



sleep  number.

2022 CORPORATE
SUSTAINABILITY REPORT

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2022 CORPORATE SUSTAINABILITY REPORT

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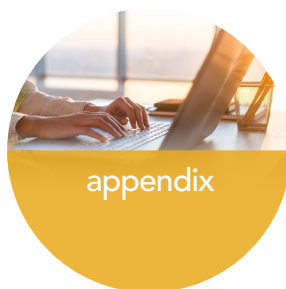
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STAKEHOLDER FEEDBACK





TO OUR STAKEHOLDERS,

Our commitment to corporate sustainability is deeply rooted in our purpose to improve the health and wellbeing of society through higher quality sleep. As a global leader in sleep health, innovation, science and research, Sleep Number has a decades-long record of improving individual lives and societal wellbeing. Our environmental stewardship, social priorities and strong governance (ESG) are integrated into our strategy, culture and operations. Our ESG investments are aligned with our pursuit of superior value creation that benefits all our stakeholders.

The events of the past two years have underscored the relevance of our purpose – and the importance of our ESG efforts. More than ever, society is prioritizing health and recognizing that quality sleep is a vital contributor to overall wellbeing. In addition, the impact of the pandemic, climate change and racial inequity, among other factors, is creating heightened urgency for public and private sector action in addressing social and environmental issues.

While we have incorporated sustainable practices and policies into our business for years, our responsibility to make the world better is further reinforced through our role as a signatory of the United Nations Global Compact (UNGC) and support of their Ten Principles and Sustainable Development Goals. As detailed in this report, during the past year, we made important progress on our ESG ambition, including achieving the following milestones:

ENVIRONMENTAL

- We established a cross-functional Environmental Impact Team (EIT) to implement near-term initiatives related to reducing energy, fuel consumption and waste and identified longer-term opportunities for increased stewardship.
- As a result of the EIT's focus, we developed a baseline inventory of our Scope 1 and 2 emissions, preliminary quantitative waste reduction goals and a plan to initiate measurement of Scope 3 emissions beginning in 2022.
- We are also advancing efforts to increase our use of renewable energy alternatives, beginning in 2022 in Minnesota, California and Texas.

SOCIAL

- We significantly increased our investment in team member wellbeing through our smart bed benefit and other individualized offerings and initiatives related to improving physical, mental, emotional, financial, community and career health.

- We further strengthened our culture of individuality and advanced our diversity, equity and inclusion (DEI) strategy, delivering on our commitment to provide a workplace where all team members unequivocally feel they belong. Our high team member retention and best-in-class engagement survey scores affirm our actions.
- We amplified our social impact in the communities where we operate by working closely with strategic partners who share our commitment, directly engaging Sleep Number team members in our efforts and supporting individuals and families in need through product donations and financial support.
- We also continued to fund studies to advance sleep science research that will enhance understanding of sleep's impact on disease prevention and care. We expect outcomes to contribute to life-changing improvements in individuals' health. In addition to our ongoing collaboration with the Mayo Clinic, Sleep Number recently announced a multi-year partnership with the American Cancer Society.

GOVERNANCE

- We further strengthened our Board and its diversity, adding two new members and increasing disclosures about all members' gender, race and ethnicity. With gender parity and racial and ethnic diversity, our Board composition reflects our culture of individuality.
- Through proactive education and deliberate engagement, we broadened and deepened our Board's and leadership team's ESG knowledge and expertise.
- And we increased our ESG transparency by initiating reporting in accordance with the Global Reporting Initiative (GRI) Standards and Sustainability Accounting Standards Board (SASB).

Realizing that society has never needed Sleep Number more, our mission-driven team is motivated by both the clear impact and continued promise of our purpose. Our decisions and actions are guided by our values of Passion for making a difference and changing lives, Integrity to always do the right thing, Innovation to find a better way, Courage to embrace a challenge and Teamwork that celebrates individuality and the joy of working together. Through the power of our purpose, consistency of our differentiated strategy and agility and efficiency inherent in our vertically integrated business model, we will continue to deliver sustainable value for all our stakeholders.

Sleep well, dream big,

CHIEF EXECUTIVE OFFICER, SLEEP NUMBER

SLEEP NUMBER® SETTING 40

AVERAGE SLEEPIQ® SCORE: 82



OVERVIEW

Purpose, Mission, Vision, Individuality, Values

Our Environmental, Social and Governance (ESG) strategy is rooted in our Company purpose, supported by our culture of individuality, and driven by our team's dedication to our mission and our values. We are deeply committed to doing the right thing and making the world a better place.

PURPOSE

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

MISSION

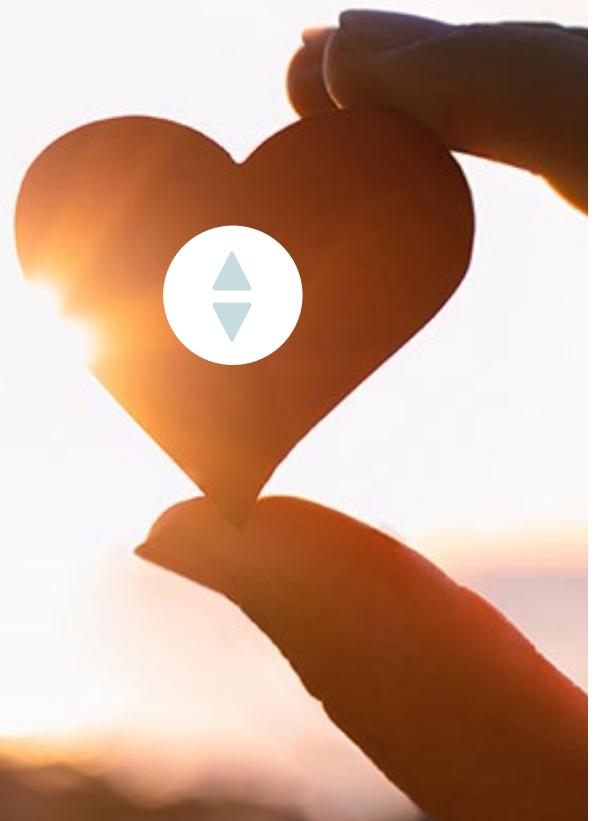
Improve lives by individualizing sleep experiences.

VISION

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

FOUNDATION OF INDIVIDUALITY

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.





Our Values

Passion

for making a difference and improving lives:

We go above and beyond because we care.

We love representing our brand with our customers and in 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 are empathetic and 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 change and challenges:

We take risks, learn and adapt.

We are confident and take action.

We are resilient, persistent and fearless in our pursuit of excellence.

Teamwork

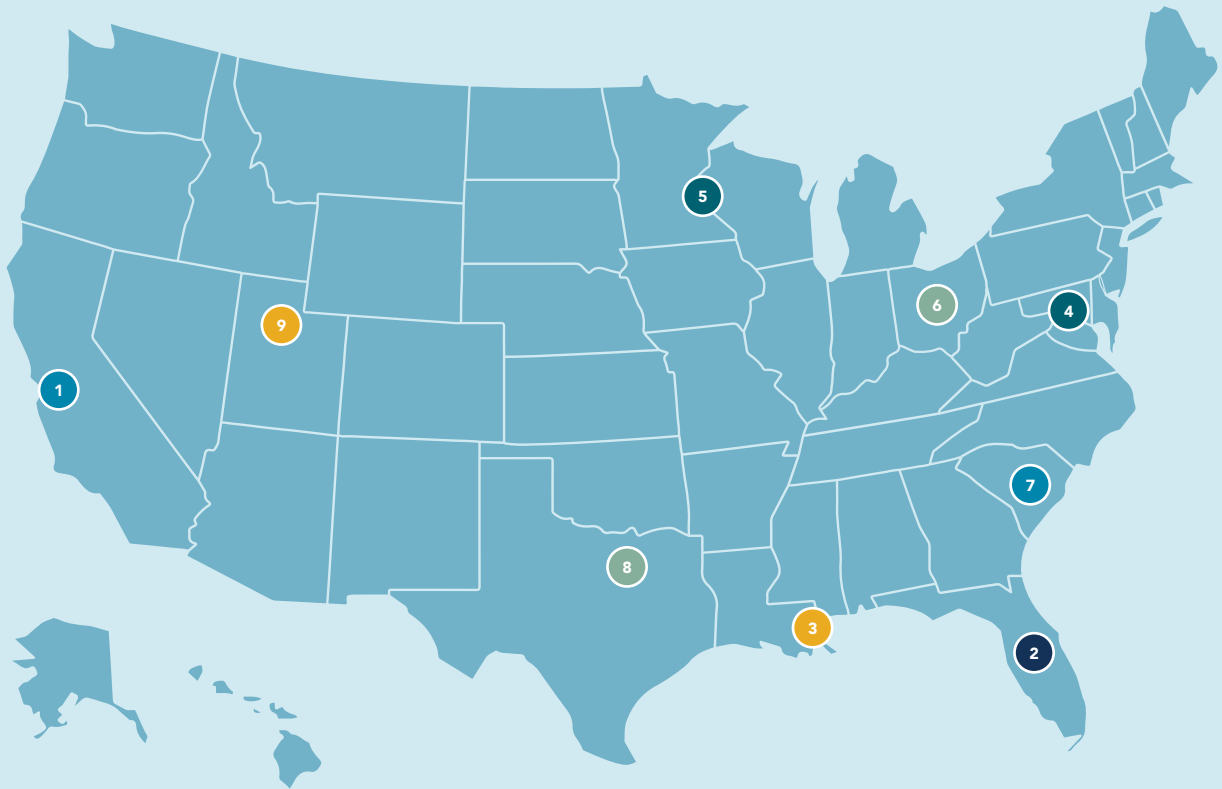
that celebrates individuality and the joy of working together:

We are unstoppable when we work together.

We laugh and learn, and trust each other.

We are all individuals, and together ... we are Sleep Number.

Where We Operate



AK 1 Store
AL 11 Stores
AR 7 Stores
AZ 13 Stores
CA 71 Stores
 Sleep Number Labs
 Assembly Distribution Center **1**
CO 15 Stores
CT 7 Stores
DE 2 Stores
FL 45 Stores
 Assembly Distribution Center **2**
GA 23 Stores
HI 2 Stores
IA 7 Stores
ID 3 Stores
IL 24 Stores
IN 12 Stores
KS 7 Stores
KY 8 Stores
LA 11 Stores
 Customer Service Center **3**




MA 11 Stores
MD 15 Stores
 Assembly Distribution Center **4**
ME 3 Stores
MI 19 Stores
MN 17 Stores
 Corporate Headquarters **5**
 Bedding Collection
 Assembly Distribution Center*
 Customer Service Center
MO 12 Stores
MS 6 Stores
MT 4 Stores
NC 21 Stores
ND 2 Stores
NE 4 Stores
NH 4 Stores
NJ 13 Stores
NM 4 Stores
NV 6 Stores
NY 24 Stores
OH 22 Stores
 Assembly Distribution Center* **6**

OK 5 Stores
OR 8 Stores
PA 26 Stores
RI 1 Store
SC 10 Stores
 Manufacturing Facility
 Assembly Distribution Center **7**
SD 2 Stores
TN 17 Stores
TX 61 Stores
 Assembly Distribution Center* **8**
UT 8 Stores
 Manufacturing Facility
 Assembly Distribution Center **9**
VA 19 Stores
VT 1 Store
WA 17 Stores
WI 11 Stores
WV 4 Stores
WY 2 Stores

*Expected to be fully operational in fiscal year 2022

Recent Highlights

We are dedicated to continually advancing our ESG initiatives and incorporating them into our strategy, culture and operations. Recognizing the critical importance of good governance in adopting and integrating social and environmental strategies, we start our corporate sustainability reporting with a description of our governance approach, including the recent highlights below.

		
GOVERNANCE	SOCIAL	ENVIRONMENTAL
Disclosed and expanded Board diversity	Increased investment in wellbeing + Achieved best-in-class engagement scores	Established cross-functional Environmental Impact Team (EIT) to drive environmental initiatives
Strengthened Board education and engagement regarding our Environmental, Social and Governance (ESG) strategy	Advanced our Diversity, Equity and Inclusion (DEI) strategy and roadmap to promote a more diverse, equitable and inclusive workplace	Established a means to measure, and reported baseline measurements of, Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions
Improved ESG transparency through initial Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) disclosures	Amplified social impact through strategic partnerships and team member involvement	Engaged a clean-energy development company to help us increase our state-by-state use of renewable energy alternatives, beginning with Minnesota, California and Texas in 2022

Sustainability Goals and Progress

At Sleep Number, sustainability is about aligning and integrating environmental stewardship and social progress with our pursuit of sustainable and profitable growth, an approach that benefits all stakeholders.

Sustainability considerations are included in the way we design and manufacture our innovations, the products and services we offer our customers, the programs and opportunities we create to ensure the wellbeing of our team members, how we support the communities where we operate, the way we engage with our suppliers and business partners, and the dialogue we have with – and returns we generate for – our shareholders. 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 incorporating the UN Global Compact principles into our strategy, culture and day-to-day operations.

The Sustainable Development Goals (SDGs) serve as a blueprint to achieve a better and more sustainable future. While some of Sleep Number's environmental, social and governance efforts may support and advance other SDGs, our current initiatives and goals align most closely with the following eight SDGs:

 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensure healthy lives and promote wellbeing for all at all ages</p> <p>Our work:</p> <ul style="list-style-type: none"> • Purpose, Mission, Vision, Individuality, Values (p. 5) • Team (p. 20) 	 <p>5 GENDER EQUALITY</p> <p>Achieve gender equality and empower all women and girls</p> <p>Our work:</p> <ul style="list-style-type: none"> • Inclusivity and Belonging (p. 24) • Culture and Career (p. 23) 	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>Our work:</p> <ul style="list-style-type: none"> • Learning and Development (p. 30) • Supplier Relationships (p. 40)
 <p>10 REDUCED INEQUALITIES</p> <p>Reduce inequality within and among countries</p> <p>Our work:</p> <ul style="list-style-type: none"> • Inclusivity and Belonging (p. 24) • Supplier Relationships (p. 40) 	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p> <p>Our work:</p> <ul style="list-style-type: none"> • Waste (p. 48) • Product Stewardship, Sustainability and Safety (p. 50) • Community (p. 35) 	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Ensure sustainable consumption and production patterns</p> <p>Our work:</p> <ul style="list-style-type: none"> • Waste (p. 48) • Product Stewardship, Sustainability and Safety (p. 50)
 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts</p> <p>Our work:</p> <ul style="list-style-type: none"> • Climate and Energy (p. 45) • Waste (p. 48) 	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> <p>Our work:</p> <ul style="list-style-type: none"> • Governance (p. 11) • Community (p. 35) 	<p>WE SUPPORT</p> 

In addition, Sleep Number initiated reporting in accordance with Global Reporting Initiative Standards (GRI) and Sustainability Accounting Standards Board (SASB) for 2021. (See Measuring Our Progress, [p. 61](#)) We also plan to initiate disclosure of environmental metrics to CDP in 2022.



GOVERNANCE



Our Governance Approach

Our management team is responsible for leading our ESG strategy, initiatives and results. Our full Board of Directors is responsible for overseeing Sleep Number's strategy, including policies and practices with respect to risk assessment, risk management and our ESG approach.

The Sleep Number management team engages with the entire Board, and with each of the three standing Board committees in ESG discussions annually, quarterly and on an interim basis, as appropriate. In 2021, the entire Board also engaged in a dedicated education session that covered key global ESG trends as well as specific ESG initiatives that we recently completed, are exploring or are actively pursuing.

Ongoing Board ESG 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 (DEI) and community involvement.
- Governance and audit topics, such as succession planning, executive compensation, cybersecurity, enterprise risk assessment and risk management, corporate policy development, internal controls and investor outreach.

Our three Board committees have specific oversight roles over aspects of our ESG strategy. For example:

- The Audit Committee oversees our internal audit function and processes as well as its enterprise risk assessment and risk management, including financial risks, information security and cybersecurity risks and internal controls over financial reporting.
- The Corporate Governance and Nominating Committee oversees our corporate governance principles and Board succession process. We have for many years maintained exemplary Corporate Governance Principles ([p. 55](#)) which govern the Board, its committees and our executive officers and team members in the conduct of our business and affairs.
- The Management Development and Compensation Committee oversees compensation policies and practices and organizational talent and development, including executive compensation and Sleep Number's objectives and programs for human capital management such as initiatives focused on diversity, equity and inclusion, learning, retention and wellbeing.

Our financial goals, investments and decisions incorporate Sleep Number's commitment to ESG initiatives and are designed to deliver sustainable, profitable performance over time.

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 and 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 ([p. 55](#)), 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. Annually, each team member is required to complete training and acknowledge their commitment to this Code.

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. We also offer 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 provides the Audit Committee of our Board of Directors with a detailed update on any and all reported concerns and shares corresponding mitigation plans and actions, demonstrating our accountability and governance practices.



We train our team members on our equal employment opportunity, anti-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. 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 this focused 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 Business Conduct for Business Partners (p. 55), to all active business partners and suppliers of goods and services. This Code articulates our expectations for performance that align with Sleep Number’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:



In addition, we leverage our contracts with business partners and suppliers to underscore our expectations of business integrity, incent appropriate behaviors and enforce compliance with our Code. For example, 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 Business Conduct for Business Partners as may be amended from time to time.”

In 2021, we also added human rights-related content to supplier audits and report cards to ensure explicit awareness of Sleep Number expectations. 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.

Human Rights

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 ([p. 55](#)) – to act with the highest ethical standards and to treat others with respect every single day. Their conduct should be in accordance with standards set forth in our Code of Business Conduct, our Team Member Handbook, our Code of Conduct for Business Partners, the expectations of the United Nations Global Compact, of which Sleep Number became a signatory in 2020, and the principles detailed in our Human Rights Policy. Our enterprise-wide 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; Equal and Nondiscriminatory Practices; Human Trafficking, Slavery and Forced Labor; Wages and Working Hours; and Right to Freedom of Association and Collective Bargaining. 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.



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 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. Sleep Number does not directly source 3TG from mines, smelters or refiners. Our Conflict Minerals Policy ([p. 55](#)) clearly communicates our expectations to suppliers who provide materials to Sleep Number that may contain 3TG.

Political Contributions

Sleep Number does not use corporate funds for contributions to political campaigns. We may, however, 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. During 2021, Sleep Number paid approximately \$118,000 to the Minnesota Business Partnership, \$175,000 to the International Sleep Products Association (ISPA), and also paid a fee of \$50,000 for our membership in the Association of National Advertisers.

Stakeholder Engagement

Our management team and Board of Directors maintain a deep commitment to strong corporate governance. Engagement with, and accountability to, our stakeholders are cornerstones of this commitment.

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, performance and other matters of shareholder interest.



Sleep Number management also actively seeks feedback from – and regularly engages with – other priority stakeholders, including team members, customers and suppliers.

- To maintain a clear understanding of our team members' needs, Sleep Number utilizes a continuous listening strategy that we have continued to improve for nearly 20 years, proactively seeking team member feedback throughout their tenure with Sleep Number (See Team: Engagement, [p. 27](#)).
- We engage with customers in a variety of ways and regularly invite their feedback regarding their experience with Sleep Number. In addition to in-person interactions in our stores, online chat and phone conversations, we sent more than 1.8 million surveys to customers in 2021 to measure their satisfaction at each stage of their purchase, delivery, service and ownership experience and likelihood to recommend Sleep Number products and services (Net Promoter Score or NPS). Survey scores are carefully monitored and customer input is used to identify opportunities for strategic improvements in our products and services. For each of the past two years (2020 & 2021), Sleep Number scores relative to external benchmarks have been best-in-class.
- In our quest to build and strengthen relationships with suppliers, we have regular touchpoints with suppliers that include online training sessions, top-to-top discussions, normal course-of-business interactions, informal visits and formal audits. We also maintain an online portal as a resource for our suppliers to obtain critical information for partnering with Sleep Number.



SOCIAL



Our Social Approach

Our Sleep Number purpose is to improve the health and wellbeing of society through higher quality sleep. With a decades-long commitment and meaningful innovations, we are changing society's understanding of how quality sleep positively influences wellbeing.

Individuality is the foundation of Sleep Number. Our Company was founded on the premise that "one size doesn't fit all." We celebrate individuality in our customers' and team members' lives ... embrace every individual's unique talents, perspectives and experiences ... and are guided by our values of passion, integrity, innovation, courage and teamwork.

Sleep Number has integrated fundamental principles of human rights, respect for individuality and a passion to make the world better through higher quality sleep into our strategy and operations. We take our responsibility to our stakeholders, including Team ([p. 20](#)), Community ([p. 35](#)) and Suppliers ([p. 40](#)), seriously and are tireless in our efforts to advance social sustainability goals.

Team

We are constantly striving to create a workplace culture of individuality.

Our commitment is to sustain a culture where unique talents, perspectives and experiences are valued, and where team members are treated equitably, with dignity and respect. By appreciating each other and prioritizing wellbeing, we create an environment in which every team member can bring their authentic and whole self to work every day. This approach has led to world-class team member engagement and strong retention in a highly-competitive employment environment.

"I start each day with gratitude and being thankful for the Sleep Number family. Our team's compassion and courage for serving our customers and commitment to our shared purpose is making a meaningful difference. I am also thankful for our culture of individuality and strong values which are integral to who we are and guide how we work."

SHELLY IBACH, PRESIDENT AND CEO
Sleep Number® setting 40



At Sleep Number, wellbeing is more than a program or a catchphrase. It is a movement, a business enabler and a talent strategy that reinforces our purpose and strengthens our Company. It is core to our purpose, our team's best-in-class engagement and our innovation leadership. It permeates our enterprise strategy and underlies our profitable growth – which is why we intentionally, holistically and continuously advance our wellbeing efforts.

Our wellbeing framework was developed in 2019 by a cross-functional cohort of Sleep Number operating leaders who were participating in a year-long leadership development program that included an action-learning component. This cohort developed an initial wellbeing framework, and their work was foundational in shaping our five pillars of wellbeing, with sleep at the center.



"I was fortunate to be part of the Leadership Development program, along with 15 of my colleagues, during which we were challenged to research and design a framework for wellbeing at Sleep Number. We are proud to have done this meaningful work on behalf of all Sleep Number team members."

DOUG SCITES, SENIOR DIRECTOR, PRODUCT DEVELOPMENT NPD & SUPPLIER QUALITY
Sleep Number® setting 50

As we continue to build on our wellbeing foundation, our efforts are guided by the following principles:



Sleep is at the center of wellbeing — and because the wellbeing of our team members is of paramount importance — we have invested over \$15 million dollars (retail value) in the past two years, offering every one of our 5,515 team members a new Sleep Number 360® smart bed. One team member called this gift of a smart bed "the most incredible gesture of humanity." [View as Kat shares her perspective.](#) In addition, we offer team members 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.

Surrounding this core belief in quality sleep is our commitment to infuse wellbeing in our team members' physical and emotional health as well as into their financial, community and career health. [View how our team members embrace this wellbeing commitment.](#) Reflective of our desire to maintain a strong team member value proposition and in recognition of the increasingly competitive environment for talent, we regularly review our Company benefits and have recently invested in the following initiatives to enhance our team members' wellbeing:

PHYSICAL	EMOTIONAL	FINANCIAL	COMMUNITY	CAREER
<ul style="list-style-type: none"> • Innovative medical plan choices • Transgender and domestic partner coverage • Ongoing onsite Covid-19 and Flu vaccine clinics 	<ul style="list-style-type: none"> • Paid time off enhancements • New mental health support • New caregiving support • Enhanced parental leave 	<ul style="list-style-type: none"> • Enhanced 401(k) match • Technology allowance • Ensuring competitive base pay 	<ul style="list-style-type: none"> • Paid time off for volunteering • Team member-to-team member support fund 	<ul style="list-style-type: none"> • Ongoing leadership development programs

"I am so grateful for this gift of quality sleep from Sleep Number. I have really enjoyed my bed and I sleep better than ever. It is also nice to be able to tell new customers how much I enjoy my own bed and give them tips and best practices. Thank you, Sleep Number!"

DANIEL P. RUBIROS, FIELD SERVICES TRAINER
Sleep Number® setting 45

Team: Culture and Career

Our 5,515 Sleep Number team members are at the heart of our culture and disciplined execution of our consumer innovation strategy. Attracting, motivating, developing, rewarding and retaining the right talent is critical to Sleep Number success – and providing an exceptional team member experience and ample opportunities for professional learning and advancement are paramount to team member engagement.



TALENT 365

TALENT 365 is a holistic view of the talent life cycle with interconnected elements that drive team member experience and productivity.



Talent365 is our holistic talent planning and development approach that deliberately creates and sustains a work environment in which Sleep Number team members are able to realize their full potential while fulfilling our Company's mission. Through these interconnected practices, we invest, every day, in the development of our team members which, in turn, enables Sleep Number to achieve annual and long-term enterprise and functional area priorities. Leaders throughout the organization leverage resources from the Talent365 model to design effective organizational structure, coach for performance, establish relevant processes, systems and tools, celebrate individuality, manage change within their teams, empower team members and hold them accountable, and provide meaningful recognition, incentives and rewards to inspire consistently superior results.

Team: *Inclusivity and Belonging*

Foundational to our Talent365 practices is our culture of individuality and our long-standing commitment to a workplace environment where all team members unequivocally feel they belong. While we recognize we can always do better, we are proud that, in our latest (July 2021) team member engagement survey, 73% of our team members told us they feel included at Sleep Number, a four percentage point improvement from 2019. Our engagement survey results are best-in-class. (See Engagement, [p. 27](#)) Team members expressed strong favorable results on key inclusion indicators, such as:



Team members ranked Sleep Number equal to, or better than, national benchmarks on all inclusion questions in the survey.



Equally important, our high-inclusion favorability scores were consistent across most diversity dimensions, including race, gender, generations, sexual orientation, gender identity, differently abled and military service.

While Sleep Number has embraced a culture of individuality for decades, we have intensified our commitment to diversity, equity and inclusion (DEI) and accelerated implementation of initiatives within our strategy. Our Board of Directors, CEO and Senior Leadership Team set the tone, modeling inclusive behaviors and attitudes, investing in tailored intercultural training and consistently reinforcing its importance to the broader organization. DEI is a regular agenda topic at Board meetings and quarterly talent planning sessions with the Senior Leadership Team, and we proudly share detailed team member demographics annually in this report. (See Appendix, [p. 57](#))

In 2021, our DEI Council created the following statement to codify our DEI commitment:



Unite through our differences and remove systemic barriers to equity in the workplace, so all team members can be their authentic selves. Together, we will celebrate and amplify the unique perspectives, backgrounds, experiences and voices of our collective team to learn from each other and foster belonging at Sleep Number.

And, we continued to advance elements of our DEI strategy and roadmap that promote a more diverse, equitable and inclusive workplace. We have plans to make additional progress in 2022.

"At Sleep Number, it's normal to come to work as your best self. In my three-year tenure, I have not once had to pretend to be someone I'm not. My identity isn't a checkmark in a box here, and I love that I can learn from and interact with so many unique individuals."

CONNOR SOIKES,
SLEEP PROFESSIONAL
Sleep Number® setting 45

"When you are part of multiple marginalized groups, corporate America can be intimidating. In recent years, the focus at Sleep Number has been on allowing everyone to bring their best selves to the table. I have been part of so many changes within the organization — from hard conversations to updated policies. I have never felt this strong sense of belonging with any other company."

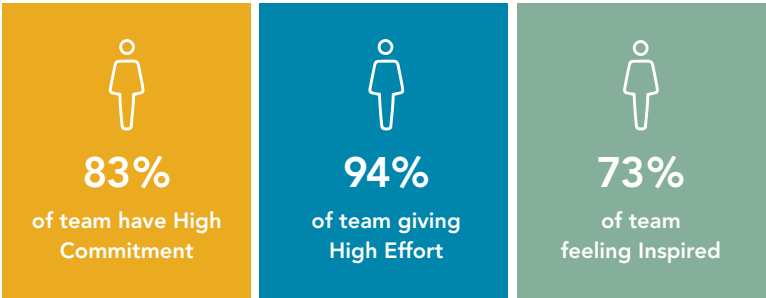
JESSICA STEHOUWER,
STORE MANAGER
Sleep Number® setting 25

STRATEGY	In 2021, Sleep Number evolved our team member resource group structure to accelerate inclusivity and belonging. We thoughtfully defined the structure, goals, priorities, unique purposes and supportive development opportunities that distinguish our affinity groups, employee resource groups and business resource group. Our DEI Council, formed in 2020, has an enterprise-wide focus, executive-level support and sponsorship. DEI values are directly integrated into the Sleep Number strategic business plan. In 2022, we expect to add new business resource groups to increase team member involvement and engagement.
AWARENESS	In 2021, we refined our individuality statement, made it part of our strategic commitments and continued to measure and index inclusion through 11 survey questions. In addition, Sleep Number leaders hosted listening sessions with team members during and following emotionally charged external events to show support for team members and honor their individual emotional journeys. In 2022, we are activating additional Workday™ capabilities to enable team members to confidentially provide self-identification details. Team members can choose to keep their self-identification information confidential within the Workday system or share it with their Sleep Number colleagues, if desired.
EDUCATION AND DEVELOPMENT	In the past year, we hosted cultural competence training for our Board of Directors, Senior Team and DEI Council. We also offered additional trainings, including Psychological Safety, Managing Bias and Valuing Differences, to all our team members. Our 2022 plans are intentional about creating equitable access to training across the enterprise.
INCLUSIVE EVENTS AND PROGRAMMING	In 2021, we enhanced our inclusive programming internally to celebrate milestones and amplify team member experiences including but not limited to: Martin Luther King Jr. Day, Black History Month, Diversity Month, Pride Month, Juneteenth, Hispanic Heritage Month, International Women's Day and Asian American and Pacific Islander (AAPI) Heritage Month. In 2022, we plan to promote greater awareness and understanding of these events through expanded team member active-learning and engagement opportunities.
STRATEGIC PARTNERSHIPS	Sleep Number has cultivated strategic partnerships and remains actively engaged with organizations and community initiatives designed to provide economic advancement and professional opportunities to underrepresented populations, including women and BIPOC (Black, Indigenous and People of Color), and attract and retain diverse talent within Sleep Number. Throughout 2021, we sponsored events and strengthened our relationships with: MAKE IT. MSP. and BE MSP talent initiatives; Minnesota Business Coalition for Racial Equity (MBCRE); MAKERS; UNCF (United Negro College Fund); MLK Breakfast; Mossier; and YWCA: It's time to talk. In 2022, we will continue to support these organizations and explore additional strategic partnerships to advance equity.
TEAM MEMBER VALUE PROPOSITION	Our brand and value proposition help us source, attract and retain diverse talent. Forty-four percent of our team members are racially diverse and 38% are female. In 2021, we realized the benefit of our inclusive marketing and recruiting investments, experiencing a 60% increase in new visitors to our career site, including a 4 percentage point increase in female visitors, which showcases our inclusive hiring initiatives and culture. In addition, we reviewed and revised all job description content to remove gender and race bias and ensure that our postings attract candidates of all backgrounds. A career site refresh is planned in 2022.

Team: Engagement

As a company with purpose, Sleep Number attracts and retains people who want to make a difference, who appreciate that wellbeing and belonging are enterprise priorities and who are fulfilled by the work they do every day. To maintain a clear understanding of our team members' needs, Sleep Number utilizes a continuous listening strategy that we have evolved and improved for nearly 20 years, proactively seeking team member feedback beginning with their onboarding process as well as through ongoing check-ins and engagement surveys throughout their tenure with Sleep Number.

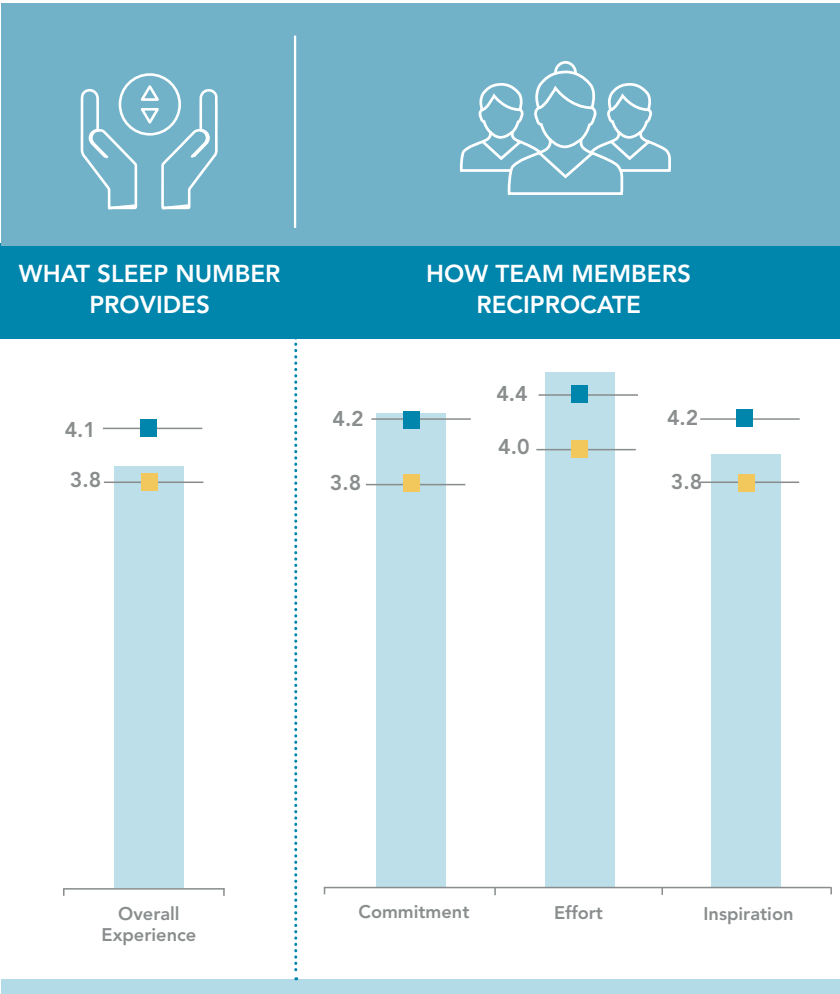
Our annual engagement survey measures Commitment, Effort and Inspiration. In 2021, 85% of team members completed our engagement survey, with a 73% favorability rating and best-in-class Commitment and Effort levels, specifically:



In fact, every single engagement category increased relative to our last full survey in 2019 and our performance ranked us at best-in-class in many measures.



Our team members told us they feel an extraordinary amount of meaning in their work. Team members also shared that, two years into the pandemic, they are feeling burned out from the totality of managing personal, professional and pandemic pressures. In response, we continue to focus on overall wellbeing. For example, we are offering increased flexibility (see **NEW WORK FOR YOUR DAY** sidebar), leader guidance to check in and discuss work and life concerns with team members and additional benefits that support mental health and caregiving needs. (See new Team benefit offerings, [p. 22](#))



Note: Best-in-Class scores one-half standard deviation above the benchmark mean

- Sleep Number 2021
- Average Benchmark
- Best-in-Class

NEW WORK FOR YOUR DAY IS AN EXCELLENT EXAMPLE OF THE WAY SLEEP NUMBER INCORPORATES THE VOICE OF TEAM MEMBERS.

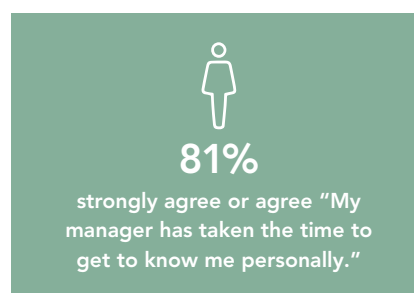
First introduced in 2016, Work For Your Day acknowledged the importance of flexibility to our team members in how and where they work and the benefits to their overall wellbeing. It was designed to support team members in working in a way that is most productive for each individual and team while driving superior business results. In response to the pandemic and team member input, we continued to evolve this program in 2021. **New Work For Your Day** creates options that blend virtual and onsite work, provides new resources that enable individuals and teams to embrace greater hybrid flexibility and remains focused on effective communication, intentional collaboration and improved outcomes.



Team: Onboarding

Our investment in our team members and commitment to create and sustain a vibrant, engaging work environment and culture of innovation and individuality begins with a thoughtful onboarding experience that is tailored to the new team member's function and level. Each hiring manager is expected to prepare for the new team member's first day, first week, first month and first 90 days in role. We strive to provide new team members with access to important technology and tools on day one, help the new team member feel welcomed by their team, provide opportunities for the new team member to develop meaningful connections across the organization, make the new team member aware of training to enhance performance and establish clear communication and coaching routines.

Our 2021 onboarding survey results confirm that new Sleep Number team members are having a very positive experience during their first weeks and months. Based on a sample of more than 600 new team members – at the 7-, 30-, and 90-day milestones,



By creating a meaningful onboarding experience, we are setting a positive tone for the team member's entire tenure with Sleep Number.

Team: *Learning and Development*

While we continuously improve all of our talent practices, we are actively transforming our highly-effective training team into a world-class enterprise learning and development organization to build the critical competencies and skills necessary to propel our future growth. Our evolution will include the adoption and integration of new learning operations and enhanced data-driven and predictive analytics to support skills development. It will also continue to build on our current multi-level learning strategy that provides deep functional and technical training paths and customized training programs for different areas of Sleep Number. In addition to supporting cultural awareness, role effectiveness and product knowledge, our programs:

- Provide equitable and accessible learning and development opportunities to all Sleep Number team members
- Offer training, designed to boost both capability and productivity, that is both competency and experience based
- Empower team members by investing in their learning and professional growth

Our multi-year leadership development roadmap includes on-the-job learning, social learning (learning from others) and formal learning based on human-centered leadership principles that inspire leaders, connect individuals and teams and offer potential benefit to both the individual and Sleep Number.



WE ARE COMMITTED TO EQUITABLE LEARNING AND DEVELOPMENT OPPORTUNITIES AND ARE ACTIVELY WORKING TO PROVIDE ALL TEAM MEMBERS WITH ACCESS TO TECHNOLOGY, SUCH AS OUR ENTERPRISE LEARNING MANAGEMENT SYSTEM (LMS).

The use of technology enables us to deliver a variety of dynamic content, 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. In 2021, we offered 250 new courses in our LMS, expanding our online and digital content to strengthen learning opportunities for leaders throughout Sleep Number.

Team: Coaching and Performance Management

One of the most important responsibilities of Sleep Number leaders is the time they invest in connecting with and coaching their team members. To encourage fluid, ongoing interactions between leaders and team members, we've identified formal and informal touchpoints, including:

1:1 WEEKLY
OR BI-WEEKLY
CONVERSATIONS


to discuss work
assignments, provide
project updates, check
in on wellbeing, and
strengthen connection

QUARTERLY
COACHING
CONVERSATIONS

to create and
align on goals and
provide feedback on
development progress

ANNUAL PERFORMANCE REVIEW

to discuss team member achievements during
the past year, highlight their strengths and
opportunities, develop goals for the coming
year and discuss future career aspirations and
potentially relevant actions



These team member touchpoints with their leaders, reinforced by our commitment to wellbeing, culture of innovation and individuality and clear purpose, are contributing to improved team member and Company performance. In 2022, our increased focus on frontline leader support will strengthen their capabilities and lead to benefits for our largest team member populations.

Sleep Number invests significant time and energy in hiring, onboarding and training team members to thrive and grow at our Company. However, some team member turnover is expected and part of our normal course of business. For team members who depart voluntarily for personal or professional reasons, we conduct an exit interview and exit survey to ensure we learn from their experience and take action to reduce unwanted turnover in the future. We are committed to increasing effectiveness and utilization of the exit survey process to capture the voice of our exiting team members. 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.

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Team: *Total Rewards*

Our total rewards offering is a foundational and important element of our team member value proposition. In today's competitive environment for talent, Sleep Number continues to be focused on making enhancements that help to attract, motivate and retain highly-engaged team members. We offer team members competitive compensation that includes base pay and significant incentive opportunities tied to individual, team or Company performance. In fact, Sleep Number is unique in that all team members throughout our Company are eligible for incentive compensation in addition to their base pay. In addition to this compensation opportunity, we provide a comprehensive set of benefit plans and resources to support the financial, physical and emotional wellbeing of our team members. Many of these offerings have been enhanced in recent years to further strengthen our team member value proposition and make wellbeing a centerpiece of our culture.

Recent examples include the progress we have made to ensure that base pay is competitive, increasing 401(k) match, enhancing paid time off benefits and adding a wide range of resources as described in our wellbeing platform. (See Wellbeing, [p. 21](#)) These improvements to our team member benefit offerings are reflected in our 2022 Total Rewards.



Team: *Health and Safety*

Sleep Number provides appropriate equipment, safeguards, personal protection, training and administrative support to protect team member health and safety in the workplace. Our Workplace Accident and Injury Reduction Policy ([p. 55](#)) creates clear expectations for how each Sleep Number team member contributes to a safe and healthy workplace. We believe that safety at Sleep Number is everyone's responsibility. All 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. As an additional precaution, we introduced a Safety Hazard Identification Program in our manufacturing plants, which encourages team members to identify hazards before an injury can occur and allows leaders to take immediate steps to mitigate the hazard.

As part of our effort to improve safety, 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. Influenced, in part, by a 17.9% increase in the number of team members at year-end, we recorded 223 workers' compensation claims in 2021, compared with 167 in 2020. We recorded 7,973 lost workdays in 2021 compared to 5,650 in 2020. We had no reported work-related fatalities in either year.

While health and safety are priorities throughout our entire Company, our safety-first culture is deeply rooted within our manufacturing plants and assembly distribution centers (ADCs), resulting in best-in-class safety performance within these Sleep Number facilities. Our largest manufacturing facility, located in Irmo, South Carolina, has operated for 36 consecutive months without any lost workday injuries, and our second-largest plant in Salt Lake City, Utah, had operated for 30 months without a lost workday injury, before recording an incident in September 2021. For achieving zero lost workday injuries or illnesses,



our Irmo site was honored with the 2021 South Carolina OSHA and Department of Labor, Licensing and Regulations Safety Achievement Award.

Our ADCs also have stellar safety performance – reporting five OSHA recordable incidents and no lost workdays during the past year.

Team members at our 648 retail stores nationwide also have a strong record of safety. The OSHA incident rate for Sleep Number® retail locations is less than 1.0, with a lost workday incident rate less than 0.5 for the past three years. Relative to the 2020 furniture store industry rate of 2.8, this Sleep Number retail store performance is world-class.

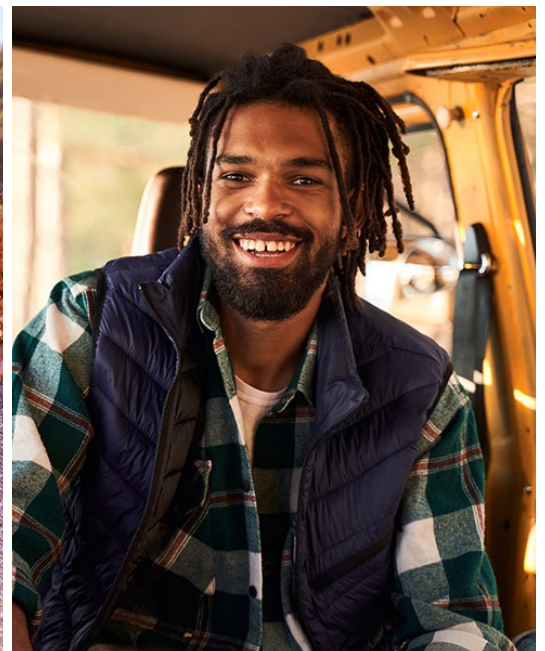
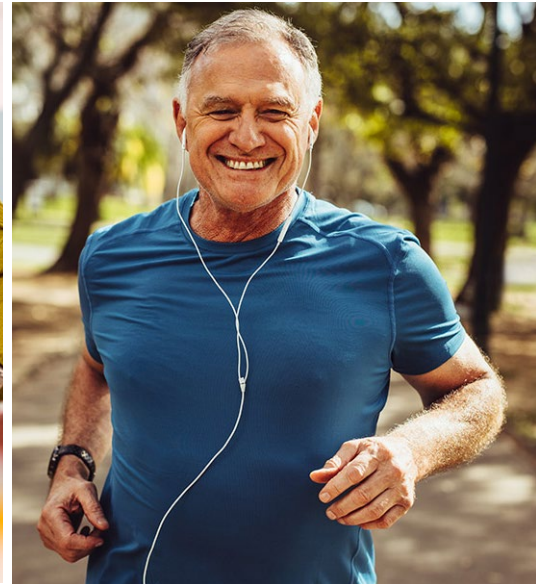
We have room for improvement in Home Delivery with an OSHA 12-month rolling incident rate above 15 in 2021. As a result, we have taken specific actions both to better understand the causes and to reduce the number of incidents. Specifically:

- We track the number of injuries per 10,000 delivery stops to understand the correlation between technician workload and injuries. Since beginning this tracking in February 2021, we have experienced an improvement from six injuries per 10,000 stops to four injuries per 10,000 stops, trending toward our 2021 goal of three injuries per 10,000 stops.
- We onboarded experienced safety leaders to implement practices that will improve Home Delivery safety.
- We began sharing market-specific injury and auto-accident reports with team members to heighten visibility about the nature of incidents, identify emerging trends (such as vehicle accidents resulting from reversing) and provide data to support prompt corrective actions.
- We have developed relevant safety content to be disseminated during weekly safety huddles with technicians and supervisors.
- We have updated safety learning lessons in Workday and assigned trainings related to injury prevention and safe driving to all technicians.

Reflecting our strong commitment to wellbeing – including the health and safety of our team members – we are committed to reducing the number of workers' compensation claims and lost workdays for our Home Delivery team and are actively addressing contributing factors.

Community

At Sleep Number, our purpose and strategy are dedicated to innovations that support holistic wellbeing, including for our community, a critical pillar of our wellbeing framework. We are strengthening our impact in the communities where we operate – working closely with strategic partners who share our commitment, directly engaging Sleep Number team members in our efforts and supporting individuals and families in need through product and financial donations. In 2021, cash and product donations were valued at more than \$400,000.



Community: Amplifying Our Social Impact Through Strategic Partnerships and Team Member Engagement

In 2018, we announced our first social impact commitment to improve the lives of youth, and as our strength of purpose has grown, so too has our dedication to serve those most in need of quality sleep, including military personnel, children and adults facing health challenges and families in transition. To deliver on this commitment, amplify our positive community impact, advance sleep science to benefit society and fulfill our purpose, we are honored to partner with highly respected organizations, including:



MAKE-A-WISH, with its mission to create life-changing wishes for children with critical illnesses, is one of the nation's most beloved nonprofit organizations. During the past year, Sleep Number partnered with Make-A-Wish, granting bedroom makeover wishes – complete with Sleep Number 360 smart beds – for 43 immunocompromised children, helping them find comfort and sanctuary in the benefits of quality sleep while at home. In addition, Sleep Number customers – our Smart SleeperSM community members – were given the opportunity to donate their InnerCircleSM Rewards to purchase additional product for "wish kids."



To meaningfully advance sleep science and the fight against cancer, Sleep Number committed to a transformational, multi-year partnership with the **AMERICAN CANCER SOCIETY** (ACS) beginning in 2022. The two organizations are embarking upon foundational sleep research to inform the first-ever, cancer-specific sleep

guidelines. Over the next six years, ACS will conduct research with contributions from Sleep Number's proprietary 360[®] smart bed sleep data and sleep expertise to identify the impact of quality sleep on cancer prevention and recovery, with the goal of improving sleep outcomes for cancer patients and survivors.

While ACS offers guidance on healthy habits for people with cancer around things like diet, exercise and tobacco, guidelines for sleep have not been established. There is limited knowledge of the biologic mechanisms by which sleep may affect cancer risk or outcomes after a cancer diagnosis. While poor sleep quality may be associated with the risk of developing some types of cancer, evidence to date is limited. Leveraging nearly 14 billion hours of highly accurate sleep data generated from Sleep Number 360 smart beds in conjunction with historical and ongoing cancer prevention studies, ACS will

CEOs AGAINST CANCER is a powerful group of CEOs from Minnesota's top companies, uniting to change the course of cancer by leveraging the collective knowledge, influence and resources of the American Cancer Society. Driven by her personal commitment to raise awareness of and funding for cancer prevention and treatment, Sleep Number President and CEO Shelly Ibach joined the Minnesota chapter of CEOs Against Cancer in the summer of 2020 and now serves as its chair. To raise awareness of the essential role that personal health plays in the fight against cancer, Shelly invited team members to participate in the second annual Fit2BeCancerFree[®] – a virtual step-tracking fitness challenge with a goal to create a healthy, cancer-free future. With a total of 16,780,011 steps, Sleep Number was one of the nation's top finishers in this event, stepping up in the fight against cancer.

study the effects of cancer on patients' and survivors' nighttime sleep and biometric patterns. The collaboration between the two organizations will enable cancer research and prevention tied explicitly to quality sleep.

Sleep Number's partnership with ACS will materially advance not only the fundamental understanding of the science of sleep, but also the translation of that knowledge into practical actions that provide meaningful outcomes. Through our investment in sleep science and research, Sleep Number will incorporate learnings in our innovations, increasing their utility and value to consumers, and simultaneously advance society's understanding of how sleep affects individual health.

Additionally, to benefit cancer patients and their caregivers, Sleep Number will furnish the American Cancer Society's Hope Lodges throughout the country with life-changing 360 smart beds, Sleep Number® bedding, and other sleep solutions to provide comfort and care for individuals undergoing cancer treatment away from home. Hope Lodges offer these patients and their caregivers a free place to live when their best option for effective care is in a city other than their home location. Lodges located in Rochester and Minneapolis, Minnesota, near Sleep Number headquarters, are the first to receive Sleep Number's support in early 2022.



Our collaboration with **MAYO CLINIC** is another example of the way Sleep Number is advancing sleep science research, enhancing understanding of sleep's impact on cardiovascular health and contributing to potentially life-changing benefits for members of our community. In 2021, we provided funding for Mayo Clinic to conduct several multi-year studies, including two which particularly demonstrate our societal impact:

- A study that will investigate the prevalence of obstructive sleep apnea and determine the presence of comorbid cardiovascular diseases in U.S. patients of Somali descent, a large and growing population in Minnesota, which is also home to both Sleep Number and Mayo Clinic headquarters.
- A study that will explore the relationship between disrupted sleep and markers of aging to test the hypotheses that disrupted or inadequate sleep and sleepiness are indicative of older biological age and may contribute to the acceleration of the aging process.

As the Official Sleep + Wellness Partner of the **NATIONAL FOOTBALL LEAGUE (NFL)**, Sleep Number partners with NFL teams and players on two important social impact programs.

BLUE STAR FAMILIES is a nonprofit devoted to strengthening military families by connecting them with supportive individuals and organizations within their communities. Sleep Number has partnered with Blue Star Families for seven years, providing monetary support for the organization and the gift of quality sleep to the families of those who serve and sacrifice for our country.

In 2021, Sleep Number partnered with five NFL teams to improve the lives of Blue Star Families in the Twin Cities, Los Angeles, San Francisco, Dallas and Kansas City. With the help of a player partner in each city, five Blue Star Families recipients were given Sleep Number 360 smart beds as well as signed NFL player jerseys and footballs. In addition, 300 Sleep Number® pillows were provided to families stationed at Fort Hood, Texas, to help them improve their sleep. Brittany Otto and her family, of Eden Prairie, Minnesota, were lucky recipients.

[View their story.](#)

Another NFL partner, **GENYOUTH**, an organization whose programming reaches 38 million students annually in 73,000 U.S. schools, has been a Sleep Number partner since the inception of our corporate social responsibility program in 2018. They are devoted to helping students live healthfully and raise their academic achievement. Through partnership with the NFL and Sleep Number, GENYOUth is able to amplify their efforts nationally, reaching schools and impacting students who are excited about football – and learning about the importance of quality sleep.

In 2021, Sleep Number partnered with GENYOUth to educate at-risk middle schoolers about the importance of quality sleep. That October, Sleep Number brought Los Angeles Charger and Sleep Number Smart Sleeper Austin Ekeler to Bethune Middle School, a Los Angeles-area school with a high percentage of students in foster care. Ekeler led the “Fuel Your Best” pep rally, educating students about the importance of sleep and fueling good habits, handing out pillows and informing 200 students about the keys to good health. Students were encouraged to adopt consistent sleep habits that will last a lifetime and track their progress for a chance to win a 360 smart bed and become a “Sleep Champion.”

Sleep Number also supported:

MY VERY OWN BED, a Minnesota-based nonprofit that provides new beds and bedding to children of families who have recently transitioned into more stable housing, helping their new house feel more like a home and supporting their health and wellbeing through improved sleep; **BRIDGING**, a nonprofit organization primarily serving the Twin Cities area that provides donated furniture and household goods to families and individuals transitioning out of homelessness and poverty; **LET’S SLEEP! WEBINARS**, championed by the nonprofit Start School Later which aims to help communities ensure safe, healthy school hours and provide sleep education programs for students and school communities by sponsoring a monthly webinar for educators and school administrators about the importance of sleep and sharing 360 smart bed data to reinforce the information; and

DREAM FOUNDATION, a national organization serving terminally-ill adults and their families by providing end-of-life dreams that offer inspiration, comfort and closure, providing 360 smart beds and once-in-a-lifetime NFL experiences to terminal patients.

VOLUNTEERISM is an important part of our commitment to team member wellbeing and the health of our communities. Sleep Number encourages team members to become involved in their local communities by volunteering their time and talents in support of causes or organizations that inspire them. To demonstrate our sincerity, Sleep Number added a new benefit for team members, beginning in January 2022. Team members now receive eight hours annually of paid time off to participate in volunteer activities, including individual or team service projects. In addition, consistent with prior years, operating team members who participate on the board of directors of a qualified nonprofit are eligible to apply for a grant of up to \$1,500 per calendar year that benefits the organization.

Another new benefit for team members in 2022 – and a way for Sleep Number team members to support one another – is our **SLEEP NUMBER TEAM MEMBER SUPPORT FUND**. Administered by E4E Relief, this fund, backed by the generosity of fellow team members through their tax-deductible charitable donations, provides financial assistance to Sleep Number team members who may be recovering or rebuilding after a personal crisis, hardship or natural disaster. To ensure a strong program launch, Sleep Number is matching team member contributions to the fund dollar-for-dollar, up to \$50,000, and qualified applicants are receiving a minimum grant of \$500 in financial assistance.



Through strategic partnerships, team member involvement and support for sleep science research, combined with the continued advancement of our proprietary innovations, Sleep Number is fulfilling our purpose to improve the health and wellbeing of society through higher quality sleep.

Supplier Relationships

We recognize that suppliers are instrumental in achieving our product quality as well as our corporate sustainability goals.

We have for many years maintained a Code of Business Conduct for Business Partners [\(p. 55\)](#) that is applicable to all 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. In addition, our Supplier Quality Manual (SQM) and Supplier Business Manual (SBM) define minimum quality requirements, processes and systems for doing business with Sleep Number, and we continue to share the SQM / SBM with our suppliers to create alignment, ensure superior product quality and to demonstrate our commitment to creating a collaborative relationship based on open communication and mutual trust. The SBM defines the business practices and general guidelines expected of suppliers who are doing business with Sleep Number. This manual outlines the requirements to ensure that Sleep Number's supply base is providing top-level performance while following guidelines and procedures. It is the responsibility of the supplier's leadership to ensure compliance with this manual. Our supplier scorecard, created for key suppliers, 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 Sleep Number suppliers on a monthly or quarterly basis, informs our purchasing decisions and whether the supplier remains in our qualified-supplier base. 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.

To align our suppliers – all of whom are subject to the Sleep Number Code of Conduct for Business Partners – with our human rights commitments, to build compliance with our expectations for performance and to promote safe and secure working environments for all workers, Sleep Number monitors supplier performance related to our Human Rights Policy [\(p. 55\)](#). 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.

We take violations of our Code of Business Conduct 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 in potential violation of our human rights policy or principles.

For any supplier with 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.

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. In 2021, we made progress on this journey, conducting a survey of key suppliers to better understand their ESG strategies and sustainability programs. The suppliers surveyed represent 96% of our direct materials and bedding collections spend. Based on their responses to our survey, more than 63% of these suppliers have policies and practices that demonstrate their commitment to environmental and social standards and 50% currently measure their GHG emissions. With this additional knowledge, we will continue to encourage our suppliers to prioritize programs that benefit people and our planet.

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. In 2021, for the third consecutive year, Sleep Number was awarded the Supply Chains to Admire™ award (by an independent organization: Supply Chain Insights) for transforming our supply chain while delivering unprecedented levels of speed and flexibility throughout the supply chain network.

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.



ENVIRONMENT

Our Environmental Approach

Sleep Number embraces our responsibility 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 products throughout their life cycles. While we have incorporated sustainable practices and policies into our business for years, becoming a signatory to the United Nations Global Compact (UNGC) in 2020 is further evidence of our recognition that we have a responsibility to elevate our commitment. By prioritizing initiatives that support the UNGC Ten Principles and align with our values, we have the opportunity to benefit the environment and contribute to our financial results.

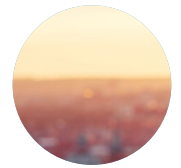


We are committed to engaging constructively with industry peers, supply chain partners and external stakeholders to help accelerate the transition to a low-carbon economy. That's why we created the Sleep Number Environmental Impact Team (EIT) in 2021. This cross-functional team of operating team leaders is intently focused on near-term priorities that are material to our business, including:

- Measuring and reducing the amount of non-renewable energy we use and the related greenhouse gas emissions we produce.
- Measuring and improving the efficiency of our distribution and logistics operations, including Home Delivery fuel consumption.
- Measuring and reducing the volume of waste we generate, with a goal to become zero-waste certified in our Irmo, South Carolina, and Salt Lake City, Utah, manufacturing operations by the end of 2022. We are also working to reduce our annual Trash as a percent of Total Network Waste (Trash and Recycled Materials) by ten percentage points by the end of fiscal 2022.

As further evidence of our commitment to take meaningful actions that benefit the environment, two leaders guiding the EIT's work successfully completed the UNGC's Climate Ambition Accelerator Program in the past year. In addition, we are actively raising awareness among our 5,515 team members about our actions and plans and inviting their ideas about other ways we can accelerate our environmental efforts.

Throughout our Company, we look for and implement initiatives to reduce our impact on the environment and embrace our responsibility to our team, customers, shareholders and communities by adhering to the principles further set forth in our Enterprise Environmental Policy ([p. 55](#)). Therefore, even as we focus on near-term improvement, we are also identifying longer-term opportunities to reduce our carbon footprint and support communities most impacted by climate change, including extreme weather events.



Climate and Energy

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. In 2021, we took another step forward, engaging an external vendor to support our data collection and reporting efforts across all Sleep Number locations, including more than 648 stores, our headquarters building, customer service center, two manufacturing facilities and five assembly distribution centers. This collaboration is enabling us to develop a more accurate, complete and auditable baseline as well as create a Carbon Greenhouse Gas (GHG) Inventory Management Plan. We have been able to measure our Scope 1 and Scope 2 emissions and will be undertaking measurement of our Scope 3 emissions beginning in 2022. Our 2020 baseline energy usage and emissions data are reported in the Appendix to this report. (See Appendix, [p. 62](#))

In recent years we have undertaken specific initiatives throughout our operations to reduce our climate impact. With the creation of our Environmental Impact Team, our efforts intensified in 2021. One meaningful action, which has the potential to materially reduce our carbon footprint, was our engagement of Blue Horizon Energy, a full-service, clean-energy development company, to help Sleep Number



build a state-by-state plan to increase our use of renewable energy alternatives. With their help, we are moving forward with applying solar panels on our Minneapolis, Minnesota, headquarters building, will convert our California Assembly Distribution Center to solar through application of roof panels, and expect to convert 100% of our retail operations and forthcoming Texas assembly distribution center to renewable energy by year-end 2022. In the first quarter of 2022, we have approved \$4.1 million of capital spending for these projects.

- **MANUFACTURING:** In our two 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. In 2020, we installed LED lighting in both manufacturing plants. We also have motion sensors which turn off lighting when a section of the warehouse is not being used. We installed a white roof on our Irmo facility to reflect light, reduce heat buildup and decrease our energy usage.

- **DISTRIBUTION:** In 2015, Sleep Number initiated a multi-year journey to build a regional supply chain with digital tools that improve our manufacturing and distribution processes, increase our factory productivity and enhance customer experience from order through delivery. Our goal was to establish and operationalize a distribution network of assembly and delivery centers, complemented with a mobile inventory visibility application, which would provide a more efficient movement of goods throughout the material supply and fulfillment process. Our network design and investment in increased supply chain digitization and automation have improved our agility, responsiveness and reliability, and have contributed to reduced environmental impact and continued profitable growth.
 - As of our 2021 fiscal year-end, we had five individual regions – all of which were implementing cost-effective and environmentally-friendly processes, including reduced waste, fuel consumption and freight costs. One of our 2021 priority initiatives was perfecting our "hold in market" capability which allows us to avoid transportation waste generated by shipping product multiple times. We are establishing a target market hold rate and actively working to develop a process for measuring our success against this goal.
 - As a vertically-integrated business, we manufacture Sleep Number bed components at our production facilities in Irmo, South Carolina, and Salt Lake City, Utah. Final mattress assembly for distribution with our bases currently occurs at our five Assembly Distribution Centers in Utah, Maryland, South Carolina, California and Florida. In 2022, we expect to initiate final mattress assembly at three additional assembly distribution centers in Texas, Minnesota and Ohio. Our electrical Firmness Control™ systems also are assembled in our Utah plant.
 - We carefully considered energy usage and optimization in selecting an HVAC system for installation in our Maryland distribution facility and integrated similar considerations in our decisions in 2021 related to systems to be installed at our Utah location. In addition, the new assembly distribution centers in Texas, Minnesota and Ohio have LED lighting.
 - In 2021, we also installed white roof systems on our Tampa, Florida, and Dallas, Texas, facilities. The Tampa facility's roof system is a white 60 mil TPO membrane over two layers of polyiso 1.85" (R-21).

- **HOME DELIVERY:** As a result of our increased focus on measurement in 2021, we learned that our fleet fuel usage accounts for nearly half of our Scope 1 and Scope 2 emissions. In recent years, as we have grown our home delivery fleet, we have transitioned a portion of our vehicles to non-diesel transit vans which get better fuel mileage. In 2021, we added telematics technology to our entire fleet, improving our ability to monitor and measure efficiency as well as identify opportunities for improved performance. In addition, better operational practices, such as reduced idling and a schedule routing system to optimize miles per delivery stop, are helping us further reduce our fleet emissions. Considering the importance and significance of this activity to our business and environmental impact, we are continuing to explore the feasibility of other options, such as hybrid home delivery vehicles.

Our aim is to align on enterprise GHG emissions reduction goals and commit to science-based targets by the end of 2022.



Natural Resources

With the help of our external partner, we are collecting water-usage data for all of our facilities. While we have reported 2020 water usage in the Appendix to this report on [p. 62](#), water is not an input to any Sleep Number process, nor any aspect of our operations, including retail, manufacturing, assembly or logistics. The 2020 data provided represents 77% actual and 23% modeled usage.

Waste

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 balers 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® mattresses and 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.

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.



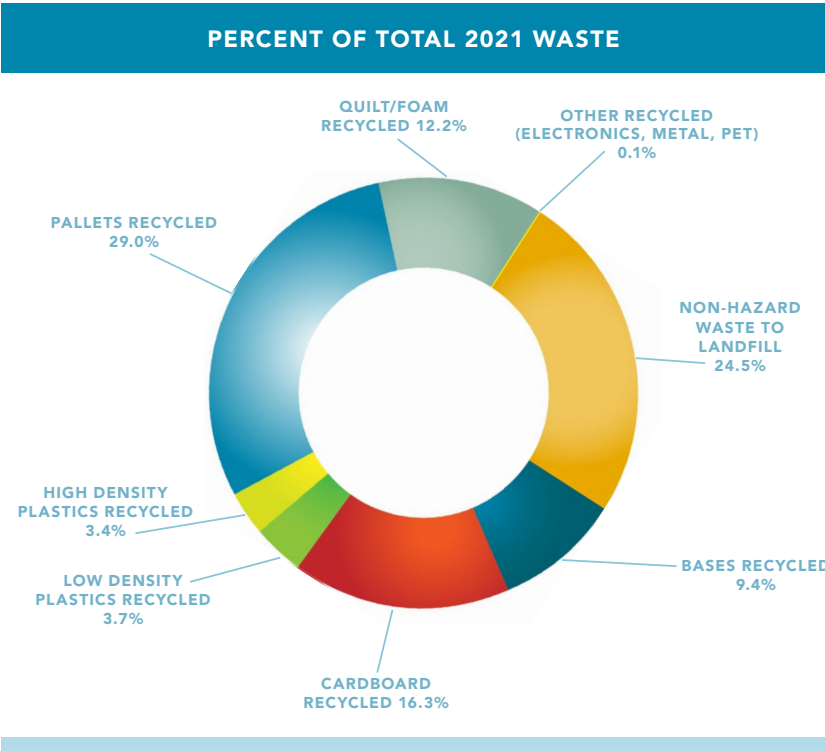
For virtually all customers who purchase a new Sleep Number® bed, we offer to haul away their old mattress. Our 2021 haul-away efforts, utilizing the services of four vendors in 23 markets, diverted 107,464 old bedding pieces, representing 3,922 tons, from landfills. We are working with our current vendors to expand to an additional seven markets in 2022.

Sleep Number is committed to reducing the amount of disposable waste it generates and preserving valuable, limited landfill space. In early 2021, through the work of our new Environmental Impact Team (EIT), Sleep Number implemented more rigorous efforts to measure waste generation, by category, for each of our manufacturing and distribution locations to create an accurate baseline for future reduction.

During calendar year 2021, Sleep Number produced 11.9 thousand tons of recycled and trash materials in our manufacturing plants and assembly distribution centers, which was approximately 7.2 thousand tons greater than the recycled and trash content we produced in 2020. The increase in 2021 is due to the impact of the pandemic on 2020 operations, organic Company growth in 2021 and more complete data collection in 2021, including the addition of pallets and bases which were not in the 2020 total. The addition of these two categories in 2021 account for more than half of the year-over-year differential. We currently use reusable pallets or no pallets in 69% of our markets, which is resulting in annual savings of more than 3 million pounds of wood.

With the insights from more accurate measurement, we also initiated the following actions to reduce our environmental impact from waste:

- Establishing a goal to become zero-waste certified in our Irmo, South Carolina, and Salt Lake City, Utah, manufacturing operations by the end of 2022.
- Working to reduce our annual Trash as a percent of Total Network Waste (Trash and Recycled Materials) by ten percentage points by the end of fiscal 2022.
- Raising team member awareness of actions and opportunities to reduce waste.



Note: Percentages may not total to 100 due to rounding.

In addition, Sleep Number initiated a program in 2021 to re-certify electronics. This program satisfies warranty claims while also reducing e-waste.

Within our stores, our waste reduction efforts have benefited from our conversion from halogen lamps to LED lighting since 2014. As of year-end 2021, more than two-thirds of our Sleep Number stores have been built with, or renovated to include, LED lighting, resulting in a significant reduction in waste from disposed light bulbs.

Product Stewardship, Sustainability and Safety

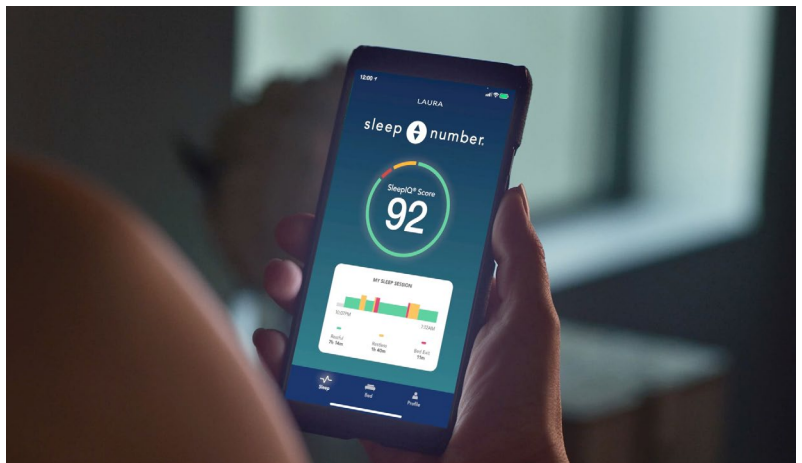
With our mission to improve lives by individualizing sleep experiences, Sleep Number is committed to advancing sleep science, tackling big challenges like sleep deprivation and contributing to our customers' – and society's – wellbeing. We have awakened the consumer to the importance of sleep, and with our 360 smart beds that use longitudinal biometric data, algorithms and artificial intelligence, we have provided a solution that effortlessly delivers proven quality sleep. Unique to Sleep Number, 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.



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 knowledge about the latest sleep science and research programs and integrate their counsel 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.

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.

Sleep Number also offers a selection of pillows and bedding collections designed to enhance individualized comfort. Ninety-two 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, 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 is harmless in human ecological terms. Some of our bedding collection products also hold MADE IN GREEN by OEKO-TEX® endorsement, which guarantees that the textiles are tested for harmful substances



and have been manufactured using sustainable processes under environmentally friendly and socially-responsible working conditions. Each certification stands for customer confidence and high product safety.

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:

- Our product is packaged in a breathable, re-usable bag, rather than vinyl packaging.
- All of the down 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.

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 UL standards. 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 produce foam that is CertiPUR-US® certified. CertiPUR-US certification provides confidence that the flexible polyurethane foam inside our products 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).



APPENDIX

About This Report

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 our 5,515 Sleep Number team members are dedicated to our Company’s mission and values of passion, integrity, innovation, courage and teamwork.

This 2022 Sleep Number Corporate Sustainability Report provides an update on our governance, social and environmental practices, programs and policies. It was published in March 2022 and reflects our activities and initiatives for our 2021 fiscal year ending January 1, 2022, as well as certain subsequent events and initiatives that occurred after the end of fiscal year 2021 and prior to publication and certain data from fiscal 2020 that only recently became available. It includes forward-looking statements about our business plans, initiatives and objectives as further described starting on [p. 76](#). These business plans, initiatives and objectives may change based on subsequent developments.



5,515

DEDICATED SLEEP NUMBER
TEAM MEMBERS



Publicly Available Governance Documents



GOVERNANCE DOCUMENT	SLEEP NUMBER WEBSITE URL
Team Member Code of Business Conduct	https://s25.q4cdn.com/489093953/files/doc_governance/2022/Code-of-Business-Conduct-Booklet-January-2022.pdf
Code of Business Conduct for Business Partners	https://www.sleepnumber.com/pages/legal-content-vendor-legal-content-vendor-code-of-conduct
Non-Harassment Policy	https://ir.sleepnumber.com/governance/governance-documents/default.aspx
Corporate Governance Principles	https://ir.sleepnumber.com/governance/governance-documents/default.aspx
A Workplace Accident and Injury Reduction (AWAIR) Policy	https://ir.sleepnumber.com/governance/governance-documents/default.aspx
Equal Employment Opportunity (EEO) Policy	https://ir.sleepnumber.com/governance/governance-documents/default.aspx
Standards of Conduct Policy	https://ir.sleepnumber.com/governance/governance-documents/default.aspx
Conflict Minerals Policy	https://www.sleepnumber.com/pages/vendor-conflict-minerals-policy
Privacy Policy	https://www.sleepnumber.com/pages/legal-privacy-policy
Human Rights Policy	https://s25.q4cdn.com/489093953/files/doc_downloads/2021/Human-Rights-Policy-(2021).pdf
Environmental Policy	https://s25.q4cdn.com/489093953/files/doc_downloads/2021/Enterprise-Environmental-Policy-(2021).pdf

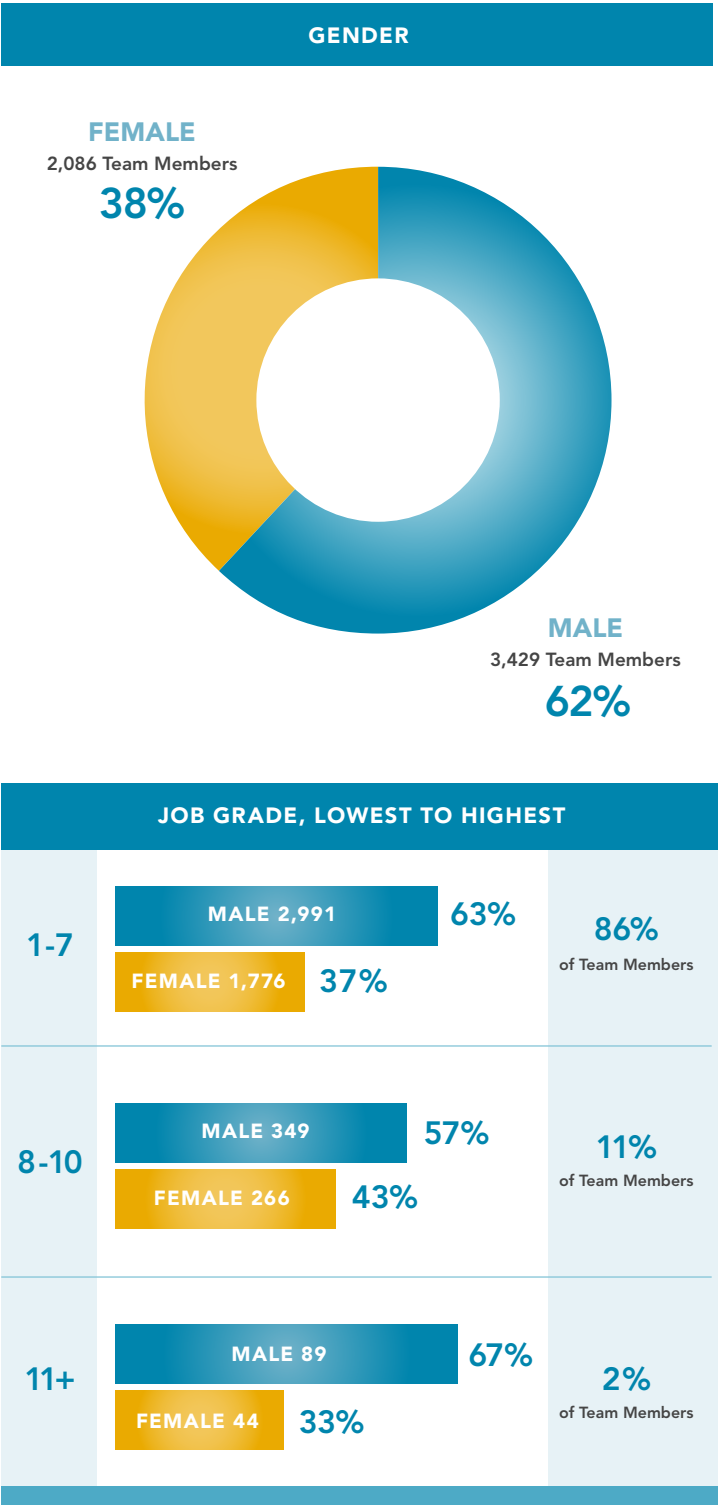
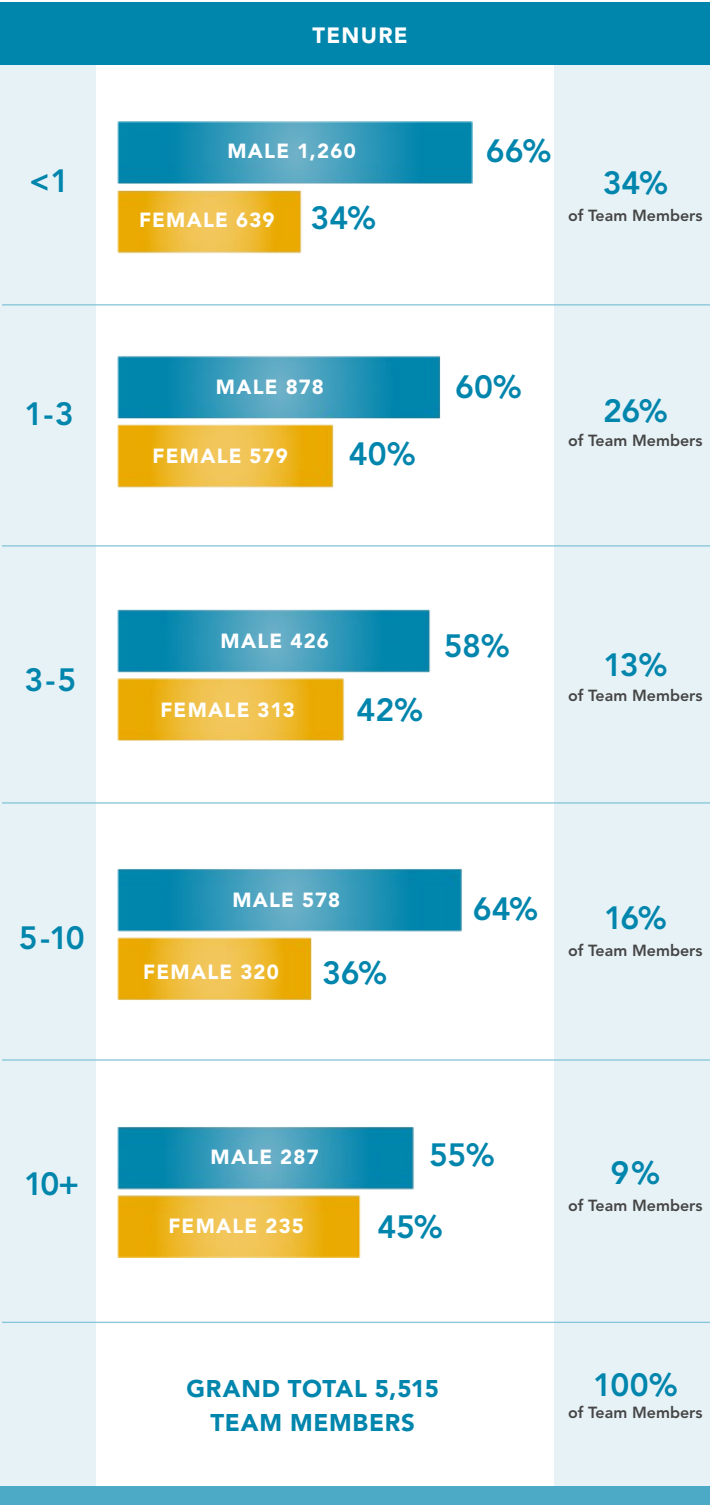
Board, Leadership and Team Member Demographics

As evidenced by our Board, Senior Leadership Team and team member composition, Sleep Number values diverse perspectives in all areas of our Company.

BOARD DIVERSITY MATRIX (AS OF MARCH 14, 2022)				
TOTAL NUMBER OF DIRECTORS - 12				
	FEMALE	MALE	NON-BINARY	DID NOT DISCLOSE GENDER
PART I: GENDER IDENTITY				
DIRECTORS	6	6		
PART II: DEMOGRAPHIC BACKGROUND				
AFRICAN AMERICAN OR BLACK	1			
ALASKAN NATIVE OR NATIVE AMERICAN				
ASIAN				
HISPANIC OR LATINX		2		
NATIVE HAWAIIAN OR PACIFIC ISLANDER				
WHITE	5	4		
TWO OR MORE RACES OR ETHNICITIES				
LGBTQ+			1	
DID NOT DISCLOSE DEMOGRAPHIC BACKGROUND			0	

SENIOR LEADERSHIP TEAM (SLT) DIVERSITY MATRIX (AS OF MARCH 14, 2022)				
TOTAL NUMBER OF SLT - 8				
	FEMALE	MALE	NON-BINARY	DID NOT DISCLOSE
PART I: GENDER IDENTITY				
SLT	3	5		
PART II: DEMOGRAPHIC BACKGROUND				
AFRICAN AMERICAN OR BLACK		1		
ALASKAN NATIVE OR NATIVE AMERICAN				
ASIAN				
HISPANIC OR LATINX	1			
NATIVE HAWAIIAN OR PACIFIC ISLANDER				
WHITE	2	4		
TWO OR MORE RACES OR ETHNICITIES				
LGBTQ+			0	
DID NOT DISCLOSE DEMOGRAPHIC BACKGROUND			0	

Team Member Demographics



NOTE: Team member demographic percentages may not total to 100 due to rounding.

GENERATION		
GENERATION Z (1997 AND ONWARDS)	<div> <div>MALE 360 66%</div> <div>FEMALE 184 34%</div> </div>	10% of Team Members
GENERATION Y/MILLENNIALS (1981-1996)	<div> <div>MALE 1,756 65%</div> <div>FEMALE 938 35%</div> </div>	49% of Team Members
GENERATION X (1965-1980)	<div> <div>MALE 971 60%</div> <div>FEMALE 641 40%</div> </div>	29% of Team Members
BABY BOOMERS (1946-1964)	<div> <div>MALE 336 51%</div> <div>FEMALE 655 49%</div> </div>	12% of Team Members
SILENT GENERATION (1928-1945)	<div> <div>MALE 3 60%</div> <div>FEMALE 2 40%</div> </div>	-% of Team Members
UNIDENTIFIED	<div> <div>MALE 3 60%</div> <div>FEMALE 2 40%</div> </div>	-% of Team Members

NOTE: Team member demographic percentages may not total to 100 due to rounding.

CONTINGENT WORKERS	YE TOTAL NUMBER
Contingent Worker	806
GRAND TOTAL	806

FULL-TIME AND PART-TIME TEAM MEMBERS	NUMBER OF TEAM MEMBERS	PERCENT OF TOTAL TEAM MEMBERS
FULL TIME	5,370	97%
Female	1,997	37%
Male	3,373	63%
PART TIME	145	3%
Female	89	61%
Male	56	39%
GRAND TOTAL	5,515	100%

PERMANENT/REGULAR AND TEMPORARY TEAM MEMBERS	NUMBER OF TEAM MEMBERS	PERCENT OF TOTAL TEAM MEMBERS
REGULAR	5,405	98%
Female	2,010	37%
Male	3,395	63%
TEMPORARY	110	2%
Female	76	69%
Male	34	31%
GRAND TOTAL	5,515	100%

NOTE: Team member demographic percentages may not total to 100 due to rounding.

RACE AND ETHNICITY		
AMERICAN INDIAN OR ALASKA NATIVE (Not Hispanic or Latino)	<div> <div>MALE 33 65%</div> <div>FEMALE 18 35%</div> </div>	1% of Team Members
ASIAN (Not Hispanic or Latino)	<div> <div>MALE 184 64%</div> <div>FEMALE 103 36%</div> </div>	5% of Team Members
BLACK OR AFRICAN AMERICAN (Not Hispanic or Latino)	<div> <div>MALE 607 57%</div> <div>FEMALE 464 43%</div> </div>	19% of Team Members
HISPANIC OR LATINO	<div> <div>MALE 491 70%</div> <div>FEMALE 210 30%</div> </div>	13% of Team Members
I DO NOT WISH TO ANSWER	<div> <div>MALE 25 56%</div> <div>FEMALE 20 44%</div> </div>	1% of Team Members
NATIVE HAWAIIAN OR OTHER PACIFIC ISLANDER (Not Hispanic or Latino)	<div> <div>MALE 18 50%</div> <div>FEMALE 18 50%</div> </div>	1% of Team Members
TWO OR MORE RACES (Not Hispanic or Latino)	<div> <div>MALE 137 65%</div> <div>FEMALE 74 35%</div> </div>	4% of Team Members
WHITE (Not Hispanic or Latino)	<div> <div>MALE 1,934 62%</div> <div>FEMALE 1,179 38%</div> </div>	56% of Team Members

NOTE:

- Team member demographic percentages may not total to 100 due to rounding.
- To align with U.S. government reporting requirements, data in this report uses the traditional gender categories of male and female. Sleep Number deeply respects that gender is not binary.
- Though we do not use the Federal Employer Information Report EEO-1 as the basis for reporting our team member demographics in this report, our most recent EEO-1 filing is publicly available [here](#).



Measuring Our Progress

In 2021, Sleep Number identified Company programs and initiatives that contributed to the advancement of the United Nations Sustainable Development Goals. With this 2022 report, Sleep Number is initiating reporting in accordance with the GRI Standards 2021 and SASB Standards 2018-10 – for our fiscal year period beginning January 3, 2021, through January 1, 2022 – as a first step in aligning our disclosures with these globally and nationally recognized frameworks and principles. In this report, we describe the ESG actions we have taken – or are taking – in keeping with these standards.

ENVIRONMENTAL METRICS			
TOPIC	METRIC	FY20	MTCO2E
ENERGY	Electricity consumed (kwh)	27,767,657	10,809
	SCOPE 2 (DIRECT) CO2 EMISSIONS (MTCO2E)		10,809
	Natural Gas consumed (therms)	864,825	4,152
	Propane (gal.)	647	4
	Diesel (gal.)	1,332,934	13,773
	Refrigerant (lbs.)	601	520
	SCOPE 1 (DIRECT) CO2 EMISSIONS (MTCO2E)		18,448
	TOTAL MTCO2E*		29,257

		2021	2020
WASTE	Bases recycled (tons)	1,118	NA
	Cardboard recycled (tons)	1,946	1,316
	Electronics recycled (tons)	14	13
	Low-Density Plastics recycled (tons)	476	303
	High-Density Plastics recycled (tons)	406	73
	Metal recycled (tons)	16	2
	Pallets	3,459	NA
	PET recycled (tons)	28	21
	Quilt/Foam recycled (tons)	1,457	1,000
	Non-Hazardous Waste to Landfill (tons of Trash)	2,923	2,032
	WTE	93	NA
	TOTAL WASTE (TONS)	11,935	4,760
	Hazardous Waste (tons)	—	—
NATURAL RESOURCES	Water Usage* (thousands of gal.)	Not Available	9,997

PRODUCT DESIGN	% of bedding assortment that is OEKO-TEX certified	2021	2020
		92%	90%

*Scope 1 & 2 (MTCO2e) for 2020 represents 82% actual and 18% modeled data; Water usage represents 77% actual and 23% modeled data.

GRI CONTENT INDEX	
Statement of use	Sleep Number has reported in accordance with the GRI Standards for the period January 3, 2021, through January 1, 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Household Durables; Retail

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
ORGANIZATION AND REPORTING PRACTICES		
GRI 2: General Disclosures 2021	GRI 2.1a Organizational Details (Legal Name)	Form 10-K , cover page
	GRI 2.1b Organizational Details (Nature of Ownership)	Form 10-K , cover page
	GRI 2.1c Organizational Details (HQ Address)	Form 10-K , cover page
	GRI 2.1d Organizational Details (Countries of Operation)	Corporate Sustainability Report, Where We Operate
	GRI 2.2a Entities included in ESG reporting	Parent and consolidated subsidiaries
	GRI 2.2b Specify difference between entities included in ESG reporting and those included in publicly filed financial statements	None
	GRI 2.2c Approach used to consolidate multiple entities	Form 10-K , Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Critical Accounting Policies and Estimates
	GRI 2.3a Reporting period for and frequency of ESG reporting	This report covers Sleep Number operations and performance for the period January 3, 2021, through January 1, 2022. Our first report was published in March 2019. We publish new/updated ESG information at least annually.
	GRI 2.3b Differences between financial reporting and ESG reporting period, if any	ESG reporting period (for select items) extends beyond most recent fiscal year-end to report publication date
	GRI 2.3c ESG Report Publication date	March 2022
	GRI 2.3d Contact Point for questions about reported information	Corporate Sustainability Report Stakeholder Feedback
	GRI 2.4 Restatements of prior period information, including reason(s) and effect	None

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
GRI 2: General Disclosures 2021	GRI 2.5a External Assurance - describe policy and practice for seeking external assurance, including whether and how the highest governance body and senior executives are involved	We do not engage an external resource for assurance of our ESG reporting. Per our Corporate Sustainability Report, Governance, our Senior Leadership Team is actively engaged and our Board of Directors reviews this report.
	GRI 2.5b If externally assured, provide link or reference to assurance statement, describe what has been assured and on what basis, describe relationship between company and assurance provider	We do not engage an external resource for assurance of our ESG reporting
SASB: Activity Metric	CG-MR-000.A Number of (1) retail locations and (2) distribution centers	Corporate Sustainability Report, Where We Operate

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
ACTIVITIES AND WORKERS		
GRI 2: General Disclosures 2021	GRI 2.6a Sector	Household Durables, Retail
	GRI 2.6b Value Chain (Products, Services, Markets, Supply chain)	Form 10-K , Item 1. Business
	GRI 2.6c Business Relationships	Form 10-K
	GRI 2.6d Changes in 2.6 compared to prior reporting periods	Form 10-K
	GRI 2.7a # of Employees – Total, By Gender, By Region	Corporate Sustainability Report, Appendix - Team Member Demographics
	GRI 2.7b Permanent, Temporary, FT, PT (with breakdowns by gender & region)	We provide Permanent, Temporary, FT, PT team member breakdown by gender in our Corporate Sustainability Report, Appendix - Team Member Demographics , but do not report this information by region as not all team members are assigned to regions
	GRI 2.7c Reporting Methodology (YE vs. Ave, # vs. FTE)	Year-end #
	GRI 2.7d Context to understand TM data	Form 10-K , Item 1. Business; Human Capital
	GRI 2.7e Fluctuations across reporting periods	2021 is the first year Sleep Number has reported this level of team member data
	GRI 2.8a Workers who are not employees (most common type, work they perform)	Corporate Sustainability Report - Team Member Demographics
	GRI 2.8b Workers who are not employees methodology (YE vs. Ave, # or FTE)	Year-end #
	GRI 2.8c Workers who are not employees (Fluctuations within/ across periods)	Sleep Number has not previously reported information about workers who are not employees

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
GOVERNANCE		
GRI 2: General Disclosures 2021	GRI 2.9a - c Governance Structure & Composition (Board & Committees)	Proxy , Corporate Governance
	GRI 2.10 a - b Nomination & selection of highest governance body	Proxy , Corporate Governance
	GRI 2.11a - b Chair of highest governance body	Proxy , Corporate Governance
	GRI 2.12 a - c Role of highest governance body	Proxy , Corporate Governance
	GRI 2.13 a - b Delegation of responsibility	Proxy , Corporate Governance
	GRI 2.14a - b Role of the highest governance body in ESG reporting	Proxy , Corporate Governance
	GRI 2.15a - b Conflicts of Interest	Proxy , Corporate Governance
	GRI 2.16a - b Communication of critical concerns	Proxy , Corporate Governance; Corporate Sustainability Report, Governance
	GRI 2.17 Collective knowledge of the highest governance body	Corporate Sustainability Report, Governance - Our Governance Approach
	GRI 2.18a - c Evaluation of the performance of the highest governance body	Proxy , Corporate Governance
	GRI 2.19a - b Remuneration policies	Proxy , Executive Compensation: Compensation Philosophy & Approach; Compensation Governance, Practices and Policies; and Director Compensation
	GRI 2.20a - b Process to determine remuneration	Proxy , Executive Compensation: Committee and Governance
	GRI 2.21a - c Annual total compensation ratio	Proxy , CEO Pay Ratio page 52

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
STRATEGY, POLICIES AND PRACTICES		
GRI 2: General Disclosures 2021	GRI 2.22 Statement on sustainable development strategy	Corporate Sustainability Report, Overview - CEO Letter
	GRI 2.23a Policy commitments (re: responsible business conduct)	Team Member Code of Business Conduct
		Code of Business Conduct for Business Partners
	GRI 2.23b Policy commitments (re: human rights)	Human Rights Policy
	GRI 2.23c Policy commitments links	Corporate Sustainability Report, Appendix - Publicly Available Governance Documents

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
GRI 2: General Disclosures 2021	GRI 2.23d Policy commitments (re: level of approval)	The Board and/or Senior Executive Team reviews and approves policy commitments
	GRI 2.23e Policy commitments (re: application to activities and business relationships)	Policies apply to all of the organization's activities and business relationships
	GRI 2.23f Policy commitments (re: communication to workers, business partners, others)	Policies are publicly available and the majority are proactively communicated to relevant stakeholders for review and alignment
	GRI 2.24 Embedding policy commitments	Corporate Sustainability Report, Governance - Commitment to Ethical Business Practices and Legal Compliance
	GRI 2.25a - e Process to remediate negative impacts	Corporate Sustainability Report <ul style="list-style-type: none"> • Governance • Team - Coaching/ Performance, Health & Safety • Supplier Relationships
	GRI 2.26 Mechanisms for seeking advice and raising concerns	Corporate Sustainability Report, Social - Supplier Relationships
	GRI 2.27a - d Compliance with laws and regulations	Corporate Sustainability Report, Governance - Commitment to Ethical Business Practices and Legal Compliance
	GRI 2.28 Member associations	Corporate Sustainability Report, Governance - Political Contributions

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
STAKEHOLDER ENGAGEMENT		
	GRI 2.29 Approach to Stakeholder Engagement	Corporate Sustainability Report, Governance - Stakeholder Engagement
	GRI 2.30a - b Collective bargaining agreements	Corporate Sustainability Report, Appendix, Publicly Available Governance Documents - See Human Rights Policy
MATERIALITY		
GRI 3: Material Topics 2021	GRI 2021 3.1 Process to Determine Material Topics	Form 10-K , Item 1A. Risk Factors
	GRI 2021 3.2 List of Material Topics	Form 10-K , Item 1A. Risk Factors
	GRI 2021 3.2 Management of Material Topics	Form 10-K , Item 1. Business

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
ENERGY		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Corporate Sustainability Report, Environment - Climate and Energy
	302-3 Energy Intensity	We are early in our journey of measuring and reporting energy usage. We are continuing to build our knowledge and gather data that will enable us to calculate and report this metric in the future.
	302-4 Reduction of energy consumption	We are early in our journey of measuring and reporting energy usage. We expect to develop reduction goals and further identify specific initiatives to reduce energy consumption in the coming year.
	302-5 Reductions in energy requirements of products and services	We are early in our journey of measuring and reporting energy usage. We expect to develop reduction goals and further identify specific initiatives to reduce energy consumption in the coming year.
SASB 2018-10 Energy Management in Retail & Distribution	CG-MR-130a.1 (1) Total energy consumed (2) percentage grid electricity (3) percentage renewable	Corporate Sustainability Report, Appendix - Environmental Metrics
EMISSIONS		
GRI 305: Emissions 2016	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Environment - Climate and Energy
	305-1 Direct (Scope 1) GHG emissions	Corporate Sustainability Report, Appendix - Environmental Metrics
	305-2 Energy indirect (Scope 2) GHG emissions	Corporate Sustainability Report, Appendix - Environmental Metrics
	305-3 Other indirect (Scope 3) GHG emissions	We initiated measurement of Scope 1 and 2 emissions for the first time in 2021. In 2022, we expect to begin measurement of Scope 3 emissions.
	305-7 Nitrogen oxides (NOx). sulfur oxides (SOx) and other significant air emissions	We initiated measurement of Scope 1 and 2 emissions for the first time in 2021. We are continuing to build our knowledge and capture data that we expect will enable us to report these metrics in the future.

WASTE		
GRI 306: Waste 2020	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Environment - Waste
	306-1 Waste generation and significant waste-related impacts	Corporate Sustainability Report, Environment - Waste
	306-2 Management of significant waste-related impacts	Corporate Sustainability Report, Environment - Waste
	306-3 Waste generated	Corporate Sustainability Report, Appendix - Environmental Metrics
	306-4 Waste diverted from disposal	Corporate Sustainability Report, Appendix - Environmental Metrics
	306-5 Waste directed to disposal	Corporate Sustainability Report, Appendix - Environmental Metrics

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
EMPLOYMENT		
GRI 401: Employment 2016	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Social - Team
	401-1 New employee hires and employee turnover	We view this information to be confidential
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Corporate Sustainability Report, Social - Team
	401-3 Parental leave	Corporate Sustainability Report, Social - Team
TRAINING AND EDUCATION		
GRI 404: Training and Education 2016	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Social - Team
	404-1 Average hours of training per year per employee	We do not currently capture this data
	404-2 Programs for upgrading employee skills and transition assistance programs	Corporate Sustainability Report, Social - Team
	404-3 Percentage of employees receiving regular performance and career development reviews	Corporate Sustainability Report, Social - Team
DIVERSITY AND EQUAL OPPORTUNITY		
GRI 405: Diversity and Equal Opportunity 2016	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Social - Team
	405-1 Diversity of governance bodies and employees	Corporate Sustainability Report, Appendix - Board, Leadership, Team Member Demographics
	405-2 Ratio of basic salary and remuneration of women to men	We do not capture this information because we do not believe it would be an accurate measure of pay equity in our business
SASB: Workforce Diversity & Inclusion	CG-MR-330a.1/CG-MR:02 Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	Corporate Sustainability Report, Appendix - Board, Leadership, Team Member Demographics

SUPPLIERS		
GRI 414: Supplier Social Assessment 2016	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Social - Supplier Relationships
	414-1 New suppliers that were screened using social criteria	No new significant suppliers were added during the reporting period
	414-2 Negative social impacts in the supply chain and actions taken	Corporate Sustainability Report, Social - Supplier Relationships
PUBLIC POLICY		
GRI 415: Public Policy 2016	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Political Contributions
	415-1 Political Contributions	Corporate Sustainability Report, Governance - Political Contributions
HEALTH & SAFETY		
GRI 416: Customer Health & Safety 2016	GRI 3 2021 - 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Social - Team Corporate Sustainability Report, Environmental - Product Stewardship, Sustainability and Safety
	416-1 Assessment of the health and safety impacts of product and service categories	Corporate Sustainability Report, Overview - Purpose Corporate Responsibility Report - Social - Team Corporate Sustainability Report, Environmental - Product Stewardship, Sustainability and Safety

Innovation Awards and Recognition

Sleep Number has been recognized for leadership, quality and sleep innovation for many years. In 2021 and at the 2022 Consumer Electronics Show (CES), we were honored with the following awards and rankings, as well as others not listed here:



Minnesota Census of
Women in Corporate
Leadership List



Supply Chains to Admire



CES Innovation Award
Honoree: "Health & Wellness"

(New Sleep Number 360® smart bed
technology platform)



CES Innovation Award
Honoree: "Smart Home"

(New Sleep Number 360® smart
bed technology platform)



CES Innovation Award
Honoree: "Home
Appliances"

(New smart furniture)



MedTech Breakthrough
Award for SleepIQ®
Technology, Best Overall
Sleep Tech Company



Digital Health Award for
Sleep Number 360® Smart
Bed, Connected Health
Category



Health Magazine Sleep
Awards Winner



Digital Commerce
360 Top 500



Brand Experience Award for
Marketing Campaigns for the
Complete Shopper Journey



Loyalty360 Platinum Best
In class Award CX Strategy



Loyalty360 Silver Best
In Class Award for
Social Impact and CSR

Awards and rankings for prior years are listed on our [news website](#).

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 disease, including the Covid-19 pandemic.
- Risks inherent in global sourcing activities, including tariffs, outbreaks of pandemics or contagious diseases, strikes and the potential for shortages in supply or disruption or delay of production and delivery of materials and products in our supply chain.
- Risks of disruption in the operation of any of our manufacturing, distribution, logistics, home delivery, product development, or customer service facilities or operations.
- Our 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 service providers.
- Rising commodity costs and other inflationary pressures.
- 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, and 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.
- 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 security.
- The costs and potential disruptions to our business related to upgrading or maintaining 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 of our systems, result in a data breach or disrupt our business.
- Environmental risks, including increasing environmental regulation and the broader impacts of climate change such as from weather-related events.
- Our ability, and the ability of our suppliers and vendors, to attract, retain and motivate qualified management, executive and other key team members, including qualified retail sales professionals and managers.

Additional information concerning these and other risks and uncertainties is contained in Sleep Number's filings with the Securities and Exchange Commission (SEC), including the Annual Report on Form 10-K, and other periodic reports filed with the SEC. We have no obligation to publicly update or revise any of the forward-looking statements in this report.



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

WE SUPPORT

