective and environmentally friendly processes, including reduced waste, fuel

consumption and freight costs as we eliminate or re-use packaging and minimize transportation through load consolidation.

In recognition of the innovations and improvements that we have made to our supply chain during the past several years, Sleep Number was honored for the second consecutive year in 2020 with the Supply Chains to Admire™ award, by Supply Chain Insights, for transforming our supply chain and delivering unprecedented levels of speed and flexibility throughout our supply chain network.

# WASTE AND TOXICITY



Together with our suppliers, Sleep Number is working to reduce waste in our supply chain and create a more sustainable distribution system. As part of our supply chain evolution, we are working to reduce the transportation time, fuel consumption, packaging materials, facility square footage, and environmental impact of our manufacturing by co-locating our partners close to our plant facilities. We also have waste reduction programs at our more than 600 retail stores, our manufacturing plants and corporate offices to reduce landfill waste and convert waste stream expense into revenue-generating recycling opportunities.

## CONSUMER PRODUCT RECYCLING

To further advance our knowledge and sustainability efforts, our Senior Director of Comfort Engineering serves on the board of the Sleep Products Safety Council (SPSC) and is actively engaged in industry efforts to recycle finished mattresses through our membership in the International Sleep Products Association (ISPA). In support of the industry's commitment to environmental stewardship, ISPA developed the Mattress Recycling Council (MRC), a nonprofit organization which has created a statewide recycling program, called Bye Bye Mattress, for states that have enacted mattress recycling laws.

For virtually all customers who purchase a new Sleep Number bed, we offer to haul away their old mattress.

Approximately 30% of customers elect to take advantage of this service and about 60% of the mattresses we take from customers' homes are processed through a recycler.

## WASTE AND RECYCLING

Sleep Number does not generate any hazardous waste, and we participate in programs that break down and recycle packaging and other materials used in our Sleep Number® mattresses, bases and electronic controls. A significant portion of our e-scrap is recycled by TAMS, which is certified as R2: 2013 by the American National Standards Institute and is certified as ISO 14001:2015, a widely recognized international standard. We also operate bailers in each of our manufacturing and distribution facilities that are dedicated to three streams of waste: corrugate, plastics and textiles.

Because foam is a key component of Sleep Number mattress constructions and our pillows, our initial sustainability efforts have focused on ensuring that we properly handle its manufacturing and disposal. Along with our three CertiPUR-US certified suppliers, we work to reduce waste from our foam manufacturing operations. One of our foam suppliers is currently utilizing 100% of our scrap as recycled rebond, a flexible polyurethane foam with a near-infinite number of applications due to its characteristics of compressibility, cushioning and energy absorption. This innovative supplier also recycles excess foam waste – beyond what can be used in rebond – as part of an exclusive relationship with a well-known sneaker brand.

As shown in the table below, we recycled a significant volume of nonhazardous materials during the past two years, preventing their placement in landfills. These totals represented 63.5% and 57.3% of total waste in 2019 and 2020, respectively.

Sleep Number is committed to reducing the amount of disposable waste it generates and preserving valuable, limited landfill space.

In early 2021, the company established initial supply chain waste reduction objectives, focused on landfill diversion through reuse and recycling of waste. Beginning immediately, the company will measure supply chain waste generation and landfill diversion on a quarterly basis to validate baseline performance. This quarterly reporting will increase management visibility and enable identification of opportunities for landfill diversion improvement, allowing us to establish specific quantifiable goals by 2022. Sleep Number will also implement industry and company best practices across all owned and leased manufacturing and distribution sites.

MATERIALS RECYCLED	2019		2020	
	POUNDS	% OF TOTAL WASTE	POUNDS	% OF TOTAL WASTE
QUILT/FOAM	2,603,594	32.93%	1,998,846	21.00%
CARDBOARD	1,823,550	23.07%	2,632,547	27.65%
LOW DENSITY PLASTICS	301,542	3.81%	606,694	6.37%
HIGH DENSITY PLASTICS	210,874	2.67%	144,947	1.52%
ELECTRONICS	42,833	0.54%	25,646	0.27%
PET	25,373	0.32%	42,732	0.45%
METAL	15,149	0.19%	3,608	0.04%
TRASH	2,882,400	36.46%	4,064,320	42.70%
<b>TOTAL</b>	<b>7,905,315</b>	<b>100%</b>	<b>9,519,340</b>	<b>100%</b>

## PACKAGING

Since we began delivering pre-assembled beds to customers' homes in 2017, Sleep Number has reduced the number of boxes in our network by 20%, resulting in 820,000 square feet of corrugate waste being avoided.

In addition, during the past three years, Sleep Number team members have identified opportunities and implemented programs to reduce or re-use our packaging.

- In 2018, with the help of a packaging engineer, we eliminated approximately 15,000 mattress boxes as we transitioned to a double bag process.
- Though we are unable to quantify the volume of poly waste eliminated, in 2017 and 2018, we converted from a poly RSO envelope to a paper envelope which can be recycled.
- Similarly, from 2017 to 2018, we generated approximately \$75,000 in savings from repurposing cardboard boxes, which reduced our recycling volume.
- During the same timeframe, we realized that we were purchasing specific poly bags from one supplier while disposing of similar bags from a different supplier. We were able to re-use some of the bags that were previously discarded, reducing poly waste and generating approximately \$21,000 in savings.
- We also determined that we could re-use cardboard inserts from obsolete products that were being discarded, eliminating the need to recycle and producing a small financial benefit.



## PALLETS

As part of our supply chain evolution, we have increased our use of reusable plastic pallets and are reducing our use of less durable wood pallets. We currently use reusable pallets or no pallet in 31% of our markets, which is resulting in annual savings of 1 million pounds of wood. By the end of 2021, we expect 65% of our markets will either have no pallets or reusable pallets, resulting in 2.6 million pounds of wood saved per year.

## STORE ENVIRONMENT

Beginning in 2016, all new and re-modeled Sleep Number stores are constructed with carpet made from 53% to 61% recycled content, which is 100% recyclable. At year-end 2019, more than 40% of our stores have this carpet in place, resulting in more than 633,000 square feet of recyclable flooring. In 2020, approximately 50% of our stores have this carpet in place, resulting in more than 705,000 square feet of recyclable flooring. In addition, we use:

- Mohawk Denim Zip It carpet tiles, which have the highest sustainable rating in the industry and are Red List material free. Because the carpet tiles are installed without adhesives, they eliminate harmful volatile organic compounds (VOCs).
- Secoya planks, which are not Red List material free because they contain vinyl; however, Secoya is FloorScore certified and meets indoor air quality standards.

Our stores and waste reduction efforts have also benefited from our conversion from halogen lamps to LED lighting during the past six years. Since 2014, more than half (58%) of our Sleep Number stores have been built with, or renovated to include, LED lighting, which means we have avoided replacing or throwing away approximately 316,000 light bulbs, a significant reduction in waste. We continue to pursue additional waste reduction and cost savings in 2021. By year end, we expect more than two-thirds of our stores to include LED lighting.

# ENERGY EFFICIENCY AND CLIMATE IMPACT



In 2020, Sleep Number initiated efforts to measure and report energy and water usage.

Our goal was to understand our baseline data so that we can develop more comprehensive reporting and begin to identify opportunities for improvement.

Although data is not available for every Sleep Number location, estimated consumption of electricity, natural gas and delivery vehicle fuel indicates that the company's carbon footprint, as measured by metric tons of carbon dioxide (CO<sub>2</sub>) equivalents as a percent of sales, remained essentially unchanged in 2020 compared to 2019.

We are actively working to improve data collection and reduce our carbon footprint in 2021.

To date, our efforts have focused on three primary areas:

## LED LIGHTING

- In 347 stores, we have dramatically reduced our need to replace bulbs – from four times per year to only one time every two years or more.
- We installed LED lighting in our Salt Lake City main building in May 2020.
- By year-end 2020, we installed LED lighting in both our Salt Lake City order fulfillment building and our Irmo location.

## CLIMATE CONTROL SYSTEMS

- In both our Salt Lake City, Utah, and Irmo, South Carolina, manufacturing plants, we

utilize a wireless, centrally managed Heating, Ventilation and Air Conditioning (HVAC) climate-control system that regulates temperature based on our hours of operation.

- We installed a white roof on our Irmo facility to reflect light, reduce heat buildup and decrease our energy usage.
- Combined, these actions reduced our kilowatt hours in 2019, compared to 2018, by 2%, and further contributed to our overall reduction in 2020.
- We are also installing a white roof system on our Tampa and Dallas facilities, slated to open in early 2021. The Tampa facility roof system is a white 60 mil TPO membrane over two layers of polyiso 1.85" (R-21).
- We carefully considered energy usage and optimization in selecting an HVAC system for installation in our Maryland distribution facility. We are taking similar considerations into account for systems to be installed at our UT and CA locations later in 2021.
- Separately, Sleep Number is exploring solar solutions across our operations with our initial focus in Minnesota, and we are engaged in discussions with a potential energy management vendor regarding carbon advising and sustainability services.

## HOME DELIVERY FUEL CONSUMPTION

- In 2019, we replaced nearly 20% of our diesel home delivery vehicles with non-diesel transit vans which get better

fuel mileage and implemented a new schedule routing system to optimize miles per delivery stop. Combined, these actions are reducing our annual fuel consumption per sales and service stop by more than 8%.

- In addition, our disciplined focus on full home delivery truck loads and optimal stops per route are ensuring increased fuel efficiency.
- Approximately 80% of our home delivery trucks are serviced by Ryder, which has a strong commitment to environmental sustainability, including significant oil and oil filter recycling efforts.

Based on actual data from approximately a third of our stores, we estimate that our water usage (in gallons) for all stores declined by approximately 36% in 2020 compared to 2019 usage. While this decline is likely due in part to pandemic-enforced closings, water is not an input to any Sleep Number process, nor any aspect of our operations, including retail, manufacturing, assembly or logistics.

Finally, in the fall of 2017, we moved our headquarters from a suburban Twin Cities building to a new location in downtown Minneapolis. Our new headquarters is intentionally designed to provide more open and collaborative spaces and less individual office space. Our building design, investment in technology and "work for your day" philosophy enable team members to easily work remotely, reducing our impact related to commuting.

# ABOUT THIS REPORT

This 2021 Sleep Number Corporate Responsibility and Sustainability Report provides an update on our social, environmental and governance practices, programs, and policies. It was published in March 2021 and reflects our activities and initiatives for our fiscal year ending January 2, 2021, as well as certain subsequent events and initiatives that occurred after the end of fiscal year 2020 and prior to publication. It includes forward-looking statements about our business plans, initiatives and objectives. These business plans, initiatives and objectives may change based on subsequent developments.

## FORWARD-LOOKING STATEMENTS

The discussion in this report contains certain forward-looking statements that relate to future plans, events, financial results or performance. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "plan," "project," "predict," "intend," "potential," "continue" or the negative of these or similar terms.

These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, among others:

- Current and future general and industry economic trends and consumer confidence;
- Risks inherent in outbreaks of pandemics or contagious diseases, including the COVID-19 pandemic

and related consequences such as supply shortages, labor disruptions, and recommendations and/or mandates from federal, state and local authorities to close certain businesses or limit occupancy or operating hours;

- The effectiveness of our marketing messages;
- The efficiency of our advertising and promotional efforts;
- Our ability to execute our total retail distribution strategy;
- Our ability to achieve and maintain acceptable levels of product and service quality, and acceptable product return and warranty claims rates;
- Our ability to continue to improve and expand our product line;
- Consumer acceptance of our products, product quality, innovation and brand image;

- Industry competition, the emergence of additional competitive products and the adequacy of our intellectual property rights to protect our products and brand from competitive or infringing activities;
- Claims that our products, processes, advertising, or trademarks infringe the intellectual property rights of others;
- Availability of attractive and cost-effective consumer credit options;
- Our lean manufacturing processes with minimal levels of inventory, which may leave us vulnerable to shortages in supply;
- Our dependence on significant suppliers and third parties and our ability to maintain relationships with key suppliers or third parties, including several sole-source suppliers or providers of services;



- Rising commodity costs and other inflationary pressures;
- Risks inherent in global sourcing activities, including tariffs, pandemics or contagious diseases, such as the COVID-19 pandemic, strikes and the potential for shortages in supply;
- Risks of disruption in the operation of any of our main manufacturing facilities or assembly distribution facilities;
- Increasing government regulation;
- Pending or unforeseen litigation and the potential for adverse publicity associated with litigation;
- The adequacy of our and third-party information systems to meet the evolving needs of our business and existing and evolving risks and regulatory standards applicable to data privacy and cybersecurity;
- The costs and potential disruptions to our business related to upgrading our information systems;
- The vulnerability of our and third-party information systems to attacks by hackers or other cyber threats that could compromise the security or accessibility of our systems, result in a data breach or disrupt our business and;
- Our ability to attract, retain and motivate qualified management, executive and other key team members, including qualified retail sales professionals and managers.

## STAKEHOLDER FEEDBACK

We welcome your feedback on this report. For more information or to provide comments, please contact Investor Relations at:

**763-551-7498**

or [investorrelations@sleepnumber.com](mailto:investorrelations@sleepnumber.com)

