

Tempur Sealy International, Inc.  
1000 Tempur Way  
Lexington, KY 40511

**TEMPUR SEALY INTERNATIONAL, INC.**  
**Notice of Annual Meeting**

Dear Stockholder:

On behalf of the Board of Directors, I am pleased to invite you to attend the 2019 Annual Meeting of Stockholders of Tempur Sealy International, Inc. The meeting will be held on Thursday, May 9, 2019 at 8:30 a.m., local time, at the Embassy Suites, 1801 Newtown Pike, Lexington, Kentucky 40511. At the meeting, stockholders will:

- elect eight Directors to each serve for a one-year term and until the Director's successor has been duly elected and qualified;
- ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2019;
- hold an advisory vote to approve the compensation of our Named Executive Officers; and
- transact such other business as may properly come before the meeting or any adjournment thereof.

If you were a stockholder of record at the close of business on March 12, 2019, you will be entitled to vote at the meeting. A list of stockholders entitled to vote at the meeting will be available for examination during normal business hours for ten days before the meeting at the office of the Corporate Secretary of Tempur Sealy International, Inc. at 1000 Tempur Way, Lexington, Kentucky 40511. The stockholder list will also be available at the meeting.

Whether or not you plan to attend the Annual Meeting, please read the Proxy Statement and vote your shares as soon as possible to ensure that your shares are represented at the Annual Meeting. Voting over the Internet, by telephone or by written proxy or voting instruction card will ensure your representation at the Annual Meeting regardless of whether you attend in person. Voting by the **Internet** or **telephone** is fast and convenient, and your vote is immediately confirmed and tabulated. More importantly, by using the Internet or telephone, you help us reduce postage and proxy tabulation costs. Or, if you prefer, you may vote by mail by returning the proxy card enclosed with the paper copy of your voting materials in the addressed, prepaid envelope provided.

Please note, however, that if you wish to vote at the Annual Meeting and your shares are held of record by a broker, bank or other nominee, you must obtain a "legal" proxy issued in your name from that record holder.

Thank you for your ongoing support of, and continued interest in, Tempur Sealy International, Inc.

Sincerely,



SCOTT L. THOMPSON

*Chairman, President and Chief Executive Officer*

Lexington, Kentucky  
March 26, 2019

**Important Notice Regarding Availability of Proxy Materials:**

The 2019 Proxy Statement and 2018 Annual Report are available at <http://www.proxyvote.com>.

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**Because space at the Annual Meeting is limited, admission will be on a first-come, first-served basis. Picture identification will be required to enter the Annual Meeting. Cameras and recording equipment will not be permitted at the Annual Meeting.**

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**TEMPUR SEALY INTERNATIONAL, INC.**  
**1000 Tempur Way**  
**Lexington, Kentucky 40511**

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**PROXY STATEMENT**

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**Annual Meeting of Stockholders to be Held on Thursday, May 9, 2019**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

Our Board of Directors is soliciting proxies for the 2019 Annual Meeting of Stockholders of Tempur Sealy International, Inc. ("Annual Meeting"). The Annual Meeting will be held at 8:30 a.m., local time, on May 9, 2019, at the Embassy Suites, 1801 Newtown Pike, Lexington, Kentucky 40511. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully.

Our principal executive offices are located at 1000 Tempur Way, Lexington, Kentucky 40511. Our telephone number is (800) 878-8889. As used in this Proxy Statement, the terms "we," "our," "ours," "us," "Tempur Sealy," "Tempur Sealy International" and "Company" refer to Tempur Sealy International, Inc.

**Important Notice Regarding Availability of Proxy Materials:**

The 2019 Proxy Statement and 2018 Annual Report are available at <http://www.proxyvote.com>.

Under rules adopted by the Securities and Exchange Commission ("SEC"), we are furnishing proxy materials (including our 2018 Annual Report on Form 10-K) to our stockholders on the Internet, rather than mailing paper copies to each stockholder. If you received a Notice Regarding the Availability of Proxy Materials (the "Notice of Availability") by U.S. or electronic mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice of Availability tells you how to access and review the proxy materials and vote your shares on the Internet. If you would like to receive a paper copy of our proxy materials free of charge, follow the instructions in the Notice of Availability. The Proxy Statement, form of proxy and the Notice of Availability will be distributed to our stockholders beginning on or about March 26, 2019.

Whether or not you expect to attend in person, we urge you to vote your shares by phone, via the Internet or by signing, dating, and returning the proxy card enclosed with the paper copy of your voting materials at your earliest convenience. This will ensure the presence of a quorum at the Annual Meeting. Submitting your proxy now will not prevent you from voting your stock at the Annual Meeting if you want to do so, as your vote by proxy is revocable at your option.

Voting by the **Internet** or **telephone** is fast and convenient, and your vote is immediately confirmed and tabulated. More importantly, by using the Internet or telephone, you help us reduce postage and proxy tabulation costs. Or, if you prefer, you may vote by mail by returning the proxy card enclosed with the paper copy of your voting materials in the addressed, prepaid envelope provided.

**VOTE BY INTERNET**

<http://www.proxyvote.com>

24 hours a day/7 days a week until 11:59 p.m. Eastern Time on May 8, 2019 for shares held directly and by 11:59 p.m. Eastern Time on May 6, 2019 for shares held in a Plan.

Use the Internet to vote your proxy. Have your proxy card in hand when you access the website.

**VOTE BY TELEPHONE**

1-800-690-6903

Toll-free 24 hours a day/7 days a week until 11:59 p.m. Eastern Time on May 8, 2019 for shares held directly and by 11:59 p.m. Eastern Time on May 6, 2019 for shares held in a Plan.

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

**VOTE BY MAIL**

Sign and date the proxy card and return it in the enclosed postage-paid envelope.

If you vote your proxy by Internet or by telephone, please do NOT mail back the proxy card. You may access, view and download this year's Proxy Statement and 2018 Annual Report on Form 10-K at <http://www.proxyvote.com>.

**Q: When is the Record Date and who may vote at the Annual Meeting?**

A: Our Board of Directors (also referred to as the "Board" with the members of the Board referred to as "Directors") set March 12, 2019 as the record date for the Annual Meeting. All stockholders who owned Tempur Sealy International common stock of record at the close of business on March 12, 2019 may attend and vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of common stock held on all matters to be voted on. On March 12, 2019, there were 54,715,562 shares of Tempur Sealy International common stock outstanding. The common stock is the only class of securities eligible to vote at the Annual Meeting. There are no cumulative voting rights.

**Q: How many shares must be present at the Annual Meeting?**

A: A majority of Tempur Sealy International's outstanding shares of common stock as of the record date must be present at the Annual Meeting in order to hold the Annual Meeting and conduct business. This is called a quorum. Shares are counted as present at the Annual Meeting if you:

- Are present and vote in person at the Annual Meeting; or
- Have properly submitted a proxy card, via the Internet, telephone or by mail.

Abstentions and "broker non-votes" (as further described below) are counted as present and entitled to vote for purposes of determining a quorum.

**Q: What proposals will be voted on at the Annual Meeting?**

A: There are three proposals scheduled to be voted on at the Annual Meeting:

- Election of eight (8) Directors to each serve for a one-year term and until the Director's successor has been duly elected and qualified (Proposal One).
- Ratification of the appointment of the firm of Ernst & Young LLP as Tempur Sealy International's independent auditors for the year ending December 31, 2019 (Proposal Two).
- Advisory vote to approve the compensation of our Named Executive Officers (Proposal Three).

**Q: What is the voting requirement to approve the proposals?**

A: Assuming a quorum is present at the Annual Meeting, the following votes will be necessary to approve the proposals described in this Proxy Statement:

- Each Director shall be elected by the affirmative vote of a majority of the votes cast at the Annual Meeting. The term "majority of the votes cast" means that the number of shares voted "for" a Director must exceed the number of shares voted "against" that Director, and for purposes of this calculation, abstentions, "broker non-votes" and "withheld votes" will not count as votes cast.
- Ratification of the appointment of Ernst & Young LLP as independent auditors for the year ending December 31, 2019 requires the affirmative vote of the majority of shares present or represented by proxy and entitled to vote at the Annual Meeting.
- Approval of the advisory vote on the compensation of our Named Executive Officers requires the affirmative vote of the majority of shares present or represented by proxy and entitled to vote at the Annual Meeting.
- For proposals other than the election of Directors, abstentions are counted as votes present and entitled to vote and have the same effect as votes "against" the proposal.
- Broker non-votes, if any, will be handled as described below.

**Q: If I hold my shares in a brokerage account and do not provide voting instructions to my broker, will my shares be voted?**

A: Under New York Stock Exchange ("NYSE") rules, brokerage firms may vote in their discretion on certain matters on behalf of clients who do not provide voting instructions. Generally, brokerage firms may vote to ratify the appointment of independent auditors (Proposal Two) and on other "discretionary" or "routine" items in absence of instructions from the beneficial owner. In contrast, brokerage firms may not vote to elect Directors (Proposal One) or on stockholder or other proposals, including Proposal Three in this Proxy Statement, because those proposals are considered "non-discretionary" items. Accordingly, if you do not instruct your broker how to vote your shares on these "non-discretionary" matters, your broker will not be permitted to vote your shares on these matters. This is referred to as a "broker non-vote." Broker non-votes are counted for purposes of determining the number of shares present at the Annual Meeting, but will not be counted or deemed to be present, represented or voted for purposes of the number of shares entitled to vote.

**Q: What is Tempur Sealy International's voting recommendation?**

A: Our Board of Directors recommends that you vote your shares "FOR" each of the nominees to the Board (Proposal One), "FOR" the ratification of the appointment of Ernst & Young LLP as Tempur Sealy International's independent auditors for the year ending December 31, 2019 (Proposal Two) and "FOR" the advisory vote to approve the compensation of Named Executive Officers (Proposal Three).

**Q: How would my shares be voted if I do not specify how they should be voted?**

A: If you sign and return your proxy card without indicating how you want your shares to be voted, the persons designated by the Board to vote the proxies returned pursuant to this solicitation will vote your shares as follows:

- Proposal One: "FOR" the election of eight (8) Directors to each serve for a one-year term and until the Director's successor has been duly elected and qualified.
- Proposal Two: "FOR" the ratification of the appointment of the firm of Ernst & Young LLP as Tempur Sealy International's independent auditors for the year ending December 31, 2019.
- Proposal Three: "FOR" the advisory vote to approve the compensation of our Named Executive Officers.

**Q: Does Tempur Sealy International expect other business to be presented at the Annual Meeting?**

A: Our Board is not aware of any business to be transacted at the Annual Meeting other than as described in this Proxy Statement. If any other item or proposal properly comes before the Annual Meeting (including, but not limited to, a proposal to adjourn the Annual Meeting in order to solicit votes in favor of any proposal contained in this Proxy Statement), the proxies will be voted as the Board recommends by the persons designated by the Board to vote the proxies.

**Q: How may I vote my shares in person at the Annual Meeting?**

A: Shares held directly in your name as the stockholder of record may be voted in person at the Annual Meeting. If you choose to attend the Annual Meeting, please bring the enclosed proxy card and proof of identification for entrance to the Annual Meeting. Please note, however, if you hold your shares in "street name," you must request a legal proxy from the stockholder of record (your broker or bank) in order to vote at the Annual Meeting.

Even if you plan to attend the Annual Meeting in person, please promptly sign, date and return the enclosed proxy card in the enclosed postage-paid envelope. If you own shares in "street name" through a bank, broker or other nominee, you may vote your shares by following the instructions from your bank, broker or other nominee.

**Q: How may I vote my shares without attending the Annual Meeting?**

A: You may vote in person at the Annual Meeting or by proxy. We recommend you vote by proxy even if you plan to attend the Annual Meeting. You may always change your vote at the Annual Meeting. Giving us your proxy means you authorize us to vote your shares at the Annual Meeting in the manner you direct.

If your shares are held in your name, you may vote by proxy in three convenient ways:

*Via Internet:* Go to <http://www.proxyvote.com> and follow the instructions. You will need to enter the control number printed on your proxy materials.

*By Telephone:* Call toll-free 1-800-690-6903 and follow the instructions. You will need to enter the control number printed on your proxy materials.

*In Writing:* Complete, sign, date and return your proxy card in the enclosed postage-paid envelope.

You may vote by Internet or telephone until 11:59 p.m. Eastern Time on May 8, 2019 for shares held directly and until 11:59 p.m. Eastern Time on May 6, 2019 for shares held in a stock plan. Proxy cards submitted by mail must be received by the time of the Annual Meeting for your shares to be voted as indicated on that proxy.

If your shares are held in street name (with your broker or bank), you may vote by submitting voting instructions to your broker, bank or nominee. Please refer to the instructions provided to you by your broker, bank or nominee.

If you provide specific voting instructions and follow the other instructions contained herein, your shares will be voted as you have instructed.

**Q: How may I change my vote after I return my proxy card?**

A: You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may do this by voting again at a later date via Internet or telephone or by signing and submitting a new proxy card with a later date by mail or by attending the Annual Meeting and voting in person. Attending the Annual Meeting will not revoke your proxy unless you specifically request it. If your shares are held for you by a broker, bank or nominee, you must contact the broker, bank or nominee to revoke a previously authorized proxy.

**Q: Where can I find the voting results of the Annual Meeting?**

A: The preliminary voting results will be announced at the Annual Meeting. The final results will be published on Form 8-K within four business days of the Annual Meeting once the final results are known.

## **BOARD OF DIRECTORS' MEETINGS, COMMITTEES OF THE BOARD AND RELATED MATTERS**

### **Corporate Governance**

The Company believes that sound corporate governance practices are essential to maintain the trust of our stockholders, customers, employees and other stakeholders. We believe we operate under governance practices that are transparent, up-to-date and appropriate for our industry.

The following materials related to corporate governance, including our Corporate Governance Guidelines and Code of Business Conduct and Ethics, are available on our investor website at: <http://investor.tempursealy.com/overview> under the caption "Corporate Governance":

- Seventh Amended and Restated By-Laws ("By-Laws")
- Core Values
- Corporate Governance Guidelines
- Code of Business Conduct and Ethics for Employees, Executive Officers, and Directors
- Policy on Complaints on Accounting, Internal Accounting Controls and Auditing Matters
- Amended and Restated Certificate of Incorporation, as amended ("Certificate of Incorporation")
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Lead Director Charter
- Related Party Transactions Policy
- Governance Hotline Information
- Conflict Minerals Policy
- Clawback Policy
- Contact the Lead Director (by email)

Copies of these materials may also be obtained, free of charge, by writing to: Tempur Sealy International, Inc., 1000 Tempur Way, Lexington, Kentucky 40511, Attention: Investor Relations. Please specify which documents you would like to receive.

### **Amendment to By-Laws**

On February 7, 2019, the Board adopted and approved the Seventh Amended and Restated By-Laws of the Company (the "By-Laws"). For further information about the amendments, please refer to the Company's Current Report on Form 8-K filed with the SEC on February 11, 2019. All references to the By-Laws contained herein refer to the By-Laws as amended and restated.

### **Certificate of Incorporation and By-Laws; Majority Voting for Directors**

The Company's By-Laws provide that a Director in an uncontested election will be elected by a majority of the votes cast at the Annual Meeting. In the event that the number of votes "against" a Director exceeds the number of votes "for" that Director, that Director must tender his or her resignation to the Board. The Nominating and Corporate Governance Committee will make a recommendation to the Board whether to accept the resignation. In an election for Directors where the number of nominees exceeds the number of Directors to be elected - a contested election - the By-Laws provide that each Director shall be elected by the vote of a plurality of the shares represented at the meeting and entitled to vote on the matter. Neither Tempur Sealy International's Certificate of Incorporation nor its By-Laws provide for a classified Board.



## **Board of Directors' Meetings**

The Board held seven meetings in 2018. The SEC requires disclosure of the name of any Director who, during the last full fiscal year (calendar year 2018), attended fewer than 75% of the aggregate of the total number of meetings of (i) the Board during the period for which he or she has been a Director and (ii) all committees of the Board on which the Director served during the periods that he or she served. Each Director attended more than 75% of the combined total number of meetings of the Board and its committees held in 2018 during the period in which they served as Directors or committee members.

## **Board and Committee Independence; Audit Committee Financial Experts**

Our Corporate Governance Guidelines provide that the Board shall consist of a majority of Directors who are independent within the meaning of the NYSE rules governing the composition of the Board and its committees (the "NYSE Independence Rules"). On the basis of information solicited from each Director, the Board has determined that none of Evelyn S. Dilsaver, Cathy R. Gates, John A. Heil, Jon L. Luther, Richard W. Neu, Arik W. Ruchim or Robert B. Trussell, Jr. have a material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) within the meaning of the NYSE Independence Rules and accordingly are "independent" for purposes of the NYSE Independence Rules.

The Board has also determined that each member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee is "independent" as defined in the NYSE Independence Rules and the rules of the SEC.

On the basis of information solicited from each member of the Audit Committee, the Board has also determined that all members of the Audit Committee are "audit committee financial experts" within the meaning of Item 407(d)(5)(ii) of Regulation S-K of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and have "accounting or related financial management expertise" within the meaning of the applicable NYSE Rules. See "Election of Directors-Nominees to Board of Directors" for disclosure regarding such audit committee financial experts' relevant experience. The Audit Committee is an "audit committee" for purposes of Section 3(a)(58) of the Exchange Act.

The Board has determined that Scott L. Thompson, who serves as Chairman, President and Chief Executive Officer of Tempur Sealy, does not qualify as an independent director under the NYSE Independence Rules.

## **Board Leadership Structure**

As stated in its Corporate Governance Guidelines, the Board has no set policy with respect to the separation of the offices of Chairman and Chief Executive Officer ("CEO"). In connection with its search for a new CEO in 2015, both the search committee created for this purpose and the Board concluded that in order to attract a high quality CEO candidate with the experience and leadership skills desired, the Board would be willing to offer the candidate a position that included the Chairman role. Accordingly, in connection with hiring Mr. Thompson as Chairman and CEO, the Board created the Lead Director role as an integral part of a Board leadership structure that promotes strong, independent oversight of our management and affairs. The Lead Director must be independent as determined by the Board in accordance with the NYSE Independence Rules.

Following the 2016 Annual Meeting, Mr. Neu assumed the role of the Lead Director. The Lead Director:

- presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent Directors;
- has the authority to call meetings of the independent Directors;
- serves as the principal liaison between the Chairman and the independent Directors;
- consults with the Chairman regarding all information sent to the Board, including the quality, quantity, appropriateness and timeliness of such information;
- consults with the Chairman regarding meeting agendas for the Board;

- consults with the Chairman regarding the frequency of Board meetings and meeting schedules, assuring there is sufficient time for discussion of all agenda items;
- recommends to the Nominating and Corporate Governance Committee and to the Chairman selections for the membership and chairman position for each Board committee;
- interviews, along with the chair of the Nominating and Corporate Governance Committee, all Director candidates and makes recommendations to the Nominating and Corporate Governance Committee; and
- is invited to attend meetings of all other committees of the Board (other than meetings of committees on which he or she is already a member).

The Board believes that no single leadership model is universally or permanently appropriate, but that the current leadership structure is the most effective and best serves the Company at this juncture. The Board will continue to review and consider whether the roles of the Chairman and CEO should be combined or separated in the future as part of its regular review of the Company's governance structure.

### Board of Directors' Role in Risk Oversight

The Board is responsible for overseeing the management and operations of the Company, including overseeing its risk assessment and risk management functions. As discussed elsewhere in this Proxy Statement, the Board has delegated primary responsibility for reviewing the Company's policies with respect to risk assessment and risk management to the Audit Committee. The Board has determined that this oversight responsibility can be most efficiently performed by the Audit Committee as part of its overall responsibility for providing independent, objective oversight with respect to Tempur Sealy International's accounting and financial reporting functions, internal and external audit functions and systems of internal controls over financial reporting and legal, ethical and regulatory compliance as well as data privacy and cybersecurity risks. The Compensation Committee has primary responsibility for oversight of risk related to compensation matters, as more fully described elsewhere in this Proxy Statement. The Nominating and Corporate Governance Committee has primary responsibility for oversight of risk associated with the Company's leadership structure and corporate governance matters. Each of these committees regularly reports to the Board with respect to its oversight of these important areas.

### Committees of the Board

The standing committees of the Board are the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, each of which is composed entirely of independent directors. Each committee operates under a written charter adopted by the Board. Each charter is available on our investor website at <http://investor.tempursealy.com/overview> under the caption "Corporate Governance" and available in print upon request. The following table identifies the current committee members.

| Name of Director   | Audit Committee | Compensation Committee | Nominating and Corporate Governance Committee |
|--------------------|-----------------|------------------------|---|
| Evelyn S. Dilsaver | Chair           |                        | √   |
| Cathy R. Gates     | √               |                        |   |
| John A. Heil       | √               |                        | Chair   |
| Jon L. Luther      |                 | Chair                  | √   |
| Richard W. Neu     | √               | √                      |   |
| Arik W. Ruchim     |                 | √                      | √   |

### *The Audit Committee*

The Audit Committee is responsible for providing independent, objective oversight with respect to Tempur Sealy International's accounting and financial reporting functions, internal and external audit functions and systems of internal controls over financial reporting and legal, ethical and regulatory compliance. The Audit Committee met nine times in 2018. Some of the Audit Committee's responsibilities include:

- reviewing the scope of internal and independent audits;
- reviewing the Company's quarterly and annual financial statements and related SEC filings;
- reviewing the adequacy of management's implementation of internal controls;
- reviewing the Company's accounting policies and procedures and significant changes in accounting policies;
- reviewing the Company's business conduct, legal and regulatory requirements and ethics policies and practices;
- reviewing the Company's policies with respect to risk assessment and risk management;
- reviewing information to be disclosed and types of presentations to be made in connection with the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- preparing an annual evaluation of the committee's performance and reporting to the Board on the results of this self-evaluation;
- reporting regularly to the Board on the committee's activities; and
- appointing the independent public accountants and reviewing their independence and performance and the reasonableness of their fees.

The Audit Committee has established whistleblower procedures, which provide for (a) the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Tempur Sealy International also has a confidential, anonymous reporting system which is web-based and available to all employees. All reports are treated confidentially.

### *The Compensation Committee*

The Compensation Committee assists the Board in fulfilling its oversight responsibilities relating to compensation. The Compensation Committee met six times in 2018. Some of the Compensation Committee's responsibilities include:

- reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for the CEO, evaluating at least once a year the CEO's performance in light of these established goals and objectives and, based upon these evaluations, determining and approving the CEO's annual compensation, including salary, bonus, incentive, equity compensation, perquisites and other personal benefits;
- reviewing and approving on an annual basis, with the input of the CEO, the corporate goals and objectives with respect to the Company's compensation structure for all executive officers (other than the CEO), including perquisites and other personal benefits, and evaluating at least once a year the executive officers' performance in light of these established goals and objectives and, based upon these evaluations, determining and approving the annual compensation for these executive officers, including salary, bonus, incentive, equity compensation, perquisites and other personal benefits;
- reviewing on an annual basis the Company's compensation policies, including salaries and annual incentive bonus plans, with respect to the compensation of employees whose compensation is not otherwise set by the Compensation Committee;
- reviewing the Company's incentive compensation and stock-based plans and approving changes in such plans as needed, subject to any approval of the Board required by applicable law or the terms of such plans, and having and exercising all the authority of the Board with respect to the administration of such plans;
- reviewing on an annual basis the Company's compensation structure for its Directors and making recommendations to the Board regarding the compensation of Directors;

- reviewing at least annually the Company's compensation programs with respect to overall risk assessment and risk management, particularly with respect to whether such compensation programs encourage unnecessary or excessive risk taking by the Company;
- reviewing and discussing with management the "Compensation Discussion and Analysis," and based on such review and discussions, making recommendations to the Board regarding inclusion of that section in the Company's proxy statement for any annual meeting of stockholders;
- preparing and publishing an annual executive compensation report in the Company's proxy statement;
- reviewing and recommending to the Board for approval the frequency with which the Company will conduct Say-on-Pay Votes and reviewing and approving the proposals regarding Say-on-Pay Vote and the frequency of the Say-on-Pay Vote to be included in the Company's proxy statement for any annual meeting of stockholders;
- reviewing and approving employment agreements, severance arrangements and change in control agreements and provisions when, and if, appropriate, as well as any special supplemental benefits;
- conducting an annual evaluation of the committee's performance and reporting to the Board on the results of this self-evaluation; and
- reporting regularly to the Board on the committee's activities.

The Compensation Committee, in its role as administrator under the Company's previous Amended and Restated 2003 Equity Incentive Plan, as amended (the "2003 Equity Incentive Plan"), and under the Company's current Amended and Restated 2013 Equity Incentive Plan (the "2013 Equity Incentive Plan"), recommended, and the Board approved, the delegation of authority to the Company's President and CEO to grant equity awards under those plans within certain specified parameters.

The Compensation Committee engages an independent executive compensation consultant to advise the Compensation Committee on matters related to executive and director compensation. For a further description of the services the compensation consultant provided, see "Executive Compensation and Related Information - Compensation Discussion and Analysis" in this Proxy Statement.

#### *The Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee assists the Board in fulfilling some of its oversight responsibilities relating to director nominations and corporate governance matters. The Committee met six times in 2018. Some of the Nominating and Corporate Governance Committee's responsibilities include:

- identifying individuals qualified to become members of the Board;
- recommending to the Board Director nominees to be presented at the Annual Meeting of Stockholders and to fill vacancies on the Board;
- developing appropriate criteria for identifying properly qualified director candidates;
- annually reviewing the composition of the Board and the skill sets and tenure of existing Directors and discussing longer-term transition issues;
- annually reviewing and recommending to the Board members for each standing committee of the Board;
- monitoring and participating in the Company's overall stockholder communications effort so that all of the communications elements are unified and consistent; members of the Committee, individually or collectively, may attend, with management, meetings with stockholders of the Company when requested by the Board or management;
- establishing procedures to assist the Board in developing and evaluating potential candidates for executive positions, including the CEO;
- reviewing various corporate governance-related policies, including the Code of Business Conduct and Ethics, the Related Party Transactions Policy, and the Policy on Insider Trading and Confidentiality and recommending changes, if any, to the Board;
- reviewing and evaluating related party transactions;
- developing, annually reviewing and recommending to the Board corporate governance guidelines for the Company;
- establishing procedures to exercise oversight of the Company's adherence to such guidelines and the evaluation of the Board and Company management;

- reviewing at least annually the reports on the Company prepared by the major proxy advisory firms and provide a report to the Board;
- developing and overseeing, when necessary, a Company orientation program for new Directors and a continuing education program for current Directors and periodically reviewing these programs and updating them as necessary;
- making recommendations to the Board in connection with any Director resignation tendered pursuant to the Company's Amended and Restated By-Laws;
- preparing an annual evaluation of the committee's performance and reporting to the Board on the results of this self-evaluation; and
- reporting regularly to the Board on the committee's activities.

### **Compensation Committee Interlocks and Insider Participation**

The members of our Compensation Committee are Jon L. Luther (Chair), Richard W. Neu and Arik W. Ruchim. None of these members is a current or former officer or employee of Tempur Sealy International or, to our knowledge, has any interlocking relationships as set forth in applicable SEC rules that require disclosure as a Compensation Committee interlock.

### **Policy Governing Related Party Transactions**

Our Board has adopted a written Related Party Transactions Policy providing for the review and approval or ratification by the Nominating and Corporate Governance Committee of any transaction, arrangement or relationship, or series of such transactions, arrangements or relationships (including indebtedness or guarantees of indebtedness), in which the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year end and involving the Company and its Directors, executive officers, beneficial owners of more than 5% of the Company's common stock or any such party's respective immediate family members or affiliates. In reviewing a transaction, an arrangement or relationship, the Nominating and Corporate Governance Committee will take into account, among other factors it deems appropriate, whether it is on terms no more favorable than to an unaffiliated third party under similar circumstances, as well as the extent of the related party's interest in the transaction, arrangement or relationship.

### **Policies Governing Director Nominations**

#### *Director Qualifications and Review of Director Nominees*

The Nominating and Corporate Governance Committee evaluates and recommends candidates for membership on our Board consistent with the needs and goals of the Company's business. In performing this role, the Nominating and Corporate Governance Committee regularly assesses the size and composition of the Board. It conducts an annual review with the Board relating to the Board's composition and recommends, if necessary, measures to be taken so that the Board's membership reflects an appropriate balance of knowledge, experience, skills, expertise and diversity. The Nominating and Corporate Governance Committee also ensures that the Board contains at least the minimum number of independent directors required by applicable laws and regulations. The Nominating and Corporate Governance Committee is responsible for ensuring that the composition of the Board accurately reflects the needs of the Company's business and, in furtherance of this goal, periodically proposes the addition or removal of members in order to obtain the appropriate balance of members and skills.

Consistent with the Company's policies, Board members should possess certain attributes and experience that are conducive to representing the best interests of our stockholders, including independence, a reputation for integrity, honesty and adherence to high ethical standards, the ability to exercise sound business judgment, substantial business or professional experience and the ability to offer meaningful advice and guidance to the Company's management. Directors should be able to commit the requisite time for preparation and attendance at regularly scheduled Board and committee meetings, as well as be able to participate in other matters necessary to ensure that good corporate governance is practiced. No individual may stand for election to the Board if he or she would be age 75 or older at the time of the election unless the Board takes action to waive this requirement each year following the affected Director's 74th birthday.

The Nominating and Corporate Governance Committee also considers numerous other qualities, skills and characteristics when evaluating Director nominees, including whether the nominee has specific strengths that would augment the existing skills and experience of the Board, such as an understanding of and experience in international business, accounting, governance, finance or marketing and whether the nominee has leadership experience with public companies or other sophisticated and complex organizations. Further, consideration is given to having a diversity of background, experience, skill and perspective among the Directors, including perspectives that may result from diversity in ethnicity, race, gender, national origin or nationality, and that the Directors represent a range of differing professional positions, industry sectors, expertise and geographic representation. In addition, the Nominating and Corporate Governance Committee is responsible for considering the tenure of existing Directors and longer-term Board composition transition issues. The Board does not have a specific policy with respect to the diversity of its Directors, and diversity is only one consideration when selecting and nominating Directors.

In addition to fulfilling the above criteria, seven of the eight nominees for re-election named above are considered independent under the NYSE Independence Rules. Mr. Thompson, the Company's Chairman, President and Chief Executive Officer, is not considered independent under the NYSE Independence Rules. The Nominating and Corporate Governance Committee believes that all seven nominees are independent of the influence of any particular stockholder or group of stockholders whose interests may diverge from the interests of our stockholders as a whole.

Each nominee also brings a strong and unique background and set of skills to the Board, giving the Board as a whole competence and experience in a wide variety of areas, including corporate governance and board service, executive management, investing, finance, manufacturing, consumer products, sales, marketing and international business. Set forth below are the conclusions reached by the Board with regard to its nominees.

Ms. Dilsaver brings significant accounting, auditing and financial skills, based on her training as an accountant and her senior positions at a number of financial services companies, including in the role of chief financial officer.

Ms. Gates brings a wealth of experience in auditing, accounting and financial reporting to the Board gained through her past service as an Assurance and Managing Partner of Ernst & Young LLP.

Mr. Heil has served in positions of president, chief executive officer or chief operating officer of a number of food and consumer products companies, and has significant manufacturing, marketing and managerial experience.

Mr. Luther brings a strong track record of profitably growing large global consumer branded businesses, with a keen understanding of the consumer, and notable brand development expertise. He has significant relevant experience as a CEO and as a director of other high-performance public companies.

Mr. Neu has extensive knowledge and experience handling complex financial and operational issues through his service as both a director and executive officer of a variety of public companies.

Mr. Ruchim brings significant investment and financial expertise, as well a strong record of stockholder value creation and expertise in senior management recruitment and compensation.

Mr. Thompson serves as our Chairman, President and Chief Executive Officer and brings more than two decades of executive leadership experience, and a history of strategic focus, enhancing high-performance teams and stockholder value creation.

Mr. Trussell, as former Chief Executive Officer and a principal founder of the Company, brings management and mattress industry experience and an historical perspective to the Board.

### *Process for Identifying and Evaluating Director Nominees*

As discussed above under "Director Qualifications and Review of Director Nominees," the Nominating and Corporate Governance Committee reviews annually the size and composition of the Board and makes recommendations to the Board regarding any measures to be taken. In addition, the Nominating and Corporate Governance Committee has established a process for identifying potential candidates when appropriate and evaluating nominees for Director. Although the Nominating and Corporate Governance Committee will consider nominees recommended by stockholders in accordance with the By-Laws, the Nominating and Corporate Governance Committee believes that the process it uses to identify and evaluate nominees for Director is designed to produce nominees that possess the educational, professional, business and personal attributes that are best suited to further the Company's mission. If the Board has identified a need to either expand the Board with a new member possessing certain specific characteristics or to fill a vacancy on the Board, the Nominating and Corporate Governance Committee may identify nominees through the use of professional search firms that may utilize proprietary screening techniques to match candidates to the Nominating and Corporate Governance Committee's specified qualifications. The Nominating and Corporate Governance Committee may also receive recommendations from existing Directors, executive officers, stockholders, key business associates and trade or industry affiliations. The Nominating and Corporate Governance Committee will evaluate nominations at regular or special meetings, and in evaluating nominations, will seek to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth above under "Director Qualifications and Review of Director Nominees." The Board itself is ultimately responsible for recommending candidates for election to the stockholders or for appointing individuals to fulfill a vacancy.

In 2018, the Company did not employ a search firm or pay fees to any third party to either search for or evaluate Board nominee candidates.

### *Procedures for Recommendation of Director Nominees by Stockholders*

The Nominating and Corporate Governance Committee considers director candidates recommended by our stockholders in accordance with the Company's By-Laws. In evaluating candidates recommended by our stockholders, the Nominating and Corporate Governance Committee applies the same criteria set forth above under "Director Qualifications and Review of Director Nominees" and follows the same process set forth above under "Process for Identifying and Evaluating Director Nominees."

Stockholders may also nominate director candidates pursuant to a "proxy access" provision in the Company's By-Laws (see discussion of the amendment and restatement of the Company's By-laws under the heading "Amendment to By-Laws" above). Pursuant to the proxy access provision, a stockholder or group of stockholders meeting certain eligibility requirements may nominate directors (up to the greater of two or twenty percent of the number of directors then in office) to serve on the Board and have those nominees included in the Company's proxy solicitation materials. The eligibility requirements include the requirement to continuously hold an aggregate of three percent or more of the voting power of the Company's outstanding common stock for at least three years prior to submitting notice of a nomination, with up to twenty stockholders being able to aggregate their holdings to meet this requirement. Any stockholder recommendations of Director nominees proposed for consideration by the Nominating and Governance Committee should include the information required by our By-laws and should be addressed in writing to the Committee, care of: Tempur Sealy International, Inc., 1000 Tempur Way, Lexington, Kentucky 40511, Attention: Corporate Secretary. The Company's By-Laws permit stockholders to nominate Directors for consideration at our 2020 annual stockholder meeting in accordance with certain procedures described in this Proxy Statement under the heading "Stockholder Proposals for 2020 Proxy Statement."

### **Designation of, and Communication with, Tempur Sealy International's Board of Directors through its Lead Director**

As described in more detail above, the Board has designated Mr. Neu as the Lead Director. Stockholders or other interested parties wishing to communicate with our Board may contact the Lead Director by email at [presidingdirector@tempursealy.com](mailto:presidingdirector@tempursealy.com) or by going to Tempur Sealy International's investor website at <http://investor.tempursealy.com/overview> under the caption "Corporate Governance" and then "[click here](#)" to email the Lead Director." Regardless of the method you use, the Lead Director will be able to view your unedited message subject to and in accordance with our internal review policies. The Lead Director, in consultation with management, will determine whether to relay your message to other members of the Board.

**Executive Sessions**

Executive sessions, or meetings of the outside (non-management) Directors without management present, are held regularly. In 2018, the independent Directors met several times in executive session without members of management present. Executive sessions are led by the Lead Director.

**Charitable Contributions**

Tempur Sealy International has not made charitable contributions to any charitable organization for which a Director serves as an executive officer that exceeded the greater of \$1.0 million or 2% of such organization's consolidated gross revenues for any single year within the preceding three years.

**Board Member Attendance at Annual Meetings**

In accordance with our Corporate Governance Guidelines, all continuing Directors are generally expected to attend the Annual Meeting of Stockholders. At our last Annual Meeting of Stockholders, which was held on May 10, 2018, all the members of the Board attended.



## PROPOSAL ONE

### ELECTION OF DIRECTORS

#### Board of Directors

Tempur Sealy International's Board currently consists of eight members, each serving a one-year term. The current Directors are: Evelyn S. Dilsaver, Cathy R. Gates, John A. Heil, Jon L. Luther, Richard W. Neu, Arik W. Ruchim, Scott L. Thompson and Robert B. Trussell, Jr. Each of the nominees for election to the Board is currently a Director of Tempur Sealy International. The nominees, if elected, will each serve a one-year term until Tempur Sealy International's Annual Meeting of Stockholders in 2020 or until his or her respective successor is elected and qualified. Each of the nominees has consented to serve a one-year term. There are no family relationships among our executive officers and Directors.

#### VOTE REQUIRED

Each Director will be elected by the affirmative vote of a majority of the shares of common stock present or represented by proxy at the Annual Meeting. In the event that the number of votes "against" a Director exceeds the number of votes "for" that Director, that Director must tender his or her resignation to the Board. The Nominating and Corporate Governance Committee will make a recommendation to the Board whether to accept the resignation. The Board of Directors will then consider the recommendation and publicly disclose its decision within 90 days after the certification of the election results.

#### **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION TO THE BOARD OF DIRECTORS OF EACH OF THE FOLLOWING NOMINEES:**

#### Nominees to Board of Directors

*Evelyn S. Dilsaver*, 63, has served as a member of Tempur Sealy International's Board since December 2009. Ms. Dilsaver was President and Chief Executive Officer of Charles Schwab Investment Management from July 2004 until September 2007. Prior to that, Ms. Dilsaver held various senior management positions with The Charles Schwab Corporation since December 1991, including Executive Vice President and Senior Vice President, Asset Management Products and Services, of Charles Schwab Investment Management and Chief Financial Officer for U.S. Trust Company. Ms. Dilsaver is also a member of the board of directors of HealthEquity, Inc., a non-bank health savings trustee, Bailard Private Real Estate Fund, as well as Blue Shield of California and other non-profit boards. She also serves as a member of the advisory board of Protiviti Inc., a global consulting company. During the past five years, Ms. Dilsaver also served as a director of HighMark Funds, an asset management firm and Aeropostale, Inc., a specialty retailer. Ms. Dilsaver is a certified public accountant and holds a B.S. degree in accounting from California State University-Hayward. Ms. Dilsaver brings to the Board a long professional career in finance, accounting and general management and considerable experience with consumer-oriented businesses as a senior executive of a large investment management firm and her many years of serving as a director of companies in a variety of businesses.

*Cathy R. Gates*, 60, was elected to serve as a member of Tempur Sealy International's Board on July 5, 2018. Prior to her retirement in June 2017, Ms. Gates served as an Assurance Partner at Ernst & Young LLP in Tulsa, Oklahoma. From 2008 until 2017, she served as the Managing Partner of that office. Ms. Gates began working at Ernst & Young LLP in 1986, and during her tenure there worked with both public and privately-held clients throughout the southwestern United States in the retail/commercial products, transportation, manufacturing and contract drilling industries. Ms. Gates' areas of expertise include working with internal audit departments, coordinating financial statement audits, accounting and financial reporting. She currently serves on the Tulsa Area United Way Board of Directors and the Walton College of Business Dean's Executive Advisory Board at the University of Arkansas. She previously served on the Tulsa Regional Chamber of Commerce Board of Directors. Ms. Gates holds a Masters of Science in Accounting from the University of Arkansas. Ms. Gates brings a wealth of experience in auditing, accounting and financial reporting to the Board gained through her past service as an Assurance and Managing Partner of Ernst & Young LLP.

*John A. Heil*, 66, has served as a member of Tempur Sealy International's Board since March 2008. From February 2005 until his retirement in April 2013, he served as President of United Pet Group, Inc., a global manufacturer and marketer of pet food and supplies and a subsidiary of Spectrum Brands, Inc. Spectrum Brands, Inc. filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in February 2009 and emerged from bankruptcy protection on August 28, 2009. From 2000 to February 2005, he served as United Pet Group's President and Chief Executive Officer. Mr. Heil was a member of the board of directors and the audit committee of VCA Antech, Inc., an NYSE listed company, from February 2002 until October 2017, and previously served as a director of that company from 1995 to 2000. Prior to joining United Pet Group, Mr. Heil spent twenty-five years with the H.J. Heinz Company in various executive and general management positions including President of Heinz Pet Products. Mr. Heil holds a B.A. degree in economics from Lycoming College. Mr. Heil's long career in management and the branded consumer products arena brings to the Board a remarkable depth of operational and strategic experience.

*Jon L. Luther*, 75, has served as a member of Tempur Sealy International's Board since May 2015. He served as Chief Executive Officer of Dunkin' Brands Group, Inc. from January 2003 to January 2009 and Chairman from March 2006 to January 2009. In January 2009, he assumed the role of Executive Chairman and became non-Executive Chairman from July 2010 until his retirement in May 2013. Prior to Dunkin' Brands, Mr. Luther was President of Popeyes, a division of AFC Enterprises, Inc., from February 1997 to December 2002. Prior to Popeyes, Mr. Luther served as President of CA One Services, a subsidiary of Delaware North Companies, Inc., a global food service and hospitality company, and served as President and CEO of Benchmark Services, Inc., a food services company he founded. Earlier in his career, Mr. Luther held various leadership positions at Marriott Corporation and ARAMARK. Mr. Luther is a member of the board of directors of Six Flags Entertainment Corporation and Inspire Brands, Inc. and serves on the advisory board of Staple Street Capital Group, LLC. Mr. Luther holds a degree in hotel and restaurant management from Paul Smith's College as well as Honorary Doctorate degrees from four colleges and universities. Mr. Luther brings to the Board a strong track record of profitably growing large global consumer-branded businesses, with a keen understanding of the consumer, and notable brand development expertise. He has significant relevant experience as a CEO and as a director of other high-performance public companies.

*Richard W. Neu*, 63, has served as a member of Tempur Sealy International's Board since October 2015. Mr. Neu's professional career has spanned over 35 years. For the last 12 years Mr. Neu has served in a variety of Board roles. Mr. Neu currently serves on the board of directors, as chair of the audit committee and as a member of the executive committee of Huntington Bancshares Incorporated, and as a member of the board of directors of Oxford Square Capital Corp. Until the sale of the company in 2012, he was the lead director and a member of the audit committee and governance committee of Dollar Thrifty Automotive Group, Inc., having served as the chairman of the Dollar Thrifty board of directors from 2010 through 2011. Mr. Neu also served as a director of MCG Capital Corporation, a business development corporation, from 2007 until its sale in 2015, and during this period served as chairman of the board from 2009 to 2015 and as Chief Executive Officer from November 2011 to November 2012. Mr. Neu served from 1985 to 2004 as Chief Financial Officer of Charter One Financial, Inc., a major regional bank holding company, and a predecessor firm, and as a director of Charter One Financial, Inc. from 1992 to August 2004. Mr. Neu previously worked for KPMG as a senior audit manager. Mr. Neu received a B.B.A. from Eastern Michigan University with a major in accounting. Mr. Neu has extensive knowledge and experience handling complex financial and operational issues through his service as both a director and executive officer of a variety of public companies.

*Arik W. Ruchim*, 38, has served a member of Tempur Sealy International's Board since May 2018. Mr. Ruchim is a Partner at H Partners, an investment management firm and Tempur Sealy International's largest shareholder. Prior to joining H Partners in 2008, Mr. Ruchim was at Creative Artists Agency and Cruise/Wagner Productions. Mr. Ruchim previously served as a director of Remy International, Inc., a global manufacturer of automotive parts, and as a director of Dick Clark Productions, a television production company. Mr. Ruchim serves as a member of the University of Michigan's Tri-State Leadership Council, a group dedicated to enhancing educational opportunities for undergraduate and graduate students. Mr. Ruchim has a Bachelor of Business Administration with Distinction from the University of Michigan. Mr. Ruchim brings to the Board a strong business and financial background and extensive investment experience.

*Scott L. Thompson*, 60, has served as Chairman of Tempur Sealy International's Board and as its President and CEO since September 2015. He previously served as Chief Executive Officer and President of Dollar Thrifty Automotive Group, Inc. until it was purchased by Hertz Global Holdings, Inc. in 2012. Prior to serving as CEO and President, Mr. Thompson was a Senior Executive Vice President and Chief Financial Officer of Dollar Thrifty. Prior to joining Dollar Thrifty in 2008, Mr. Thompson was a consultant to private equity firms, and was a founder of Group 1 Automotive, Inc., an NYSE and Fortune 500 company, serving as its Senior Executive Vice President, Chief Financial Officer and Treasurer. Mr. Thompson served as Chairman of Dollar Thrifty from December 2011 to September 2012. He served as a member of the board of directors, and, for part of that time as the Non-Executive Chairman, of Houston Wire & Cable Company, a publicly-traded provider of industrial products, from November 2007 to September 2015. Mr. Thompson also served as a member of the board of directors of Conn's, Inc., a publicly-traded retailer of consumer furniture, from June 2004 to September 2015 and of Asbury Automotive Group, Inc., a publicly-traded automotive retailer, from January 2015 to February 2018. Mr. Thompson earned a Bachelor of Business Administration degree from Stephen F. Austin State University in Nacogdoches, Texas, and began his career with a national accounting firm. Mr. Thompson brings to the Board extensive financial, operational and entrepreneurial experience in his roles as an executive officer and director of publicly traded companies.

*Robert B. Trussell, Jr.*, 67, has served as a member of Tempur Sealy International's Board or its predecessors since 2002. Mr. Trussell served as CEO of Tempur Sealy International or its predecessors from November 2002 until his retirement in May 2006. From 1994 to December 2004, Mr. Trussell served as President of the Company and its predecessors. Prior to joining the Company's predecessor in 1994, Mr. Trussell was general partner of several racing limited partnerships that owned racehorses in England, France and the United States. He was also the owner of several start-up businesses in the equine lending and insurance business. Mr. Trussell received his B.S. degree from Marquette University. As former Chief Executive Officer and a principal founder of Tempur Sealy, Mr. Trussell brings to the Board significant management and mattress industry experience and an historical perspective.

#### **Executive Officers**

| <b>Name</b>             | <b>Age</b> | <b>Position</b>  |
|-------------------------|------------|--|
| Scott L. Thompson       | 60         | Chairman of the Board, President and Chief Executive Officer       |
| Bhaskar Rao             | 53         | Executive Vice President and Chief Financial Officer               |
| Richard W. Anderson     | 59         | Executive Vice President and President, North America              |
| David Montgomery        | 58         | Executive Vice President, Global Business Strategy and Development |
| Scott Vollet            | 55         | Executive Vice President, Global Operations                        |
| H. Clifford Buster, III | 49         | Executive Vice President, Direct to Consumer, North America        |

*Bhaskar Rao* was appointed to serve as Executive Vice President and Chief Financial Officer of Tempur Sealy International in October 2017. Mr. Rao joined Tempur Sealy International as Director of Financial Planning and Analysis in January 2004 and, from April 2011 until his appointment as Executive Vice President and Chief Financial Officer, served as Senior Vice President and Chief Accounting Officer. From January 2004 to April 2011, he held various roles of increasing responsibility in the Company's finance and accounting organization. From 2002 until December 2003, Mr. Rao was employed by Ernst & Young as a Senior Manager in the assurance and business advisory group, and from 1994 until 2002, he was employed by Arthur Andersen. Mr. Rao earned B.A. degrees in Accounting and Economics from Bellarmine University. Mr. Rao is also a Certified Public Accountant.

*Richard W. Anderson* joined Tempur Sealy International in July 2006 and serves as Executive Vice President and President, North America. From 1983 to 2006, Mr. Anderson was employed by The Gillette Company, which became a part of The Procter & Gamble Company in 2005. Mr. Anderson most recently served as the Vice President of Marketing for Oral-B and Braun in North America. Previously, Mr. Anderson was the Vice President of Global Business Management for Duracell. Mr. Anderson has held several management positions in marketing and sales as well as overseeing branding, product development and strategic planning. Mr. Anderson earned a B.S. and an M.B.A. from Virginia Tech.

*David Montgomery* joined Tempur Sealy International in February 2003 and serves as Executive Vice President, Global Business Strategy and Development, with responsibilities including marketing and sales. From 2001 to November 2002, Mr. Montgomery was employed by Rubbermaid, Inc., where he served as President of Rubbermaid Europe. From 1988 to 2001, Mr. Montgomery held various management positions at Black & Decker Corporation, most recently as Vice President of Black & Decker Europe, Middle East and Africa. Mr. Montgomery received his B.A. degree, with honors, from L'Ecole Superieure de Commerce de Reims, France and Middlesex Polytechnic, London.

*Scott Vollet* joined Tempur Sealy International in August 2009 and currently serves as Executive Vice President, Global Operations. From 1987 to 2009, Mr. Vollet was employed by Texas Instruments Incorporated, Gemini Management Consulting and Lexmark International, Inc. Mr. Vollet was previously Vice President of Tempur Sealy Global Supply Chain. He began leading the Global Operations team at Tempur Sealy International in 2013. Mr. Vollet earned a B.S. in Industrial Engineering from the University of Missouri and an M.B.A. from the University of Dallas.

*H. Clifford Buster, III* joined Tempur Sealy International as Executive Vice President, Direct to Consumer, North America in September 2017. From February 2015 to August 2017, Mr. Buster served as the Chief Financial Officer of Berkshire Hathaway Automotive, Inc. From November 2013 to January 2015, Mr. Buster served as an Executive Vice President at Exeter Financial Corp. Mr. Buster has also held leadership positions at Dollar Thrifty Automotive Group, Inc., Helix Energy Solutions Group, Inc. and Group 1 Automotive, Inc. Mr. Buster earned a Bachelor of Accountancy from the University of Mississippi.

## PRINCIPAL SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of March 12, 2019, regarding the beneficial ownership of our outstanding equity securities by:

- each person known to beneficially own more than 5% of Tempur Sealy International's outstanding common stock;
- each of Tempur Sealy International's Directors and Named Executive Officers (as defined below in "Executive Compensation and Related Information"); and
- all of Tempur Sealy International's Directors and executive officers as a group.

Beneficial ownership of shares is determined under Rule 13d-3(d)(1) of the Exchange Act and generally includes any shares over which a person exercises sole or shared voting or investment power and the number of shares that can be acquired within sixty (60) days upon exercise of any option or the conversion of other types of securities. Common stock subject to these options, warrants and rights is deemed to be outstanding for the purpose of computing the ownership percentage of the person holding such options, but is not deemed to be outstanding for the purpose of computing the ownership percentage of any other person. As of the close of trading on March 12, 2019, there were 54,715,562 shares of common stock outstanding, which is used to calculate the percentages in the table below.

Except as otherwise indicated, the persons named in the table below have sole voting and investment power with respect to all shares of common stock held by them.

| <b>Name of Beneficial Owner:</b>                              | <b>Shares Beneficially Owned</b> |                                |
|---|----------------------------------|--------------------------------|
|   | <b>Number of<br/>Shares</b>      | <b>Percentage<br/>of Class</b> |
| <b><u>5% Stockholders:</u></b>                                |                                  |                                |
| H Partners Management, LLC                                    | 8,000,000 <sup>(1)</sup>         | 14.72                          |
| Manulife Financial Corporation                                | 5,568,729 <sup>(2)</sup>         | 10.22                          |
| Route One Investment Company, L.P.                            | 5,092,739 <sup>(3)</sup>         | 9.30                           |
| The Vanguard Group  | 4,175,885 <sup>(4)</sup>         | 7.66                           |
| BlackRock, Inc.   | 4,024,979 <sup>(5)</sup>         | 7.40                           |
| Dynamo Internacional Gestão de Recursos Ltda.                 | 2,723,121 <sup>(6)</sup>         | 5.00                           |
| <b><u>Named Executive Officers and Directors:</u></b>         |                                  |                                |
| Scott L. Thompson   | 897,140 <sup>(7)(8)</sup>        | 1.62                           |
| Bhaskar Rao   | 48,297 <sup>(8)</sup>            | *                              |
| Richard W. Anderson   | 138,500 <sup>(8)</sup>           | *                              |
| David Montgomery  | 455,930 <sup>(8)</sup>           | *                              |
| Scott Vollet  | 50,208 <sup>(9)</sup>            | *                              |
| Evelyn S. Dilsaver  | 39,651 <sup>(8)</sup>            | *                              |
| Cathy R. Gates  | 2,108                            | *                              |
| John A. Heil  | 36,400 <sup>(8)</sup>            | *                              |
| Jon L. Luther   | 20,304 <sup>(8)</sup>            | *                              |
| Richard W. Neu  | 44,872 <sup>(8)</sup>            | *                              |
| Arik W. Ruchim  | see Note <sup>(1)</sup>          | see Note <sup>(1)</sup>        |
| Robert B. Trussell, Jr.                                       | 25,050 <sup>(8)(9)</sup>         | *                              |
| All Executive Officers and Directors as a group (13 persons): | 1,790,566 <sup>(8)</sup>         | 3.23                           |

\* Represents ownership of less than 1% of class.

- (1) Amounts shown reflect the aggregate number of shares of common stock held by H Partners Management, LLC and certain of its affiliates based on information set forth in an amendment to Schedule 13D filed with the SEC on May 9, 2018. H Partners Management, LLC reported shared voting power and shared dispositive power over all 8,000,000 shares. H Partners, LP and H Partners Capital, LLC reported shared voting power and shared dispositive power over 6,009,900 shares. Rehan Jaffer, as the managing member of H Partners Management, LLC and H Partners Capital, LLC, respectively, reported shared voting power and shared dispositive power over all 8,000,000 shares. The address of H Partners Management, LLC and its subsidiaries and affiliates described herein is 888 Seventh Avenue, 29th Floor, New York, NY 10019. Mr. Ruchim, a Partner at H Partners, may be deemed to have voting and dispositive power with respect to certain of these shares. Mr. Ruchim disclaims beneficial ownership of these shares, except to the extent of his respective pecuniary interests.
- (2) Amounts shown reflect the aggregate number of shares of common stock held by Manulife Financial Corporation through its indirect, wholly-owned subsidiaries based on information set forth in an amendment to Schedule 13G filed with the SEC on February 14, 2019. Manulife Asset Management (US) LLC reported sole voting power and sole dispositive power over 5,491,405 shares. Manulife Asset Management Limited reported sole voting power and sole dispositive power over 77,324 of the shares. The address of Manulife Financial Corporation is 200 Bloor Street East, Toronto, Ontario, Canada, M4W 1E5.
- (3) Amounts shown reflect the aggregate number of shares of common stock held by Route One Investment Company, L.P. ("Route One") and certain of its affiliates based on information set forth in a Schedule 13G filed with the SEC on February 14, 2019. Route One, ROIC, LLC and Route One Investment Company, LLC ("General Partner") each reported shared voting power and shared dispositive power over 5,092,739 shares. Route One Offshore Master Fund, L.P. ("Master Fund") reported shared voting power and shared dispositive power over 2,765,965 shares. William F. Duhamel, Jr. and Jason E. Moment, as control persons of Route One and the General Partner, reported shared voting and shared dispositive power over 5,092,739 shares. The address of Route One and its affiliates other than the Master Fund is One Letterman Drive, Building D, Suite DM 200, San Francisco, CA 94129. The address of the Master Fund is c/o Citco Fund Services (Cayman Islands) Limited, 89 Nexus Way, Camana Bay, P.O. Box 31106SMB, Grand Cayman, Cayman Islands.
- (4) Amounts shown reflect the aggregate number of shares of common stock held by The Vanguard Group based on information set forth in an amendment to Schedule 13G filed with the SEC on February 13, 2019. The Vanguard Group reported sole voting power over 25,309 shares, shared voting power over 6,799 shares, sole dispositive power over 4,148,265 shares and shared dispositive power over 27,620 shares. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- (5) Amounts shown reflect the aggregate number of shares of common stock held by BlackRock, Inc. based on information set forth in an amendment to Schedule 13G filed with the SEC on February 6, 2019. BlackRock, Inc. reported sole voting power over 3,839,084 shares and sole dispositive power over all 4,024,979 shares. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- (6) Amounts shown reflect the aggregate number of shares of common stock held by Dynamo Internacional Gestão de Recursos Ltda. ("Dynamo") based on information set forth in an amendment to Schedule 13G filed with the SEC on February 14, 2019. Dynamo reported sole voting and sole dispositive power over 2,723,121 shares. The address of Dynamo is Av. Ataulfo de Paiva, 1235-6 Andar, Rio de Janeiro D5 22440-034, Brazil.
- (7) Includes 113,591 shares of common stock which are the result of the vesting of restricted stock units, however payout of the vested common shares is deferred until thirty days following termination of his employment.
- (8) Includes the following number of shares of common stock which a Director or executive officer has the right to acquire upon the exercise of stock options that were exercisable as of March 12, 2019, or that will become exercisable within 60 days after that date, or other equity instruments which are scheduled to vest and convert into common shares within 60 days after that date:

| Name  | Number of Shares | Name                    | Number of Shares |
|---|------------------|-------------------------|------------------|
| Scott L. Thompson   | 521,365          | Evelyn S. Dilsaver      | 20,825           |
| Bhaskar Rao   | 31,031           | Cathy R. Gates          | —                |
| Richard W. Anderson   | 67,986           | John A. Heil            | 6,837            |
| David Montgomery  | 97,281           | Jon L. Luther           | 3,825            |
| H. Clifford Buster, III                                       | 4,703            | Richard W. Neu          | 3,411            |
| Scott Vollet  | 30,483           | Arik W. Ruchim          | —                |
|   |                  | Robert B. Trussell, Jr. | 9,390            |
| All Executive Officers and Directors as a Group (13 persons): |                  |                         | 797,137          |

- (9) Includes 25,000 shares of common stock owned by RBT Investments, LLC, Robert B. Trussell, Jr. and Martha O. Trussell as tenants in common.

## Agreements with H Partners

*2017 Agreement.* On June 26, 2017, the Company entered into a Non-Disclosure and Standstill Agreement (the "2017 Agreement") with Usman Nabi, a Director of the Company at the time (referred to in the 2017 Agreement as the "Director"), and H Partners Management, LLC ("H Partners"); H Partners, LP; H Partners Capital, LLC; P H Partners LTD; H Offshore Fund LTD.; and Rehan Jaffer (together with H Partners, the "H Partners Group"), which collectively beneficially owned 8,000,000 shares of the outstanding common stock of the Company, par value \$0.01 per share (the "Common Stock") as of May 9, 2018.

The 2017 Agreement provides for (i) certain confidentiality obligations for the Director, (ii) the ability of the Director to disclose Confidential Information (as defined in the 2017 Agreement) to his legal counsel and to other parties within the H Partners Group for the purpose of assisting him in the performance of his duties as a Director of the Company, (iii) requiring compliance with the Company's Insider Trading Policy (as defined in the 2017 Agreement) and the Company's "trading window" and preclearance requirements, and (iv) customary "standstill" provisions that generally prohibit each H Partners Group Member (as defined in the 2017 Agreement) from taking specified action with respect to the Company and its securities, including, among others: (x) acquiring beneficial ownership of twenty percent (20%) or more of the Company's then outstanding Common Stock in the aggregate (among all of the H Partners Group Members and their Affiliates and Associates (as defined in the 2017 Agreement)) or (y) seeking or in any way assisting or facilitating any other person in seeking, among other things, to acquire control of the Company or to engage in certain other extraordinary transactions with respect to the Company or any of its subsidiaries or any material portion of its or their businesses, all as more fully described in the Agreement. The 2017 Agreement contains no restrictions on the ability of the H Partners Group to vote its shares of Common Stock, including in any proxy contest, or to transfer its Common Stock. In addition, the standstill provisions under the 2017 Agreement do not purport to prevent the Director or any other Director from exercising his or her rights to comply with his or her fiduciary duties as a Director of the Company or from participating in board room discussions or private discussions with other members of the Board.

Either the Company or the Director may terminate the right described above to share information at any time by written notice. The date these rights terminate, either in accordance with the terms of the 2017 Agreement or otherwise, is referred to as the "Information Termination Date." The standstill provisions described above terminate six months after the Information Termination Date.

The above summary of the terms of the 2017 Agreement does not purport to be complete and is qualified in its entirety by reference to the 2017 Agreement, a copy of which is filed as an exhibit to the Company's Current Report on Form 8-K filed on June 28, 2017.

*2018 Amendment.* In connection with the then-pending departure of Mr. Nabi from H Partners, the Company and H Partners entered into a letter agreement dated March 23, 2018, which amended the 2017 Agreement (the "2018 Amendment"). Pursuant to the terms of the 2018 Amendment (i) the Company agreed to nominate Mr. Ruchim to the Board at the Annual Meeting, (ii) the H Partners Group members agreed to vote at the Annual Meeting in favor of the Company's nominees for the Board, and (iii) Mr. Ruchim would be permitted to share information with H Partners and certain related parties as the "Director" pursuant to the 2017 Agreement and would be required to comply with the obligations of the Director in the 2017 Agreement.

The above summary of the terms of the 2018 Amendment does not purport to be complete and is qualified in its entirety by reference to the 2018 Amendment, a copy of which is filed as an exhibit to the Company's Current Report on Form 8-K filed on March 26, 2018.

## EXECUTIVE COMPENSATION AND RELATED INFORMATION

### COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis ("CD&A") is organized into eight sections:

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## INTRODUCTION

This CD&A provides information about the material components of our executive compensation programs for our Named Executive Officers ("NEOs"), whose compensation is set forth in the 2018 Summary Compensation Table and other compensation tables contained in this Proxy Statement:

- Scott L. Thompson, Chairman, President and Chief Executive Officer ("CEO");
- Bhaskar Rao, Executive Vice President and Chief Financial Officer ("CFO");
- Richard W. Anderson, Executive Vice President and President, North America;
- David Montgomery, Executive Vice President, Global Business Strategy and Development; and
- Scott J. Vollet, Executive Vice President, Global Operations

In response to direct stockholder feedback during a proxy contest in connection with our 2015 Annual Meeting of Stockholders, our Board of Directors effected several management and compensation changes. These changes included: (i) the recruitment of a highly experienced CEO with a strong record of shareholder value creation, (ii) a strategy realignment to emphasize profit growth as contrasted with sales growth and (iii) a more focused compensation structure that included an aspirational long-term earnings target that would reward management for delivering exceptional outcomes for stockholders. In addition, in order to create a more focused, efficient management structure, since May 2015 we have streamlined our Board of Directors and refreshed the composition of our Board (with eight Directors leaving the Board and five new Directors joining the Board) and significantly reduced the size of our senior management team. Our executive compensation program resulting from these changes is designed to attract, motivate and retain the leaders of our business. Our compensation program is designed to create long-term value for our stockholders. The Aspirational PRSU grants described below were designed by the Compensation Committee based on engagement with our largest stockholder to tightly align the interest of management with the value creation objectives and long-term strategy of our stockholders. As discussed in more detail below, we have also engaged in significant discussions with holders of more than a majority of our outstanding shares in order to ensure that our management's compensation incentives are aligned with the best interests of our stockholders. This CD&A explains how the Compensation Committee of the Board of Directors made compensation decisions in 2018 for our NEOs.

## BUSINESS SUMMARY

We develop, manufacture and market bedding products, which we sell globally. Our long-term strategy is to drive earnings growth while improving the sleep of more people every night, all around the world. Our key initiatives for 2018 included developing the most innovative bedding products in all the markets we serve, investing in our brands and optimizing our worldwide distribution.

In 2018, we began the largest Tempur rollout in our history. During the initial stage, we launched entry-level Tempur mattresses as well as Sealy Hybrid mattresses, pillows and adjustable bases. Our profitability in North America was unfavorably impacted by launch cost and some consumers purchasing our new entry-level mattresses instead of our existing higher-end mattresses. We expect this trend to continue until our higher-end Tempur mattresses are fully floored with our retailers in the second quarter of 2019. In addition, during 2018 our growth rates as compared to 2017 were significantly impacted by the loss of Mattress Firm, Inc. ("Mattress Firm") our largest customer, at the end of the first quarter of 2017. Our gross margins were also unfavorably impacted by significant commodity cost inflation and cheap import mattresses. We remain focused on our omni channel approach, which includes developing our North American distribution network by opening more high end company-owned stores and expanding our online direct to consumer operations.

During the past year, the U.S. bedding industry experienced volatility as certain traditional bedding and department store retailers filed for bankruptcy and consumer demand shifted to a variety of other non-traditional channels. In addition, low-end bedding imports from China significantly increased and competed against our value priced Sealy products in the U.S. market. These imports may be sold below cost. In September 2018, we and other industry participants filed petitions with the U.S. International Trade Commission and the U.S. Department of Commerce, alleging that many of these Chinese imports are being dumped into the U.S. market at prices below cost.

During 2018, we also completed an evaluation of our international operations and identified certain Latin American subsidiaries with low profitability and difficult operating environments containing higher operational risk and volatility. As a result, we decided to divest the net assets of certain of these subsidiaries in the Latin American region and enter into licensee relationships in these markets.

As discussed above, our financial performance for the year reflects the impact of a generally challenging environment. Our total net sales for 2018 increased 0.1% to \$2,702.9 million from \$2,700.6 million in 2017, driven primarily by robust growth in International of 7.6%, offset by a 1.7% decrease in North America. The decline in North America, as compared to 2017, was primarily driven by the termination of our contracts with Mattress Firm on April 3, 2017. North America net sales, excluding Mattress Firm, increased 2.8%. Growth in International was driven primarily by growth across all regions and the change in classification of royalty income due to the adoption of new revenue recognition guidance. Net income was \$100.5 million as compared to \$151.4 million in 2017, driven primarily by increased operating expenses. North America gross margin declined 40 basis points in 2018 compared to 2017 due primarily to commodity cost inflation and unfavorable merchandising mix. International gross margin improved 10-basis points primarily driven by operational improvements and the adoption of the new revenue recognition standard. Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), a non-GAAP financial measure, decreased approximately 4.7% from \$445.6 million in 2017 to \$424.7 million in 2018.

We continue to make strategic investments in order to drive long-term earnings growth, including: introducing new products; investing in increasing our global brand awareness; investing in research and development and productivity initiatives; and taking other actions to further strengthen our business. In 2019, we expect to drive earnings growth through sales growth of Tempur products in North America, pricing actions, improved merchandising mix and expansion of our Direct channel. We expect these factors may be offset by a slight decline in Sealy product sales in North America. We do not expect significant commodity inflation in 2019.

We provide information regarding EBITDA and adjusted EBITDA, neither of which is a recognized item under U.S. general accepted accounting principles ("GAAP") and do not purport to be alternatives to net income as a measure of operating performance. For more information about non-GAAP financial measures, including reconciliations to GAAP information, please refer to [Appendix-A](#) to this Proxy Statement.

## **2018 SAY ON PAY VOTE RESULTS AND STOCKHOLDER OUTREACH**

Our executive compensation program was approved on an advisory basis by approximately 66% of the votes present or represented and entitled to vote at the 2018 Annual Meeting of Stockholders, compared to approximately 88% at the 2017 annual meeting and approximately 77% at the 2016 annual meeting. We value the views and insights of our stockholders, and we believe that constructive and meaningful dialogue with them builds relationships that promote transparency and accountability to the benefit of all. To that end, members of our management and Board periodically conduct outreach, either in person or by telephone, with our stockholders to engage with them regarding, among other things, our business, governance practices and executive compensation programs. The Board and our executive team value such engagements and incorporate the opinions of our stockholders into decision-making processes where appropriate.

Prior to the 2019 Annual Meeting of Stockholders, our Lead Director; Chairman, President & CEO; and Senior Vice President of Human Resources reached out to our eight largest investors, representing over 62% of our outstanding share ownership. The engagement team was selected in order to ensure stockholder perspectives were considered thoroughly by our Board members, as well as by the individuals responsible for designing and implementing our executive compensation programs. The engagement team met with seven stockholders whose ownership represents over 47% of our outstanding shares, not including H Partners Management, LLC. Our largest stockholder, H Partners Management, LLC ("H Partners"), representing nearly 15% of our outstanding shares, is represented by Arik Ruchim on the Company's Board of Directors and Compensation Committee, and therefore H Partners responded that further engagement beyond Mr. Ruchim's routine input as a Board and Compensation Committee member was unnecessary at this time. H Partners, through its current and former Director, were integral in the design and implementation of our Company's executive compensation programs, and are in full support of them.

With respect to the next seven largest stockholders, the representatives of our Board and senior human resources management team met with each of them individually to discuss their views of our corporate governance practices generally, with a specific emphasis on our executive compensation programs. This engagement was directed at better understanding our stockholders' views and providing each of them with the opportunity to offer detailed feedback on our executive compensation programs in a private meeting.

*What We Heard and What We Did*

| <b>Compensation Element</b>                              | <b>Stockholder Feedback</b>  | <b>Our Response</b>  |
|--|--|--|
| Annual Base Salary                                       | <ul style="list-style-type: none"> <li>● Pay for performance</li> </ul>  | <ul style="list-style-type: none"> <li>● Executives did not receive any increases in annual base salary for 2019. Our CEO has not received an increase in annual base salary since he was hired in 2015.</li> </ul>  |
| Annual Incentive Plan (AIP) Awards                       | <ul style="list-style-type: none"> <li>● Use stock price or free cash flow as a metric instead of using financial metrics such as adjusted EBITDA</li> </ul> | <ul style="list-style-type: none"> <li>● We have more control over how we generate earnings than our stock price, so we believe earnings is a better metric, and our long-term incentive values are based on stock price.</li> <li>● We believe that a focus on a single metric is the best motivational tool for our business.</li> <li>● Focus on the generation of free cash flow is critical to our long term capital allocation and revenue growth strategies. We do not believe that it serves as an effective metric for our annual incentive plan as it could, at times, be in conflict with our long term business initiatives.</li> <li>● We did not pay annual bonuses in 2018 because adjusted EBITDA was below our expectations.</li> </ul> |
| Annual Long Term Incentive Awards (Stock Options & RSUs) | <ul style="list-style-type: none"> <li>● Discuss the performance incentive and how decisions are made to allocate between stock options and RSUs</li> </ul>  | <ul style="list-style-type: none"> <li>● LTIP grants, particularly RSUs, provide significant long-term retention incentives. This mitigates turnover among the management team. A cohesive and stable management team is viewed by us as having substantial value to shareholders.</li> <li>● We have a rigid employee performance evaluation policy, which is reflected in the significant reduction of overall corporate headcount and turnover of several key executive positions in the past four years.</li> <li>● We first decide on the dollar value of issuance, and then decide on the allocation between RSUs and stock options based on expense, dilution and other circumstances.</li> </ul>   |
| Special Long-Term Incentive Awards (Aspirational PRSUs)  | <ul style="list-style-type: none"> <li>● Discuss the plan design</li> </ul>  | <ul style="list-style-type: none"> <li>● Over 165 employees participate in the plan</li> <li>● Extraordinarily difficult performance metrics to achieve any payout</li> <li>● Performance at minimum payout level would result in substantial shareholder value accretion</li> </ul>   |

## OUR COMPENSATION PROGRAM

### *Compensation Best Practices*

Our compensation program features specific elements designed to align executive compensation with long-term stockholder interests. We also strive to reflect and implement compensation design and governance best practices in our program. These practices include:

| <b>What We Do</b>  | <b>What We Don't Do</b>   |
|--|---|
| <ul style="list-style-type: none"><li>● Emphasize incentive-based compensation to align pay with performance</li><li>● Place primary emphasis on equity-based compensation to align executive and stockholder interests</li><li>● Tie performance-based incentives to metrics that drive the leadership team and other employees to accomplish our most important business goals</li><li>● Subject executives to significant stock ownership guidelines and holding requirements, which were amended in 2016 to increase the ownership requirement for the CEO and members of the Board of Directors</li><li>● Maintain a Clawback Policy allowing for the recovery of excess compensation resulting from a material financial restatement and fraud, willful misconduct or gross negligence</li><li>● Use tally sheets and other analytical tools to assess executive compensation</li><li>● Engage an independent compensation consultant to advise the Compensation Committee</li><li>● Terminate non-performing officers</li></ul> | <ul style="list-style-type: none"><li>● Permit stock option repricing without stockholder approval</li><li>● Provide uncapped incentive award opportunities</li><li>● Permit stock hedging or stock pledging activities</li><li>● Provide for multi-year pay guarantees within employment agreements</li><li>● Maintain single trigger vesting provisions in the event of a change of control for cash severance or equity award vesting acceleration</li><li>● Provide excessive perquisites or benefits to our NEOs</li></ul> |

### *CEO Annualized Compensation Values and Pay-for-Performance Alignment*

Our CEO's financial interests are strongly aligned with those of our stockholders in two ways. First, a large portion of our CEO's pay is conditioned on the Company meeting aspirational performance goals. Second, by agreement with the Company, our CEO has invested approximately \$9 million of his own funds in the Company's common stock. These aspects of our program were first implemented as part of an extensive recruiting process in 2015 that enabled us to attract, retain, and motivate a highly experienced CEO with an exceptional record of shareholder value creation. That initial approach, as well as the subsequent 2017 Aspirational PRSU grants, reflected feedback from certain stockholders.

As required by SEC rules, amounts reported for 2018 in the Summary Compensation Table do not reflect the full value of certain multi-year awards made in prior years, nor are they indicative of the realizable pay opportunities considered by the Compensation Committee when evaluating pay for performance alignment. The compensation for Mr. Thompson as reported in the Summary Compensation Table is 80% higher than Mr. Thompson's total realizable compensation (that is, potential actual pay delivery) for 2018. The table below summarizes Mr. Thompson's annualized total compensation opportunity.

**Supplemental Table of Pro-Forma  
Annualized Target Total Direct Compensation Value and Realizable Pay Comparisons for Mr. Thompson**

| Compensation Element  | FY 2018(\$)       | Annualized Total (\$) | 2018 Total Realizable Compensation (\$) |
|---|-------------------|-----------------------|---|
| Base Salary   | 1,100,000         | 1,100,000             | 1,100,000                               |
| Annual Incentive  | —                 | —                     | —                                       |
| 2015 Aspirational PRSU Grant (Special Grant) <sup>(1)</sup>               | —                 | —                     | —                                       |
| 2016 Performance-Based PRSU Matching Grant (Special Grant) <sup>(2)</sup> | —                 | 636,315               | 425,343                                 |
| 2017 Stock Option Grant (Special Grant) <sup>(3)</sup>                    | —                 | 2,105,904             | —                                       |
| 2017 Performance-Based PRSU Grant (Special Grant) <sup>(4)</sup>          | —                 | —                     | —                                       |
| 2018 Restricted Stock Grant <sup>(5)</sup>                                | 7,000,021         | 7,000,021             | 4,640,526                               |
| 2018 Stock Option Grant <sup>(6)</sup>                                    | 3,000,001         | 3,000,001             | —                                       |
| <b>Total Direct Compensation</b>  | <b>11,100,022</b> | <b>13,842,241</b>     | <b>6,165,869</b>                        |

- (1) This grant of PRSUs runs through 2018 with a reduced award opportunity and is tied to an aspirational performance goal of achieving more than \$650 million in adjusted EBITDA for 2018, which was not met. Because the performance requirement for vesting was so challenging, at the time of grant these shares were not expected to vest; therefore, no value attributable to these PRSUs is included in the Annualized Target. The Company did not meet the performance target for 2017 or 2018 and accordingly this grant is not included as Realizable Compensation.
- (2) For the annualized value, the grant date value is annualized over the 5-year vesting period. For the 2018 total realizable compensation, the value is calculated by multiplying one-fifth of the grant, or 10,274 shares, by \$41.40, the closing price of the common stock on December 31, 2018.
- (3) For the annualized value, the grant date value is annualized over the 4-year vesting period. For the 2018 total realizable compensation calculation, no value is shown because the exercise price of \$69.50 exceeds the closing price of the common stock on December 31, 2018.
- (4) Because the performance requirement for vesting is so challenging, at the time of grant these shares were not expected to vest; therefore, no value attributable to these PRSUs is included in Annualized Target or Realizable Compensation.
- (5) In January 2018, the Company granted regular annual restricted stock units ("RSUs") for 112,090 shares, vesting over 4 years. For the 2018 total realizable compensation, the value is calculated by multiplying the 112,090 shares by \$41.40, the closing price of the common stock on December 31, 2018.
- (6) In January of 2018, the Company granted regular annual stock options to acquire 125,411 shares, vesting over four years, at an exercise price of \$62.45. For the 2018 total realizable compensation calculation, no value is shown because the exercise price of \$62.45 exceeds the closing price of the common stock on December 31, 2018.

Further, we note that the 2018 annual total compensation of Mr. Thompson, as compared to our median employee, is 39% lower than the 2017 annual total compensation of Mr. Thompson, as compared to our median employee. Please see "2018 CEO Pay Ratio."

*Aspects of Our Compensation Process*

**Roles of the Committee, Compensation Consultant and Management**

The Compensation Committee is comprised solely of independent directors and is responsible for determining the compensation of our CEO and other NEOs. The Compensation Committee's composition has changed significantly since 2015 in connection with the significant change in the composition of the Board in 2015 and 2016 and the Company's transition to a smaller Board in 2016. The Compensation Committee is currently comprised of Messrs. Luther (Chair), Neu and Ruchim. Mr. Neu joined the Compensation Committee in February 2016, Mr. Luther joined the Compensation Committee (as Chair) in May 2016 and Mr. Ruchim joined the Compensation Committee in May 2018.

The Compensation Committee receives assistance during its evaluation process from: (1) Frederic W. Cook & Co., Inc. ("F.W. Cook"), the Compensation Committee's independent consultant; and (2) our CEO and internal compensation staff, led by our Senior Vice President, Human Resources. F.W. Cook has been retained by and reports directly to the Compensation Committee; it does not have any other consulting engagements with the Company. A representative from F.W. Cook generally

attends meetings of the Compensation Committee at the invitation of the Compensation Committee Chair. The Compensation Committee Chair frequently interacts with F.W. Cook between meetings to define the nature of work to be conducted, to review materials to be presented at committee meetings and to obtain the consultant's opinion and perspective on proposals prepared by management. F.W. Cook, at the Compensation Committee's request, regularly provides independent advice on current trends in compensation design and provides executive compensation benchmark data and compensation program proposals to assist in evaluating and setting the overall structure of our executive compensation program and the compensation levels of our NEOs.

In accordance with the requirements of Item 407(e)(3)(iv) of Regulation S-K and the NYSE rules, the Compensation Committee has affirmatively determined that no conflicts of interest exist between the Company and F.W. Cook (or any individuals working on the Company's account on F.W. Cook's behalf). In reaching such determination, the Compensation Committee considered the following enumerated factors, all of which were attested to or affirmed by F.W. Cook:

- during 2018, F.W. Cook provided no services to and received no fees from the Company other than in connection with engagement by the Compensation Committee (the "Engagement");
- the amount of fees paid or payable by the Company to F.W. Cook in respect of the Engagement represented (or are reasonably certain to represent) less than 1% of F.W. Cook's total revenue for the 12 month period ended December 31, 2018;
- F.W. Cook has adopted and put in place adequate policies and procedures designed to prevent conflicts of interest, which policies and procedures were provided to the Company;
- there are no business or personal relationships between F.W. Cook and any member of the Compensation Committee other than in respect of (i) the Engagement, or (ii) work performed by F.W. Cook for any other company, board of directors or compensation committee for whom such Committee member also serves as an independent director;
- F.W. Cook owns no stock of the Company; and
- there are no business or personal relationships between F.W. Cook and any executive officer of the Company other than in respect of the Engagement.

The Compensation Committee reviews and evaluates the CEO's performance and determines and approves the CEO's compensation. The Compensation Committee also reviews, with input from the CEO, the performance of the executive vice presidents ("EVPs") and senior vice presidents ("SVPs") and determines and approves the compensation for EVPs and SVPs. Our CEO reviews the compensation of the other executive officers annually and makes recommendations to the Compensation Committee regarding base salary, annual incentive and long-term incentive compensation plans.

### **Peer Group**

Our Compensation Committee examines competitive peer group and survey information, compiled by F.W. Cook, as one of many factors to assist in determining base salary, annual incentive compensation and stock-based long-term equity awards. In addition to market data, the Compensation Committee considers factors such as individual performance, internal equity among executives, promotion potential and retention risk in determining total compensation for our NEOs. The Compensation Committee periodically benchmarks our executive compensation against the compensation paid to executives at a peer group of publicly-traded companies of similar size and in similar industries to the Company (the "Peer Group") to obtain a general understanding of current compensation practices. The twenty companies currently comprising the Peer Group provide a useful comparison to the Company based, among other things, on their similarity in size, revenues, market capitalization, EBITDA, scope of operations and branded consumer product focus. The Compensation Committee periodically evaluates the appropriateness of the size and composition of the Peer Group, and makes changes to its membership in response to mergers and acquisitions and changes in organizational comparability. In 2018 the Peer Group was changed to add HNI Corporation, which is a peer-of-peers and met the revenue, market capitalization and business comparability criteria used by the Compensation Committee.

The Peer Group companies are listed below:

### 2018 Peer Group

|                                    |                                     |                                     |
|------------------------------------|-------------------------------------|-------------------------------------|
| Brunswick Corporation (BC)         | Herman Miller, Inc. (MLHR)          | Sleep Number Corporation (SNBR)     |
| Carter's, Inc. (CRI)               | HNI Corporation (HNI)               | Steelcase Inc. (SCS)                |
| Columbia Sportswear Company (COLM) | La-Z-Boy Incorporated (LZB)         | Tupperware Brands Corporation (TUP) |
| Deckers Outdoor Corporation (DECK) | Leggett & Platt, Incorporated (LEG) | Under Armour, Inc. (UA)             |
| Gildan Activewear Inc. (GIL)       | lululemon athletica inc. (LULU)     | Williams-Sonoma, Inc. (WSM)         |
| Hanesbrands Inc. (HBI)             | Polaris Industries Inc. (PII)       | Wolverine World Wide, Inc. (WWW)    |
| Hasbro, Inc. (HAS)                 | RH (RH)                             |                                     |

### Tally Sheets

In addition to considering compensation levels for the Peer Group, the Compensation Committee also considers information contained in total compensation tally sheets for each NEO. The Compensation Committee uses tally sheets to evaluate accumulated equity value and total compensation opportunities. The tally sheets summarize each component of compensation, including base salary, annual incentive plan payout, vested and unvested long-term incentive plan awards, 401(k) company contributions, health and welfare benefits, perquisites and potential payments in the event of termination of employment under various scenarios.

### Compensation Objectives

Each element of our compensation program is designed to attract, motivate and retain our management talent and to reward management for strong Company performance and successful execution of key business plans and strategies. We believe that our compensation philosophy aligns management incentives with the long-term interests of our stockholders.

## Compensation Components

The principal components of compensation for our NEOs include the following:

| Pay Element                        | Purpose   | Description   | Link to Performance   |
|------------------------------------|---|---|---|
| Annual Base Salary                 | To attract and retain leadership talent and to provide a competitive base of compensation that recognizes the executive's skills, experience and responsibilities in the position.  | Fixed, non-variable cash compensation.  | Base salary levels are based on a number of factors including each executive's time and sustained performance in a role, internal equity considerations, and succession planning considerations among other factors.  |
| Annual Incentive Plan (AIP) Awards | To provide executives with a clear financial incentive to achieve critical short-term financial and operating targets or strategic initiatives.   | Variable annual cash incentive with payout based on Company performance over the fiscal year. | Annual incentive opportunity is targeted at a competitive level, generally near the market median for each executive. The actual incentive award payout is based on the achievement of the performance criteria and can range from 0% to 200% of target payout. 100% of the FY 2018 AIP payout opportunity was based on the Company's adjusted EBITDA for 2018. Using a Company-wide performance goal based on adjusted EBITDA promotes collaboration and focuses the entire Company on a goal that strongly correlates with stockholder value creation.  |
| Annual Long-Term Incentive Awards  | To align a significant portion of executive compensation to the Company's long-term operational performance as well as share price appreciation and total stockholder return. This component serves to motivate and retain executive talent.    | Annual grants of stock options, PRSUs, and/or restricted stock units "RSUs".                  | <p>The Company has granted annual Long-Term Incentive Plan ("LTIP") awards in the form of stock options, PRSUs and RSUs. Stock options have value only if and to the extent our share price increases from the date of grant to the time of exercise.</p> <p>PRSUs are granted to reward participants for the successful achievement of annual or multi-year performance objectives, using a currency (common stock) that is strongly aligned with stockholder interests.</p> <p>RSUs are granted primarily to enhance retention and reinforce an ownership mentality through enhanced equity stakes.</p> |
| Special Long-Term Incentive Awards | To provide executives with an above market incentive only if significant shareholder value is created or to motivate executives to make significant personal investments in the Company to further executive alignment with other shareholders. | Aspirational performance equity awards and matching awards.                                   | <p>Aspirational awards are earned only if there is significant, above-market improvement in performance over a defined period of time.</p> <p>Matching awards are granted primarily to enhance retention and encourage significant ownership of the Company's common stock by the executive. Since inception of the matching awards, the Company's current executive officers have invested approximately \$11.5 million in the Company's common stock.</p>   |

Overall, the Compensation Committee seeks to strike a balance among the three ongoing components of salary, annual cash bonus and annual equity awards. The Compensation Committee at times has made special equity grants to deal with unusual situations like our termination of our largest North American customer or long-term retention issues when our industry has been disrupted by outside influences. These special grants generally require management to make significant long-term cash investment in our common stock or have lengthy vesting periods, with an emphasis on ensuring that a majority of the total potential compensation for the Company's executive officers is significantly at risk and tied to overall Company performance.

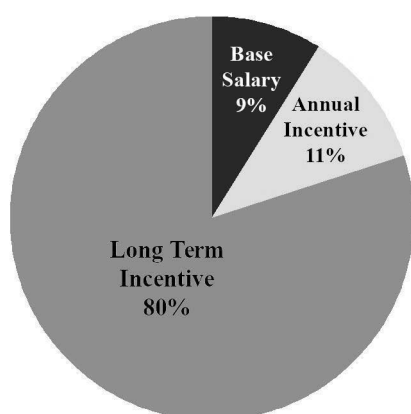


## 2018 Target Compensation Mix

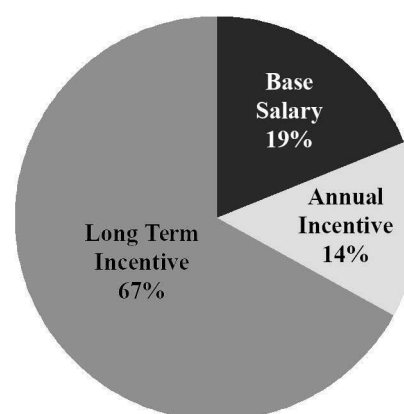
The charts below show that most of our NEOs' target pay mix (excluding special grants) is variable and at risk. For the CEO, 91% of the 2018 target annualized compensation was provided in the form of annual and long-term incentives (see "Our Compensation Program - CEO Annualized Compensation Values and Pay-for-Performance Alignment - Supplemental Table of Pro-Forma Annualized Target Total Direct Compensation Value and Realizable Pay Comparisons for Mr. Thompson" for a description of the elements included in Mr. Thompson's compensation). For the other NEOs, annual and long-term incentives made up 81% of the total target pay mix. The proportions of each pay component shown below may change in the future based on market or performance considerations.

Inclusion of special long-term incentive awards would attribute a greater portion of the mix towards variable and at risk pay, which is not reflective of the regular annual target compensation program. Therefore, special long-term incentive awards are excluded from the charts below:

### CEO Target Compensation Mix



### Other NEOs Target Compensation Mix



## 2018 COMPENSATION ACTIONS

This section summarizes the actions taken by the Compensation Committee for 2018.

### *Rationale for Key Compensation Decisions in 2018*

Our compensation program is designed to align the interests of our NEOs, including our CEO, with our stockholders. In order to create a more focused, efficient management structure, beginning in May 2015 we significantly reduced the size of our senior management team and set challenging performance goals in order to align pay with performance. By having a smaller senior management team, we believe that we are able to more efficiently respond to and capitalize on changes in the market. We also believe that this smaller team's total compensation is very cost effective compared to other organizations and our Company's historical leadership structure.

The Compensation Committee believes strongly in paying for performance. We have been faced with a challenging business environment over the past two years and, while we believe our NEOs have generally navigated this environment effectively, the realizable portions of their equity incentive grants have, by design, been reduced commensurate with the Company's financial performance. Also consistent with this approach, at his request our CEO did not receive a base salary increase in either 2017 or 2018 and the other NEOs did not receive a base salary increase in 2017 unless it corresponded with a change in position.

We have set our annual equity incentive compensation at a level higher than the median for our Peer Group, because we believe tying more of the overall compensation to equity incentives enhances alignment with the interests of our stockholders. Our equity incentive grants have included both annual regular grants and special grants, including "aspirational" PRSU grants that provide for extraordinary compensation to be paid only if extraordinary performance goals are achieved. Our original aspirational program was adopted in 2015 and subsequent aspirational grants were made in August 2017 based on the Compensation Committee's view that the program is highly motivating and promotes the behaviors and thinking among the participants that are consistent with the Company's growth objectives. In addition to our NEOs, these grants were made to our management team (over 160 individuals) in order to ensure that all received the same incentives. These grants each established hurdles requiring annual adjusted EBITDA to increase by more than 40% (relative to grant date levels) in order for any incentive to be earned and 53% from 2018's EBITDA level. The grants were designed to reward only exceptional absolute and relative performance. We believe that most companies in the bedding industry are experiencing negative EBITDA or declining EBITDA; highlighting the truly aspirational nature of the Plan. Additionally, we encouraged our senior management team to invest their own funds in the Company, and they have collectively invested over \$11.5 million.

We recognize that some aspects of our approach to compensation and our decisions on 2017 and 2018 compensation may not conform entirely with generalized approaches that are not individually tailored to a particular company's circumstances, but we believe our approach and the decisions we have made were necessary and appropriate for our business and in the best interests of our stockholders. Specific elements of our compensation package and decisions made during 2018 are discussed below.

#### *Base Salary*

Each of our NEOs' base salary is established pursuant to his employment agreement. The CEO did not receive an increase in base pay for 2018. For other members of senior management, the Compensation Committee determined that an approximate 3% increase in base pay was appropriate. The Committee focuses on total direct compensation, which base salary is a component. The NEOs are targeted at between 50 and 75 percent of our Peer Group with the mix of the components varying. The table below summarizes the annualized salary changes during the year:

| <b>Named Executive Officer</b> | <b>2017 Annual Salary</b> | <b>2018 Annual Salary</b> | <b>Increase (%)</b> |
|--------------------------------|---------------------------|---------------------------|---------------------|
| Scott L. Thompson              | \$1,100,000               | \$1,100,000               | —                   |
| Bhaskar Rao <sup>(1)</sup>     | \$ 430,000                | \$ 443,000                | 3.0%                |
| Richard W. Anderson            | \$ 441,000                | \$ 454,000                | 3.0%                |
| David Montgomery               | £ 298,576                 | £ 307,534                 | 3.0%                |
| Scott J. Vollet <sup>(2)</sup> | \$ 324,450                | \$ 438,000                | 35.0%               |

(1) Mr. Rao was promoted to CFO during 2017. Amount shown for 2017 represents his annualized salary at the end of 2017.

(2) Mr. Vollet served as Senior Vice President, Global Operations during 2017 prior to being promoted to Executive Vice President, Global Operations in 2018. Amount shown for 2017 represents his salary for his prior role.

#### *2018 Annual Incentive Program*

Our annual incentive program ("AIP") ensures that a significant portion of each NEO's annual compensation is at risk and dependent on overall Company performance. The program provides NEOs a clear financial incentive to achieve critical short-term financial and operating targets or strategic initiatives. The Compensation Committee is responsible for administering the AIP pursuant to the terms of our Second Amended and Restated Annual Incentive Bonus Plan for Senior Executives, which was approved by our stockholders in May 2015.

The purpose of the AIP is to focus the NEOs on behaviors that support our overall performance and success and it is designed to achieve that end. The goals are set with a reasonable level of difficulty that requires the Company and NEOs to perform at a high level in order to meet them. The attainment of these goals and objectives is not assured. Payouts in any year above 100% (target level) indicate significant accomplishment with performance above expectation.

On average, target bonus opportunities for our NEOs were targeted at the market median. The following table sets forth the targeted annual incentive levels for each NEO in 2018, shown as a percentage of his annual base salary at year-end, along with the maximum potential incentive opportunity:

| <b>Named Executive Officer</b> | <b>Target Award as a % of Salary</b> | <b>Target Award (\$)</b> | <b>Maximum Award as a % of Salary</b> |
|--------------------------------|--------------------------------------|--------------------------|---------------------------------------|
| Scott L. Thompson              | 125%                                 | \$1,375,000              | 250%                                  |
| Bhaskar Rao                    | 70%                                  | \$ 310,100               | 140%                                  |
| Richard W. Anderson            | 70%                                  | \$ 317,800               | 140%                                  |
| David Montgomery               | 70%                                  | £ 215,274                | 140%                                  |
| Scott J. Vollet                | 70%                                  | \$ 306,600               | 140%                                  |

Messrs. Thompson, Rao, Anderson and Montgomery were assigned the same target bonus opportunity for 2018 as in 2017. Mr. Vollet's target bonus for 2018 was increased to reflect his promotion to Executive Vice President, Global Operations, effective January 2018.

Company-wide adjusted EBITDA was selected as the sole performance metric for the 2018 AIP, consistent with the change made by the Compensation Committee in 2016 to simplify the program's design by (i) eliminating multiple goals and different goals for different groups, (ii) eliminating subjective goals and (iii) promoting collaboration. The Compensation Committee believes that adjusted EBITDA strongly correlates with long-term stockholder value creation. Performance was required to be measured with no adjustment for currency fluctuations, consistent with the Company's financial statements, to further align executive and stockholder interests. This target is consistent with non-NEOs 2018 AIP and is designed to foster teamwork at all levels. The target was \$470 million in adjusted EBITDA, at which payout for all NEOs would be 100%. The minimum and maximum were \$440 million and \$500 million, respectively. Based on these targets, no payouts were made under 2018 AIP to NEOs or non-NEOs.

| <b>Named Executive Officer</b> | <b>2018 Target</b> | <b>Percentage of Overall Incentive Target</b> | <b>2018 Actual Payout</b> |
|--------------------------------|--------------------|---|---------------------------|
| Scott L. Thompson              | \$1,375,000        | —   | —                         |
| Bhaskar Rao                    | \$ 310,100         | —   | —                         |
| Richard W. Anderson            | \$ 317,800         | —   | —                         |
| David Montgomery               | £ 215,274          | —   | —                         |
| Scott J. Vollet                | \$ 306,600         | —   | —                         |

#### *2018 Annual Long-Term Incentive Grants (Regular Annual Grants)*

Members of senior management, including our NEOs, are eligible to receive equity compensation awards under our equity incentive plans. As previously discussed, we believe that providing equity awards as a component of compensation for senior managers aligns the interests of management with the interests of our stockholders and provides an additional method of compensation where the return is directly tied to stockholders' return on their investment. Our practice prior to 2016 had been to grant multiple forms of long-term incentive awards, each intended to accomplish different objectives. In connection with a recalibration of compensation incentives in 2016, the Compensation Committee chose to use RSUs as a balance to the outstanding performance-based special awards and to enhance retention and an ownership mentality by enhancing equity stakes. Accordingly, as in 2016 and 2017, annual LTIP grants for 2018 were in the form of RSUs vesting over four years. Additionally, the Compensation Committee granted stock options, which vest over four years, and also align the interests of management with the interests of stockholders. The Compensation Committee reserves the right to adjust the target award mix from year to year, as deemed appropriate.

The Compensation Committee approved targeted equity values for each of our NEOs in early 2018. Similar to 2017, the Compensation Committee determined that the target equity value for Mr. Thompson's 2018 annual grant should be set at \$7,000,000, consistent with prior years, and is in the top quartile of the market. For Messrs. Anderson, Montgomery and Rao, the target value of the 2018 annual equity grants remained at the same level as the 2017 annual equity grants. For Mr. Vollet, his target annual equity grant was increased for 2018 to \$975,000 to reflect his promotion to Executive Vice President, Global Operations during 2018.

The following table summarizes the 2018 annual grants to the NEOs:

| Named Executive Officer | 2018 LTIP RSUs Grant Date      |           | 2018 LTIP Options Grant             |              |
|-------------------------|--------------------------------|-----------|-------------------------------------|--------------|
|                         | Fair Value (\$) <sup>(1)</sup> | # of RSUs | Date Fair Value (\$) <sup>(2)</sup> | # of Options |
| Scott L. Thompson       | 7,000,021                      | 112,090   | 3,000,001                           | 125,411      |
| Bhaskar Rao             | 974,969                        | 15,612    | 450,008                             | 18,812       |
| Richard W. Anderson     | 974,969                        | 15,612    | 450,008                             | 18,812       |
| David Montgomery        | 1,099,994                      | 17,614    | 450,008                             | 18,812       |
| Scott J. Vollet         | 974,969                        | 15,612    | 450,008                             | 18,812       |

(1) The RSU grant date fair value is based on \$62.45, the closing price of the Company's common stock on January 5, 2018, the grant date.

(2) The Option grant date fair value is based on the Black Scholes value of the Company's stock as of January 5, 2018, the grant date.

### *2015 Aspirational Grants*

To encourage significant increases in profitable growth and stockholder value creation, in 2015 the Board of Directors established an aspirational objective for the Company to achieve more than \$650 million in adjusted EBITDA for 2017. To achieve this aspirational objective, the Company would need to increase its adjusted EBITDA by nearly \$200 million, or more than 40%, above the Company's 2015 adjusted EBITDA. To reinforce this objective and encourage "aspirational pay for aspirational performance," the Compensation Committee approved special aspirational PRSU grants (the "2015 Aspirational PRSUs") for a group of senior executives, including our NEOs.

The Company did not meet the adjusted EBITDA targets for the 2015 Aspirational PRSUs, and accordingly none of these awards were earned.

### *2017 Aspirational Grants*

In August 2017, in light of the termination of our relationship with Mattress Firm and taking into account feedback from certain stockholders that the Company needed to implement new incentives in light of the Company's changed environment, the Company granted executive officers and certain members of management approximately 1.5 million new PRSUs that vest if the Company achieves a certain level of adjusted EBITDA during four consecutive fiscal quarters as described below (the "2017 Aspirational PRSUs" and, together with the 2015 Aspirational PRSUs, the "Aspirational PRSUs").

*Summary of Vesting and Performance Targets.* The 2017 Aspirational PRSUs vest in accordance with a formula related to the Company's adjusted EBITDA, as measured over any four consecutive fiscal quarters (each a "Four Quarter Period") during two separate measurement periods. The first measurement period consists of the fiscal quarters ending March 31, 2018 through December 31, 2019 (the "First Designated Period"). The second measurement period consists of the fiscal quarters ending March 31, 2020 through December 31, 2020 (the "Second Designated Period"). In order to earn the full amount of these PRSUs, the Company's adjusted EBITDA must increase by more than \$200 million as compared to the \$445.6 million in adjusted EBITDA for 2017, the year the 2017 Aspirational PRSUs were granted on the terms and conditions described in the grant agreements.

As used in the context of the 2017 Aspirational PRSUs, adjusted EBITDA means the Company's "Consolidated EBITDA" as such term is defined in the Company's current senior secured credit facility. The 2017 Aspirational PRSUs may be converted into time-based vesting RSUs upon a change of control.

The Compensation Committee believes that the 2017 Aspirational PRSUs, by providing extraordinary compensation for extraordinary performance, will serve as a significant incentive tool over the next 2 years. The Compensation Committee does not currently expect that it will adopt a new aspirational PRSU program covering any period prior to December 31, 2020. During that period, the 2017 Aspirational PRSUs will serve as a significant component of the NEOs' at-risk performance-based compensation.

## 2019 COMPENSATION ACTIONS

Set forth below is a brief summary of the compensation decisions made by the Compensation Committee in late December 2018 and early 2019 relating to compensation for 2019.

### *2019 Base Salary*

No NEOs received an increase to base salary for 2019.

### *2019 Annual Incentive Program (2019 AIP)*

Company-wide adjusted EBITDA was selected as the sole performance metric for the 2019 AIP, consistent with the change made by the Compensation Committee in 2016 to simplify the program's design. The Compensation Committee believes that adjusted EBITDA strongly correlates with long-term stockholder value creation. The target bonus under the 2019 AIP allocable to the Company-wide adjusted EBITDA goal is 100% and the potential range of each NEO's bonus based on this Company goal is 50% to 200% of the target bonus.

Adjustments were also made to target annual incentive award opportunities for the NEOs for 2019 as follows:

| <b>Named Executive Officer</b> | <b>Target Award as a % of Salary</b> |
|--------------------------------|--------------------------------------|
| Scott L. Thompson              | 135%                                 |
| Bhaskar Rao                    | 75%                                  |
| Richard W. Anderson            | 75%                                  |
| David Montgomery               | 75%                                  |
| Scott J. Vollet                | 75%                                  |

### *2019 Annual Long-Term Incentive Grants (Regular Annual Grants)*

The Compensation Committee approved annual long-term incentive awards for each of our NEOs for 2019. The Compensation Committee determined that the entire 2019 LTIP grant would be in the form of RSUs to best motivate the Company's executive officers and to further reinforce the link between the interests of our executive officers and our shareholders. In choosing to provide the LTIP grants in the form of RSUs, the Compensation Committee noted that RSUs are more retentive during this transitional period of our business, less dilutive, in terms of overall share usage, than stock options, and there is a significant performance-based incentive from the outstanding 2017 aspirational grants.

## OTHER COMPENSATION-RELATED POLICIES

### **Executive Stock Ownership Guidelines**

Our Board of Directors has adopted minimum stock ownership guidelines for our executive officers and Directors. The principal objective of the guidelines is to enhance the linkage between the interests of stockholders and our executive officers and Directors by requiring a meaningful, minimum level of stock ownership. The current guidelines provide that, within five years of becoming subject to the stock ownership guidelines, our CEO should own shares valued at an amount equal to six times his base salary, and that all other executive officers should own shares valued at an amount equal to three times the executive's base salary. Our Directors also are required to own, within five years of becoming subject to the stock ownership guidelines, shares valued at an amount equal to five times the Director's annual cash retainer (excluding any cash retainers paid for any committee or as Chair or Lead Director). Compliance is determined based on the value of holdings of shares of stock and all vested restricted shares, restricted stock units, deferred stock units, performance units and other vested equity awards ("vested awards"), excluding any unvested equity awards or vested stock options. The value of holdings of stock and vested awards is based on the average closing price of the Company's common stock on the NYSE for the most recent period from February 15 through May 14. The number of shares underlying vested awards that may be included in the value of the holdings is calculated net of the number of shares necessary to cover estimated taxes with respect to such vested awards that have not yet become

payable. Until the guidelines are met, executive officers and Directors are required to retain at least 50% of the "Net Profit Shares," as defined below, and will be deemed to be in compliance with the guidelines while they comply with this retention obligation. "Net Profit Shares" means all shares of common stock received on vesting or earn-out of vested awards and shares received on exercise of stock options, in each case net of shares of common stock sold or withheld for payment of the exercise price or to pay any taxes related to the equity awards.

If an executive officer or Director achieves compliance with these guidelines and then falls out of compliance as of the end of the next measuring period due to changes in the market price of the common stock or an increase in base salary or cash retainer, that person will not be required to purchase shares in order to regain compliance, but will be deemed to be in compliance if going forward he or she retains at least 50% of his or her Net Profit Shares. In addition, if the person falls out of compliance for any other reason that person will be deemed to have remained in compliance if he or she retained at least 50% of his or her Net Profit Shares. The compliance of any Director who is an employee of an institutional stockholder of the Company, and has waived any right to receive compensation as a Director, will be calculated based on the stock ownership of that institutional stockholder and the average annual cash retainer paid to other Directors as of the end of the measurement period. For 2018, all of our executives and Directors were on track to maintain compliance with the minimum stock ownership guidelines.

### **Anti-Hedging and Anti-Pledging Policy**

The Company's Insider Trading and Confidentiality Policy prohibits employees, executive officers and members of the Board of Directors from hedging or pledging Company securities.

### **Clawback Policy**

In early 2015, we adopted a Clawback Policy that provides that certain performance-based compensation is recoverable from an officer if we determine that an officer has engaged in fraud, willful misconduct or gross negligence that directly caused or otherwise directly contributed to the need for a material restatement of our financial results. Performance-based compensation includes all annual incentives and long-term incentives with performance features based on our financial performance, whether paid in cash or in equity, where the award or size of the award was contingent on such performance. If our Compensation Committee determines, in its reasonable discretion, that any such performance-based compensation would not have been paid or would have been at a lower amount had it been based on the restated financial results, it will report its conclusions to the Board. If the Board determines action is necessary or appropriate, the Board may within 12 months of such a restatement, to the extent permitted by applicable law, seek recoupment from such officer of the portion of such performance-based compensation that is greater than that which would have been awarded or earned had such compensation been calculated on the basis of the restated financial results.

### **Other Benefits / Perquisites**

We offer a 401(k) plan to all of our eligible U.S. employees, including our senior management and our NEOs other than Mr. Montgomery, who is a citizen of the United Kingdom. The 401(k) plan is designed to allow employees to save for retirement as well as defer current earnings and recognize them later in accordance with statutory regulations when their individual income tax rates may be more beneficial. In 2018, in accordance with the terms of the plan, we matched 100% of the first three percent of each match-eligible participating employee's salary that is deferred and 50% of the fourth and fifth percent of salary deferred. We made the matching contribution in 2018 for all match-eligible participating employees, including the match-eligible participating NEOs. In addition, the 401(k) plan permits us to provide a discretionary contribution of up to 3% of eligible compensation to eligible participants. We did not provide a discretionary contribution to plan participants for the year ending December 31, 2018, and do not expect to for the year ending December 31, 2019. However, the decision to make the discretionary contribution is at our sole discretion.

We do not offer any other U.S. defined contribution or defined benefit pension plans in which executive officers, including the NEOs, are eligible to participate. There are no alternate plans in place for senior management except for Mr. Montgomery. For more information regarding Mr. Montgomery's pension benefits see "Potential Payments upon Termination or Change in Control" elsewhere in this Proxy Statement.

We provide reimbursement for financial planning expenses for NEOs of up to \$10,000 per year. The program is intended to cover some, if not most, of the expense associated with having a financial advisor and to allow executives more time to focus on business and personal matters. We also provide a car allowance for Mr. Montgomery in the amount of £15,000 pursuant to the terms of his original employment agreement entered into when he joined us in 2003.

We provide the use of corporate aircraft to certain executives in limited circumstances, as discussed in Note 4 to the Summary Compensation Table.

In the aggregate, we believe the perquisites we provide are comparable in scope to those who compete with us for executive talent.

We also offer various broad-based employee benefit plans. NEOs participate in these plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may apply. Our NEOs also receive certain other benefits that are discussed in Note 4 to the Summary Compensation Table.

### **Employment Agreements**

Each of our NEOs is a party to an employment agreement with the Company. These employment agreements provide for severance arrangements in the event of termination of employment in certain circumstances and also provide for non-competition, non-solicitation and confidentiality agreements. These severance arrangements are discussed in more detail below under "Potential Payments upon Termination or Change in Control." The employment agreements for our NEOs were put in place at the time they either joined the Company at the level of EVP or above or were promoted to EVP of the Company. We believe that these agreements, including the severance provisions, are necessary to allow us to be competitive in recruiting and retaining top talent for executive officer positions. The Compensation Committee believes that the employment agreements in place for its executive officers are appropriate for the Company's needs. However, as part of its analysis of the reasonableness of each individual element of compensation and each NEO's compensation package as a whole, the Compensation Committee periodically analyzes these arrangements for reasonableness and market competitiveness.

### **Tax and Accounting Implications**

#### *Deductibility of Compensation under Section 162(m) of the Code*

Until 2017, Section 162(m) of the Internal Revenue Code of 1986 (the "Code") limited the Company's annual deduction for certain compensation paid to certain of our executives, including the NEOs, to \$1 million each year unless certain requirements were met. As a result of the U.S. Tax Cuts and Jobs Act of 2017, the exemption from Section 162(m) for certain "qualified performance-based compensation" ceased to be generally available beginning in 2018. Despite this change, the Company's compensation philosophy remains consistent with the principle underlying the qualified performance-based compensation exemption: that a large portion of each NEO's compensation should be at risk based on performance.

#### *Accounting for Stock-Based Compensation*

We account for stock-based payments, including under the 2003 Equity Incentive Plan and the Amended and Restated 2013 Equity Incentive Plan, in accordance with FASB ASC 718, "Stock Compensation."

### **OVERALL COMPENSATION APPROACH AND RISK INCENTIVES**

The Compensation Committee considers, in establishing and reviewing compensation programs, whether the programs encourage unnecessary or excessive risk taking and has concluded that they do not. Base salaries are fixed in amount and thus do not encourage risk taking. In 2018, employees were also eligible to receive a portion of their total compensation in the form of "at risk" compensation opportunities, including the annual incentive and, for senior managers, the long-term incentive awards. The portion of "at risk" compensation increases as an employee's level of responsibility within the Company increases. While the annual incentive awards focus on achievement of annual goals, and annual goals may encourage the taking of short-term risks

at the expense of long-term results, the Company's annual incentive program represents only a portion of eligible employees' total compensation opportunities. In addition, the AIP currently uses a single metric based on adjusted EBITDA, which is calculated based on the Company's audited financial results and a set of pre-established objective adjustments. The Compensation Committee's practice is to have the calculations for these awards reviewed by the Company's independent public accountants when there are payouts. The Compensation Committee believes that the AIP appropriately balances risk and the desire to focus eligible employees on specific short-term goals important to the Company's success, and that it does not encourage unnecessary or excessive risk taking.

The majority of "at risk" compensation provided to senior managers is in the form of long-term equity awards that help further align senior managers' interests with those of the Company's stockholders. The granting of these awards is generally on an annual and therefore overlapping basis, and these grants are subject to multi-year vesting schedules. As described above, a significant portion of long-term equity awards are provided in the form of stock options, RSUs and PRSUs. In addition, the Company also made special grants of aspirational PRSU awards pursuant to an aspirational program implemented in 2015 and a follow-on program implemented in 2017. The ultimate value of the stock option and RSU awards is tied to the Company's long-term stock price performance, while the value of the PRSU awards is dependent both on the Company's operating results over a multi-year period and the price performance of our stock. As additional risk mitigating factors, the performance targets for the 2015 Aspirational PRSUs and 2017 Aspirational PRSUs are based on pre-established goals that are based on the Company's audited (or, in the case of the 2017 Aspirational PRSUs, unaudited quarterly) financial results and a set of objective adjustments. The Compensation Committee's practice is to have the calculations for these awards reviewed by the Company's independent public accountants when there are payouts. In addition, the 2017 Aspirational PRSUs are based on aspirational performance targets based on rolling four quarter periods ending between March 31, 2018 and December 31, 2020, and the new program has a performance target range (\$600-\$650 million) rather than a single target threshold (\$650 million). Both of these changes may create less of an incentive to take short-term risks at the expense of long-term results. Based on this long-range focus and these other factors, the Compensation Committee believes that these awards do not encourage unnecessary or excessive risk-taking.

As more fully described above, the Company maintains stock ownership guidelines applicable to executive officers and members of the Board of Directors intended to encourage long-term ownership of a significant amount of Tempur Sealy International stock in order to promote a long-term "owner's" view of our business. The Compensation Committee believes the Company's compensation programs encourage employees to strive to achieve both the short and long-term goals that are important to the Company's success without promoting unnecessary or excessive risk taking.

## **COMPENSATION COMMITTEE REPORT**

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Tempur Sealy International specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended ("Securities Act"), or the Exchange Act.

The Compensation Committee is comprised entirely of independent directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis section required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis section be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Submitted by,

COMPENSATION COMMITTEE

Jon L. Luther (Chair)

Richard W. Neu

Arik W. Ruchim



## COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to Tempur Sealy International for the year ended December 31, 2018, of those persons who served as (i) our principal executive officer during the year ended December 31, 2018, (ii) our principal financial officer during the year ended December 31, 2018, and (iii) our other three most highly compensated Executive Officers for the year ended December 31, 2018. In this section of the Proxy Statement we refer to these persons collectively as our "NEOs."

## Summary Compensation Table

| Name and Principal Position                     | Year | Salary (\$) | Bonus (\$) <sup>(1)</sup> | Stock Awards (\$) <sup>(2)</sup> | Option Awards (\$) <sup>(2)</sup> | Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup> | Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) <sup>(4)</sup> | Total (\$) |
|---|------|-------------|---------------------------|----------------------------------|-----------------------------------|--|---|--|------------|
| <b>Scott L. Thompson</b>                        |      |             |                           |                                  |                                   |  |   |  |            |
| Chairman, President and Chief Executive Officer | 2018 | 1,100,000   | —                         | 7,000,021                        | 3,000,001                         | —  | —   | 196,326                                    | 11,296,348 |
|   | 2017 | 1,100,000   | —                         | 7,000,000                        | 8,423,616                         | 1,375,000  | —   | 122,780                                    | 18,021,396 |
|   | 2016 | 1,100,000   | —                         | 3,181,573                        | —                                 | 1,934,625  | —   | 20,976                                     | 6,237,174  |
| <b>Bhaskar Rao</b>                              |      |             |                           |                                  |                                   |  |   |  |            |
| EVP and Chief Financial Officer                 | 2018 | 443,000     | —                         | 974,969                          | 450,008                           | —  | —   | 29,373                                     | 1,897,350  |
|   | 2017 | 430,000     | —                         | 975,000                          | 601,680                           | 192,281  | —   | 23,735                                     | 2,222,696  |
| <b>Richard W. Anderson</b>                      |      |             |                           |                                  |                                   |  |   |  |            |
| EVP and President, North America                | 2018 | 454,000     | —                         | 974,969                          | 450,008                           | —  | —   | 31,406                                     | 1,910,383  |
|   | 2017 | 441,000     | —                         | 975,000                          | 1,173,285                         | 308,700  | —   | 20,504                                     | 2,918,489  |
|   | 2016 | 441,000     | 500,000                   | 2,076,402                        | —                                 | 434,341  | —   | 23,960                                     | 3,475,703  |
| <b>David Montgomery<sup>(6)</sup></b>           |      |             |                           |                                  |                                   |  |   |  |            |
| EVP, Global Business Strategy and Development   | 2018 | 392,014     | —                         | 1,099,994                        | 450,008                           | —  | —   | 87,701                                     | 2,029,717  |
|   | 2017 | 367,248     | —                         | 1,100,000                        | 1,323,705                         | 257,074  | —   | 76,705                                     | 3,124,732  |
|   | 2016 | 365,756     | 500,000                   | 1,100,000                        | —                                 | 360,233  | —   | 76,705                                     | 2,402,694  |
| <b>Scott J. Vollet</b>                          |      |             |                           |                                  |                                   |  |   |  |            |
| EVP, Global Operations                          | 2018 | 438,000     | —                         | 974,969                          | 450,008                           | —  | —   | 23,985                                     | 1,886,962  |
|   | 2017 | 324,500     | —                         | 500,000                          | 601,680                           | 162,225  | —   | 19,598                                     | 1,608,003  |

(1) In 2016, the Company paid retention bonuses in connection with the termination of our previous CEO and the commencement of the search for a new CEO. The retention bonuses were approved by the Board of Directors in May 2015 for NEOs and other senior executives, and the retention bonuses were contingent upon certain performance criteria, which were met.

(2) No option awards were granted in 2016. For stock awards, the value set forth is the grant date fair value, in accordance with FASB ASC 718. See Note 12 "Stock-based Compensation" to the Company's Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for a complete description of the valuation. Stock awards include RSU and matching PRSU grants, both of which are described in the Compensation Discussion and Analysis section and in the Grants of Plan-Based Awards table elsewhere in this Proxy Statement. The grant date fair values of these grants represent the value at the grant date based upon the probable outcome of the performance conditions set forth in the awards. With respect to the RSUs granted on January 5, 2017 and February 11, 2016, with performance periods that ended December 31, 2017 and December 31, 2016, respectively, the maximum potential value of the awards is 100% of target, based on achievement of a target based on positive profit as defined in the respective award agreements, and these performance tests were met. RSUs granted on January 5, 2018 did not have performance conditions. With respect to the matching PRSUs granted in 2016 with a performance period that ended December 31, 2016, the maximum potential value of the matching PRSU is 100% of target, based on achievement of a target based on positive profit as defined in the applicable award agreements, and this performance test was met.

With respect to the 2017 Aspirational PRSUs described in more detail under "Compensation Discussion and Analysis - 2018 Compensation Actions - 2017 Aspirational Grants," the value included in the "Stock Awards" column for each NEO is \$0, because at the time of grant these shares were not expected to vest. As more fully described under "Compensation Discussion and Analysis - 2018 Compensation Actions - 2017 Aspirational Grants," the PRSUs will vest in accordance with the Company's Adjusted EBITDA (as defined in the award agreements) as measured over any four consecutive fiscal quarters during two separate measurement periods. The first measurement period consists of the fiscal quarters ending March 31, 2018 through December 31, 2019.

#### **2017 Aspirational Grant**

| <b>Named Executive Officer</b> | <b>Number of Shares at Target</b> | <b>If Earned, Value based on Closing Price of Stock at Grant Date (\$)</b> |
|--------------------------------|-----------------------------------|--|
| Scott L. Thompson              | 620,000                           | 36,927,200   |
| Bhaskar Rao                    | 100,000                           | 6,215,500  |
| Richard W. Anderson            | 135,000                           | 8,040,600  |
| David Montgomery               | 135,000                           | 8,040,600  |
| Scott J. Vollet                | 100,000                           | 5,720,500  |

(3) Non-Equity Incentive Plan Compensation payouts are reported in the year they are earned although paid in the following year.

As described in the Compensation Discussion and Analysis section, above, no AIP was paid for any of the NEOs for 2018 because performance fell below the threshold established under the 2018 AIP.

As a result of the termination of the Mattress Firm relationship and the Company's revised expectations for 2017, in March 2017 the Compensation Committee determined that the approved 2017 AIP no longer served as a meaningful performance incentive for the remainder of the year based on the original Adjusted EBITDA goals. In response, and at the request of the CEO that the Compensation Committee provide assurances to participants in the 2017 AIP other than the CEO, pursuant to the discretion reserved under the 2017 AIP to make adjustments for extraordinary events the Compensation Committee committed that the bonuses under the 2017 AIP would be paid at least at 100% of target (other than for the CEO) to retain and focus the executive team and key employees during this transitional period.

In March 2018, based on the commitment made in March 2017 as described above, the Compensation Committee approved payouts under the 2017 AIP at 100% of target value for all participants other than the CEO. With respect to the CEO, in March 2018 the Compensation Committee reviewed the CEO's performance for 2017, including the significant progress made in responding to the termination of the Mattress Firm relationship, and concluded it was appropriate to exercise the discretion reserved under the 2017 AIP for extraordinary events and make adjustments for the Mattress Firm termination. However, the Compensation Committee also determined that it was not possible to determine what Adjusted EBITDA would have been in the absence of the termination of Mattress Firm. In light of the inability to calculate specific adjustments, the Compensation Committee considered Mr. Thompson's overall performance for 2017. Based on its evaluation, the Compensation Committee determined that the appropriate adjustment was to approve a payout for the CEO under the 2017 AIP at 100% of target value.

In light of Mr. Rao's promotion to CFO effective October 13, 2017, (i) the amount of Mr. Rao's target bonus for 2017 with respect to the period up to October 13, 2017 was based on 50% of his base salary paid with respect to the period from January 1, 2017 to October 13, 2017 and (ii) the amount of Mr. Rao's target bonus for 2017 with respect to the period from October 13, 2017 through December 31, 2017 was based on 70% of his base salary paid with respect to such period.

(4) Represents amounts paid in 2018 on behalf of each of our NEOs for the following:

| Named Executive Officer | Life and Disabilities Insurance Premiums (\$) | Contributions to Qualified Defined Contribution Plans (\$) | Car Allowance(\$) | Tax Preparation, Legal and Financial Planning Fees(\$) |   | Relocation (\$) | Severance Payments (\$) | Use of Corporate Aircraft (\$)(a) | Income Tax Gross-Up (\$)(b) |
|-------------------------|---|--|-------------------|--|---|-----------------|-------------------------|-----------------------------------|-----------------------------|
|                         |   |  |                   |  |   |                 |                         |                                   |                             |
| Scott L. Thompson       | 2,985   | 11,000   | —                 | 10,000   | — | —               | —                       | 165,289                           | 7,052                       |
| Bhaskar Rao             | 2,985   | 11,000   | —                 | 10,000   | — | —               | —                       | 5,388                             | —                           |
| Richard W. Anderson     | 2,985   | 11,000   | —                 | 10,000   | — | —               | —                       | 7,421                             | —                           |
| David Montgomery        | 20,741  | 47,839   | 19,121            | —  | — | —               | —                       | —                                 | —                           |
| Scott J. Vollet         | 2,985   | 11,000   | —                 | 10,000   | — | —               | —                       | —                                 | —                           |

(a) Corporate aircraft use is governed by a Corporate Aircraft Policy adopted by the Compensation Committee in connection with the Company's decision to allow members of the Board and executive team to use company-owned, chartered or leased aircraft. Pursuant to SEC rules, certain uses of corporate aircraft, including commuting from an executive's personal residence to its headquarters in a different city, is considered "personal" and thus must be disclosed as a perquisite. For 2018, \$122,960 of Mr. Thompson's use of Company aircraft was comprised of commuting flights.

(b) The Company does not provide for United States Federal, State or local income tax gross-ups relating to imputed income to employees except in limited circumstances. The Company does provide for such gross-ups in certain circumstances under its Corporate Aircraft Policy. The total amount of such gross-ups during 2018 was \$7,052.

(5) Mr. Montgomery's salary and Non-Equity Incentive Plan Compensation are paid in British Pounds (£) and are converted to United States Dollars (\$) using the spot rate on the last business day of each year. The variation in Mr. Montgomery's salary year-to-year is due to variation in the conversion rate.

## Grants of Plan-Based Awards

The following table provides information about annual and long term incentive award opportunities granted to our NEOs during 2018. These incentive award opportunities are described in the Compensation Discussion and Analysis section of this Proxy Statement under "2018 Compensation Actions - 2018 Annual Incentive Program" and "2018 Compensation Actions - 2018 Annual Long-Term Incentive Grants (Regular Annual Grants)".

| Name/Type of Award                        | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup> |              | Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup> |               | All Other Stock Awards: Number of Shares or Stock Units (#) | All Other Stock Awards: Number of Shares of Stock Units (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$) <sup>(3)</sup> |
|---|------------|--|--------------|--|---------------|---|---|--|---|--|
|   |            | Threshold (\$)   | Target (\$)  | Maximum (\$)   | Threshold (#) |   |   |  |   |  |
| <b>Scott L. Thompson</b>                  |            |  |              |  |               |   |   |  |   |  |
| Annual Incentive Bonus                    |            | —  | \$ 1,375,000 | \$ 2,750,000   |               |   |   |  |   |  |
| Stock Award (RSU) <sup>(4)</sup>          | 1/5/2018   |  |              |  | 112,090       | 112,090   |   |  |   | 7,000,021  |
| Stock Award (Stock Option) <sup>(4)</sup> | 1/5/2018   |  |              |  | 125,411       | 125,411   |   |  |   | 3,000,001  |
| <b>Bhaskar Rao</b>                        |            |  |              |  |               |   |   |  |   |  |
| Annual Incentive Bonus                    |            | —  | 310,100      | 620,200  |               |   |   |  |   |  |
| Stock Award (RSU) <sup>(4)</sup>          | 1/5/2018   |  |              |  | 15,612        | 15,612  |   |  |   | 974,969  |
| Stock Award (Stock Option) <sup>(4)</sup> | 1/5/2018   |  |              |  | 18,812        | 18,812  |   |  |   | 450,008  |
| <b>Richard W. Anderson</b>                |            |  |              |  |               |   |   |  |   |  |
| Annual Incentive Bonus                    |            | —  | 317,800      | 635,600  |               |   |   |  |   |  |
| Stock Award (RSU) <sup>(4)</sup>          | 1/5/2018   |  |              |  | 15,612        | 15,612  |   |  |   | 974,969  |
| Stock Award (Stock Option) <sup>(4)</sup> | 1/5/2018   |  |              |  | 18,812        | 18,812  |   |  |   | 450,008  |
| <b>David Montgomery<sup>(6)</sup></b>     |            |  |              |  |               |   |   |  |   |  |
| Annual Incentive Bonus                    |            | —  | 274,410      | 548,820  |               |   |   |  |   |  |
| Stock Award (RSU) <sup>(4)</sup>          | 1/5/2018   |  |              |  | 17,614        | 17,614  |   |  |   | 1,099,994  |
| Stock Award (Stock Option) <sup>(4)</sup> | 1/5/2018   |  |              |  | 18,812        | 18,812  |   |  |   | 450,008  |
| <b>Scott J. Vollet</b>                    |            |  |              |  |               |   |   |  |   |  |
| Annual Incentive Bonus                    |            | —  | 306,600      | 613,200  |               |   |   |  |   |  |
| Stock Award (RSU) <sup>(4)</sup>          | 1/5/2018   |  |              |  | 15,612        | 15,612  |   |  |   | 974,969  |
| Stock Award (Stock Option) <sup>(4)</sup> | 1/5/2018   |  |              |  | 18,812        | 18,812  |   |  |   | 450,008  |

(1) These columns show the 2018 annual award opportunities under the Company's annual incentive bonus program for 2018. They reflect the estimated amounts paid out under the program, based on a Threshold, Target and Maximum attainment and are discussed in the Compensation Discussion and Analysis section under "2018 Compensation Actions - 2018 Annual Incentive Program." The 2018 Company-wide Adjusted EBITDA results were under minimum attainment and therefore no payouts were made under 2018 AIP.

- (2) These columns show the 2018 equity incentive awards, which include awards of RSUs and Non-Qualified Stock Options. The terms of these awards are described more fully in Note (4), below.
- (3) This column shows the grant date fair value of RSUs and the Black Scholes value of the Non-Qualified Stock Options, computed in accordance with FASB ASC 718. See Note 12 "Stock-based Compensation" to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for a complete description of the valuations. For the RSUs, the grant date fair value displayed represents the value of the shares based on the closing price of the Company's common stock, par value \$0.01 per share (the "Stock") on the NYSE on the grant date. The award amounts do not reflect the risk that the awards may be forfeited in certain circumstances, or in the case of the RSU award, that there is no payout if the required performance measures are not met.
- (4) On January 5, 2018, the Board approved the grant of RSUs that will vest over the first four anniversaries of the grant dates. On January 5, 2018, the Board also approved the grant of Non-Qualified Stock Options to purchase from the Company all or any part of the total option shares (the "Option Award") of the Stock, at a price of \$62.45 per share (the "Exercise Price"). The Option is not treated as an "incentive stock option" within the meaning of Section 422 of the Code.
- (5) Mr. Montgomery's salary is paid in British Pounds (£). The Annual Incentive Bonus threshold, target and maximum opportunities were converted into United States Dollars (\$) based on the December 31, 2018 exchange spot rate of 1.2747.

## Outstanding Equity Awards at Fiscal Year-End

The table below sets forth the outstanding stock option awards classified as exercisable and unexercisable as of December 31, 2018, for each of our NEOs. The table also sets forth unvested stock awards assuming a market value of \$41.40 per share, the closing market price of our common stock on December 31, 2018 (the last trading day of 2018).

| Name                       | Option Awards                           |                        |                       |                        | Stock Awards <sup>(1)</sup>                                 |   |  |   |
|----------------------------|---|------------------------|-----------------------|------------------------|---|---|--|---|
|                            | Number of Securities Underlying Options |                        | Option Exercise Price | Option Expiration Date | Number of Shares or Units of Stock that Have Not Yet Vested | Market Value of Shares or Units of Stock that Have Not Yet Vested | Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested |
|                            | (#)<br>Exercisable                      | (#)<br>Unexercisable   |                       |                        |   |   |  |   |
| <b>Scott L. Thompson</b>   |   |                        |                       |                        |   |   |  |   |
|                            | 310,000                                 | — <sup>(2)</sup>       | 71.75                 | 9/3/2025               |   |   |  |   |
|                            | 84,869                                  | 254,607 <sup>(3)</sup> | 69.50                 | 1/4/2027               |   |   |  |   |
|                            | —                                       | 125,411 <sup>(4)</sup> | 62.45                 | 1/4/2028               |   |   |  |   |
|                            |   |                        |                       |                        | 112,090 <sup>(5)</sup>                                      | 4,640,526   |  |   |
|                            |   |                        |                       |                        |   |   | 21,000 <sup>(6)</sup>  | 869,400   |
|                            |   |                        |                       |                        |   |   | 9,822 <sup>(6)</sup>   | 406,631   |
|                            |   |                        |                       |                        |   |   | 75,539 <sup>(7)</sup>  | 3,127,315   |
| <b>Bhaskar Rao</b>         |   |                        |                       |                        |   |   |  |   |
|                            | 1,456                                   | — <sup>(8)</sup>       | 28.39                 | 2/22/2020              |   |   |  |   |
|                            | 1,865                                   | — <sup>(9)</sup>       | 46.68                 | 2/21/2021              |   |   |  |   |
|                            | 1,089                                   | — <sup>(10)</sup>      | 71.50                 | 2/8/2022               |   |   |  |   |
|                            | 5,142                                   | — <sup>(11)</sup>      | 37.05                 | 2/21/2023              |   |   |  |   |
|                            | 1,766                                   | — <sup>(12)</sup>      | 51.87                 | 2/27/2024              |   |   |  |   |
|                            | 2,886                                   | — <sup>(13)</sup>      | 57.51                 | 2/26/2025              |   |   |  |   |
|                            | 6,062                                   | 18,186 <sup>(3)</sup>  | 69.50                 | 1/4/2027               |   |   |  |   |
|                            | —                                       | 18,812 <sup>(4)</sup>  | 62.45                 | 1/4/2028               |   |   |  |   |
|                            |   |                        |                       |                        | 1,770 <sup>(14)</sup>                                       | 73,278  |  |   |
|                            |   |                        |                       |                        | 15,612 <sup>(5)</sup>                                       | 646,337   |  |   |
|                            |   |                        |                       |                        |   |   | 5,070 <sup>(6)</sup>   | 209,898   |
|                            |   |                        |                       |                        |   |   | 2,158 <sup>(7)</sup>   | 89,341  |
|                            |   |                        |                       |                        |   |   | 11,969 <sup>(15)</sup>   | 495,517   |
| <b>Richard W. Anderson</b> |   |                        |                       |                        |   |   |  |   |
|                            | 6,082                                   | — <sup>(9)</sup>       | 46.68                 | 2/21/2021              |   |   |  |   |
|                            | 4,838                                   | — <sup>(10)</sup>      | 71.50                 | 2/8/2022               |   |   |  |   |
|                            | 8,777                                   | — <sup>(12)</sup>      | 51.87                 | 2/27/2024              |   |   |  |   |
|                            | 16,458                                  | — <sup>(13)</sup>      | 57.51                 | 2/26/2025              |   |   |  |   |
|                            | 11,821                                  | 35,463 <sup>(3)</sup>  | 69.50                 | 1/4/2027               |   |   |  |   |
|                            | —                                       | 18,812 <sup>(4)</sup>  | 62.45                 | 1/4/2028               |   |   |  |   |
|                            |   |                        |                       |                        | 15,612 <sup>(5)</sup>                                       | 646,337   |  |   |
|                            |   |                        |                       |                        |   |   | 9,130 <sup>(14)</sup>  | 377,982   |
|                            |   |                        |                       |                        |   |   | 10,458 <sup>(6)</sup>  | 432,961   |
|                            |   |                        |                       |                        |   |   | 10,521 <sup>(7)</sup>  | 435,569   |

| Name                    | Option Awards                           |                       |                       |                        | Stock Awards <sup>(1)</sup>                                 |   |   | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested |
|-------------------------|---|-----------------------|-----------------------|------------------------|---|---|---|---|
|                         | Number of Securities Underlying Options |                       | Option Exercise Price | Option Expiration Date | Number of Shares or Units of Stock that Have Not Yet Vested | Market Value of Shares or Units of Stock that Have Not Yet Vested | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested |   |
|                         | (#)<br>Exercisable                      | (#)<br>Unexercisable  |                       |                        |   |   |   |   |
| <b>David Montgomery</b> |   |                       |                       |                        |   |   |   |   |
|                         | 6,082                                   | — <sup>(9)</sup>      | 46.68                 | 2/21/2021              |   |   |   |   |
|                         | 4,838                                   | — <sup>(10)</sup>     | 71.50                 | 2/8/2022               |   |   |   |   |
|                         | 26,864                                  | — <sup>(11)</sup>     | 37.05                 | 2/21/2023              |   |   |   |   |
|                         | 9,552                                   | — <sup>(12)</sup>     | 51.87                 | 2/27/2024              |   |   |   |   |
|                         | 18,568                                  | — <sup>(13)</sup>     | 57.51                 | 2/26/2025              |   |   |   |   |
|                         | 13,337                                  | 40,009 <sup>(3)</sup> | 69.50                 | 1/4/2027               |   |   |   |   |
|                         | —                                       | 18,812 <sup>(4)</sup> | 62.45                 | 1/4/2028               |   |   |   |   |
|                         |   |                       |                       |                        | 17,614 <sup>(5)</sup>                                       | 729,220   |   |   |
|                         |   |                       |                       |                        |   |   | 10,301 <sup>(14)</sup>  | 426,461   |
|                         |   |                       |                       |                        |   |   | 11,870 <sup>(7)</sup>   | 491,418   |
| <b>Scott J. Vollet</b>  |   |                       |                       |                        |   |   |   |   |
|                         | 1,153                                   | — <sup>(8)</sup>      | 28.39                 | 2/22/2020              |   |   |   |   |
|                         | 1,109                                   | — <sup>(9)</sup>      | 46.68                 | 2/21/2021              |   |   |   |   |
|                         | 899                                     | — <sup>(10)</sup>     | 71.50                 | 2/8/2022               |   |   |   |   |
|                         | 3,647                                   | — <sup>(11)</sup>     | 37.05                 | 2/22/2023              |   |   |   |   |
|                         | 1,611                                   | — <sup>(12)</sup>     | 51.87                 | 2/28/2024              |   |   |   |   |
|                         | 3,573                                   | — <sup>(13)</sup>     | 57.51                 | 2/26/2025              |   |   |   |   |
|                         | 6,062                                   | 18,186 <sup>(3)</sup> | 69.50                 | 1/4/2027               |   |   |   |   |
|                         | —                                       | 18,812 <sup>(4)</sup> | 62.45                 | 1/4/2028               |   |   |   |   |
|                         |   |                       |                       |                        | 1,576 <sup>(14)</sup>                                       | 65,246  |   |   |
|                         |   |                       |                       |                        | 15,612 <sup>(5)</sup>                                       | 646,337   |   |   |
|                         |   |                       |                       |                        |   |   | 1,628 <sup>(6)</sup>  | 67,399  |
|                         |   |                       |                       |                        |   |   | 3,361 <sup>(6)</sup>  | 139,145   |
|                         |   |                       |                       |                        |   |   | 5,395 <sup>(7)</sup>  | 223,353   |



- (1) During 2015, the Company granted 2015 Aspirational PRSUs that would vest at target if the Company achieved an Adjusted EBITDA performance metric for 2017 or 2018. For a discussion of the terms relating to the 2015 Aspirational PRSUs please refer to "Compensation Discussion and Analysis - 2018 Compensation Actions - 2015 Aspirational Grants."

The performance metric was not met in 2017 nor in 2018 and accordingly two-thirds of these 2015 Aspirational PRSUs were forfeited in 2017 and one-third were forfeited in 2018.

In addition, during 2017, the Company granted 2017 Aspirational PRSUs that will vest in accordance with a formula related to the Company's Adjusted EBITDA (as defined in the award agreements) as measured over any four fiscal quarters during two separate measurement periods. The first measurement period consists of the fiscal quarters ending March 31, 2018 through December 31, 2019. The second measurement period consists of the fiscal quarters ending March 31, 2020 through December 31, 2020.

If the performance metric is met during the first measurement period, then the awards will vest at a percentage between 66% to 100% based upon Adjusted EBITDA of \$600 million to \$650 million or more. If the performance metric is not met during the first measurement period, then the award may vest during the second measurement period at a percentage between 33% to 50% based upon Adjusted EBITDA of \$600 million to \$650 million or more. The Company has excluded these awards from this table because at the time of grant these 2017 Aspirational PRSUs were not expected to vest. For a discussion of the terms of the 2017 Aspirational PRSUs, please refer to "Compensation Discussion and Analysis - 2018 Compensation Actions - 2017 Aspirational PRSUs."

- (2) These options, granted on September 4, 2015, have a 10-year life and become exercisable in equal installments over three years, beginning with the one-year anniversary date of the grant.
- (3) These options, granted on January 5, 2017, have a 10-year life and become exercisable in equal installments over four years, beginning with the one-year anniversary date of the grant.
- (4) These options, granted on January 5, 2018, have a 10-year life and become exercisable in equal installments over four years, beginning with the one-year anniversary date of the grant.
- (5) These RSUs, granted on January 5, 2018, will vest over four years, beginning with the one-year anniversary date of the grant.
- (6) On February 25, 2016, the Board approved a Matching PRSU Program, pursuant to which the Company would grant "matching PRSUs" to an eligible executive, including the NEOs, covering the number of shares of Common Stock purchased by the executive in open market purchases between February 25, 2016 and September 15, 2016 (the "Purchased Shares"). The matching PRSUs are subject to a performance requirement that the Company have "positive Profits" for calendar year 2016, as defined in the applicable award agreements. If the performance threshold is achieved, which it was, the matching PRSUs will vest over the first five anniversaries of the grant dates. Under the terms of the applicable award agreements, in the event a participating executive sells any of the Purchased Shares at any time prior to the fifth anniversary of the grant date all remaining unvested matching PRSUs are forfeited.
- (7) On January 5, 2017, the Board approved the grant of RSUs, subject to a performance threshold that the Company have "positive profits" for calendar year 2017, as defined in the applicable award agreements. If the performance threshold is achieved, which it was, the RSUs will vest over the first four anniversaries of the grant dates.
- (8) These options, granted on February 22, 2010, have a 10-year life and become exercisable in equal installments over three years, beginning with the one-year anniversary date of the grant.
- (9) These options, granted on February 22, 2011, have a 10-year life and become exercisable in equal installments over three years, beginning with the one-year anniversary date of the grant.
- (10) These options, granted on February 9, 2012, have a 10-year life and become exercisable in equal installments over three years, beginning with the one-year anniversary date of the grant.
- (11) These options, granted on February 22, 2013, have a 10-year life and became exercisable in equal installments over two years, beginning with the one-year anniversary date of the grant.
- (12) These options, granted on February 28, 2014, have a 10-year life and become exercisable in equal installments over three years, beginning with the one-year anniversary date of the grant.
- (13) These options, granted on February 27, 2015, have a 10-year life and become exercisable in equal installments over three years, beginning with the one-year anniversary date of the grant.
- (14) On February 11, 2016, the Board approved the grant of RSUs, subject to a performance threshold that the Company have "positive profits" for calendar year 2016, as defined in the applicable award agreements. If the performance threshold is achieved, which it was, the RSUs will vest over the first four anniversaries of the grant dates. Mr. Rao and Mr. Vollet's RSU awards do not have the "positive profits" performance metric as they were not Executives at the time of grant.
- (15) On October 13, 2017, the Board approved the grant of RSUs, subject to a performance threshold that the Company have "positive profits" for calendar year 2018, as defined in the applicable award agreement. If the performance threshold is achieved, the RSUs will vest over the first four anniversaries of the grant dates.

## Option Exercises and Stock Vested

The following table sets forth certain information regarding options exercised and stock awards vested during the year ended December 31, 2018, for our NEOs.

| Name                | Option Awards                             |                                 | Stock Awards                             |                                |
|---------------------|---|---------------------------------|--|--------------------------------|
|                     | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Scott L. Thompson   | —   | —                               | 60,145                                   | 3,101,271                      |
| Bhaskar Rao         | —   | —                               | 3,295                                    | 163,080                        |
| Richard W. Anderson | —   | —                               | 11,560                                   | 594,831                        |
| David Montgomery    | 19,915                                    | 2,129,400                       | 9,108                                    | 484,927                        |
| Scott J. Vollet     | —   | —                               | 4,252                                    | 208,705                        |

### Pension Benefits Table

No table is included for defined benefit pension or similar plans since none of the Named Executive Officers are covered by such a plan.

### Nonqualified Deferred Compensation Table

No table is included for nonqualified deferred compensation plans since none of the Named Executive Officers are covered by such a plan.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Tempur Sealy International has entered into agreements and adopted plans that require us to provide compensation and/or other benefits to each NEO during employment and in the event of that executive's termination of employment under certain circumstances. Those arrangements are described below.

### Employment Arrangements, Termination of Employment Arrangements and Change in Control Arrangements

The Company has entered into employment agreements with each of our NEOs, which are described below. Definitions of terms commonly used in the employment agreements and compensation plans are set forth below.

#### *Certain Definitions*

**"Good Reason."** Mr. Thompson's employment agreement generally defines "Good Reason" as relocation of his principal workplace, his demotion from his position as Chief Executive Officer or President or a material diminution in his authority, duties or responsibilities as CEO or President, Tempur Sealy International's failure to nominate him to serve as a Director or Tempur Sealy International's material breach of his employment agreement. The employment agreements for Messrs. Rao, Anderson and Vollet generally define "Good Reason" as relocation of their principal workplace, or Tempur Sealy International's material breach of their employment agreements, subject to cure.

**"For Cause."** The employment agreements for Messrs. Thompson, Rao, Anderson and Vollet generally define "For Cause" as the employee's (a) willful and continued failure to substantially perform his reasonably assigned duties with Tempur Sealy International, (b) material breach of his employment agreement which is not cured within 30 days after receipt of written notice of such breach, (c) material violation of any material written policy of Tempur Sealy International which is not cured within 30 days after receipt of written notice of such violation, (d) willful misconduct which is materially and demonstrably injurious to Tempur Sealy International, (e) conviction by a court of competent jurisdiction of, or his pleading guilty or nolo

contendere to, any felony or (f) commission of an act of fraud, embezzlement, or misappropriation against Tempur Sealy International, or a breach of fiduciary duty or the duty of loyalty, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to Tempur Sealy International's business.

Mr. Montgomery's employment agreement (which is governed by English law) does not provide for a "For Cause" termination, but does provide that he can be immediately terminated upon written notice on a variety of grounds, including a serious breach of his employment agreement or any willful neglect in the discharge of his duties if he is guilty of fraud or dishonesty, conduct tending to bring himself or his employer, Tempur Sealy International Limited, an indirect wholly-owned subsidiary of the Company, into disrepute, conviction of criminal offense other than traffic violations not imposing custodial penalty, he becomes of unsound mind or a patient for purposes of any statute relating to mental health, he develops a drug or alcohol addiction, he breaches the rules or regulations of a regulatory authority relevant to Tempur Sealy International Limited's business or he refuses employment under an agreement of equal or better terms with a successor of Tempur Sealy International Limited.

**"Change of Control."** Under the 2013 Equity Incentive Plan, as currently in effect, "Change of Control" is generally defined as the occurrence of any of the following: (a) the consummation of a transaction involving the merger, consolidation or sale of substantially all of the Company's assets or stock, unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's securities (or the securities of any parent thereof) are held by a person or persons who held securities in substantially the same proportions possessing more than 50% of the total combined voting power of the Company's outstanding securities immediately prior to the transaction, (b) any person or group of persons, excluding the Company and certain other related entities, directly or indirectly acquires beneficial ownership of securities possessing more than 30% of the total combined voting power of the Company's outstanding securities, unless pursuant to a tender or exchange offer that the Board recommends stockholders accept or (c) over a period of no more than 24 consecutive months or less there is a change in the composition of the Company's Board such that a majority of the Board members ceases to be composed of individuals who either (i) have been Board members continuously since the beginning of that period or (ii) have been elected or nominated for election as board members during such period by at least a majority of the remaining Board members who have been Board members continuously since the beginning of that period. The Board may, within 45 days after public disclosure of the event that would otherwise constitute a change of control pursuant to clause (b) above, determine that such event will not constitute a change of control for purposes of the 2013 Equity Incentive Plan. The 2013 Equity Incentive Plan, as currently in effect, provides that, unless otherwise specified in an award agreement, upon a change in control, if a recipient's employment is terminated without cause or the recipient resigns for good reason (both as defined in the 2013 Equity Incentive Plan) within twelve months of the change of control, all unvested stock options shall immediately vest and remain outstanding and exercisable until the one year anniversary of the termination of employment. If the stock options are not assumed, converted or replaced following a change of control, all such unvested options shall immediately vest and remain outstanding and exercisable until the one year anniversary of the change of control. The treatment of any other award, other than stock options, upon a change of control shall be subject to the terms of award agreement.

Under the 2003 Equity Incentive Plan, as amended, "Change of Control" is generally defined as (a) the merger or consolidation of the Company with or into another person or the sale, transfer or other disposition of all or substantially all of the Company's assets, unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company's securities immediately prior to such transaction, (b) any person or group of persons directly or indirectly acquires beneficial ownership of securities possessing more than 50% of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders that the Board does not recommend such stockholders accept (with certain exceptions), (c) over a period of 36 consecutive months or less, there is a change in the composition of the Company's Board such that a majority of the Board members ceases to be composed of individuals who either (i) have been Board members continuously since the beginning of that period or (ii) have been elected by Board members during such period by at least a majority of the remaining Board members who have been Board members continuously since the beginning of that period or (d) if a majority of the Board votes in favor of a decision that a change in control has occurred. The 2003 Equity Incentive Plan provides that, unless otherwise specified in an award agreement, upon a change of control (a) any outstanding stock options or stock appreciation rights that are not fully exercisable shall

accelerate and become exercisable with respect to 50% of those shares which are not then exercisable, (b) any risk of forfeiture applicable to restricted stock and restricted stock units which is not based on achievement of performance goals shall lapse with respect to 50% of the restricted stock and restricted stock units still subject to such risk of forfeiture and (c) all outstanding restricted stock and restricted stock unit awards conditioned on the achievement of performance goals shall be deemed to have been satisfied as to a pro rata number of shares based on the assumed achievement of all relevant performance goals and the length of time within the performance period which has elapsed prior to the Change in Control.

**"Approved Retirement."** In November 2017 with respect to Mr. Thompson, and in January 2018 with respect to the remaining NEOs, the Company entered into amendments to certain equity award agreements that, among other things, amended the definition of "Approved Retirement" in such agreements. Specifically, the amendments provided the Compensation Committee with discretion to determine whether all, part or none of the outstanding unvested equity awards should remain outstanding and continue to vest upon any "Retirement" (as defined in the amended award agreements) approved by the Committee as an "Approved Retirement."

#### *Employment Arrangements*

*Scott L. Thompson* - On September 4, 2015, the Company entered into an Employment and Non-Competition Agreement with Mr. Thompson providing for his employment by the Company and pursuant to which he would serve as Chairman, Chief Executive Officer and President. On November 27, 2017, the Company entered into a First Amendment to Employment and Non-Competition Agreement that amended the initial agreement. The amendment (i) provides for an extension of the initial term from December 31, 2018 to December 31, 2021, (ii) provides that Mr. Thompson may make his primary place of employment in any metropolitan area in the United States where the Company has an office, including Lexington, Kentucky, Trinity, North Carolina or Dallas, Texas and (iii) requires the amendment of certain outstanding equity award agreements. The agreement automatically renews for successive one-year renewal terms. Either party may elect not to renew the agreement, upon written notice, 120 days prior to the expiration of the initial or renewal term. Mr. Thompson's agreement provides for an annual base salary of \$1,100,000, subject to annual adjustment at the discretion of the Board or Compensation Committee, and a variable performance bonus set to a target of 125% of Mr. Thompson's base salary if certain criteria are met as established by the Company's Compensation Committee. The employment agreement provides for a signing bonus that was payable in 2015 and a number of equity grants that were issued in 2015. The Company made no regular annual equity grant to Mr. Thompson in 2016 or 2017, but included Mr. Thompson in the Company's long-term equity incentive program in 2017, 2018 and 2019, as described in "Compensation Discussion and Analysis - 2018 Compensation Actions" and "Compensation Discussion and Analysis - 2018 Compensation Actions," respectively.

*Bhaskar Rao* - On October 13, 2017, the Company entered into an Employment and Non-Competition Agreement with Bhaskar Rao, effective October 13, 2017, providing for his employment as Executive Vice President and Chief Financial Officer. The agreement has an initial term ending on March 31, 2019 and automatically renews for successive one-year renewal terms. Either party may elect not to renew the agreement upon written notice 90 days prior to the expiration of the initial or renewal term. Mr. Rao's agreement provides for an annual base salary of \$430,000, subject to adjustment from time to time by the Board. The agreement provides for an annual performance-based bonus based on criteria approved by the Board or its Compensation Committee. The agreement also provides for a grant of restricted stock units having a fair market value of \$750,000 on the effective date of the agreement and 50,000 2017 Aspirational PRSUs. The agreement further provides for Mr. Rao's eligibility for future equity awards and other customary benefits commensurate with his position and role at the Company.

*Richard W. Anderson* - On July 6, 2006, the Company entered into an Employment and Non-Competition Agreement with Richard W. Anderson, effective July 18, 2006, providing for his employment as Executive Vice President, President North America or such other executive position as may be assigned from time to time by our Chief Executive Officer. The agreement has an initial term of one year and a perpetual one-year renewal term. Either party may terminate the agreement upon written notice 90 days prior to the expiration of the initial or renewal term. The agreement provides for an initial annual base salary of \$300,000, subject to annual adjustment by our Board, a variable performance bonus set to a target of Mr. Anderson's base salary if certain criteria are met, a one-time hiring bonus and options to purchase shares of Tempur-Pedic International Inc. (now Tempur Sealy International, Inc.) common stock.

*David Montgomery* - On September 12, 2003, the Company entered into an Employment and Non-Competition Agreement with David Montgomery, effective February 24, 2003, providing for his employment as Executive Vice President and President, Tempur Sealy International Limited, or such other executive position as may be assigned from time to time by our Chief Executive Officer. The agreement provides that employment shall continue unless and until terminated by either party. Mr. Montgomery may terminate employment with six months written notice. We may terminate employment with 12 months written notice. The agreement provides for an initial annual base salary of £192,500, subject to annual adjustment by our Board, and a variable performance bonus set to a target of Mr. Montgomery's base salary if certain criteria are met.

*Scott Vollet* - On February 27, 2018, the Company entered into an Employment and Non-Competition Agreement with Scott Vollet, effective January 1, 2018, providing for his employment as Executive Vice President, Global Operations. The agreement has an initial term ending on December 31, 2018 and automatically renews for successive one-year renewal terms. Either party may elect not to renew the agreement, upon written notice, 90 days prior to the expiration of the initial or renewal term. Mr. Vollet's agreement provides for an annual base salary of \$438,000, subject to adjustment from time to time by the Board. The agreement provides for an annual performance-based bonus based on criteria approved by our Board or its Compensation Committee and for Mr. Vollet's eligibility for future equity awards commensurate with his position and role at the Company.

#### *Termination of Employment Arrangements and Change in Control Arrangements*

Each of the Company's NEOs is entitled to receive certain compensation and/or other benefits if his employment is terminated under certain circumstances. Receipt of any severance or benefits is conditioned on the NEO signing a release and waiver of claims in a form satisfactory to Tempur Sealy International or Tempur Sealy International Limited, as applicable. No NEOs are entitled to gross-ups associated with taxes owed on change of control payments or taxes due to Section 280G of the Code. By the terms of their employment agreements, our Executive Officers are prohibited from disclosing certain confidential information and trade secrets, soliciting any employee for one or, for Mr. Thompson, two years following termination of his employment and working with or for any competing companies during his employment and for one or, for Mr. Thompson, two years thereafter.

The table below sets forth the amounts payable to each current NEO assuming the executive officer's employment had terminated under various scenarios on December 31, 2018. Except as otherwise expressly indicated, the amounts set forth in the table below do not represent the actual sums an NEO would receive if his employment were terminated or there were a change of control of Tempur Sealy International. Rather, the amounts below generally represent only estimates, based upon assumptions described in the footnotes to the table, of certain payments and benefits that NEOs who were employed by the Company or any of its subsidiaries on December 31, 2018 would have been entitled to receive had any of the identified events occurred on such date. Moreover, for all of the NEOs, the amounts set forth in the table necessarily are based upon the benefit plans and agreements that were in effect as of December 31, 2018. Payments that Tempur Sealy International may make in the future upon an employee's termination of employment or upon a change of control of Tempur Sealy International will be based upon benefit plans and agreements in effect at that time, and the terms of any such future plans and agreements may be materially different than the terms of our benefit plans and agreements as of December 31, 2018. The fair value of the equity awards reflects the intrinsic value of unvested stock options, RSUs and PRSUs, the vesting of which is accelerated due to the termination or change of control, assuming a closing price of our common stock on December 31, 2018 (the last trading date in 2018) of \$41.40.

| Name                       | Benefits and Payments                          | Termination By Company Without Cause (\$) <sup>(1)</sup> | Employee Resignation For Good Reason (\$) <sup>(1)</sup> | Termination By Company For Cause (\$) | Termination Due to Disability (\$) <sup>(1)</sup> | Death (\$) <sup>(1)</sup> | Change of Control (\$) <sup>(2)</sup> | Change of Control and Termination (\$) <sup>(2)</sup> |
|----------------------------|--|--|--|---------------------------------------|---|---------------------------|---------------------------------------|---|
| <b>Scott L. Thompson</b>   | Cash Severance <sup>(3)</sup>                  | \$ 2,227,200   | \$ 2,227,200   | \$ —                                  | \$ —  | \$ —                      | \$ —                                  | \$ —  |
|                            | Annual Incentive Payment <sup>(4)</sup>        | —  | —  | —                                     | —   | —                         | —                                     | —   |
|                            | Acceleration of equity awards <sup>(5)</sup>   | 12,083,798   | 12,083,798   | —                                     | 13,746,539  | 13,746,539                | —                                     | 39,414,539  |
|                            | Health and Welfare Continuation <sup>(6)</sup> | 26,889   | 26,889   | —                                     | —   | —                         | —                                     | —   |
| <b>Bhaskar Rao</b>         | Cash Severance <sup>(7)</sup>                  | 443,000  | 443,000  | —                                     | —   | —                         | —                                     | —   |
|                            | Annual Incentive Payment <sup>(4)</sup>        | —  | —  | —                                     | —   | —                         | —                                     | —   |
|                            | Acceleration of equity awards <sup>(8)</sup>   | 1,126,701  | 1,126,701  | —                                     | 1,390,460   | 1,390,460                 | —                                     | 5,530,460   |
|                            | Health and Welfare Continuation <sup>(6)</sup> | 18,922   | 18,922   | —                                     | —   | —                         | —                                     | —   |
| <b>Richard W. Anderson</b> | Cash Severance <sup>(7)</sup>                  | 454,000  | 454,000  | —                                     | —   | —                         | —                                     | —   |
|                            | Annual Incentive Payment <sup>(4)</sup>        | —  | —  | —                                     | —   | —                         | —                                     | —   |
|                            | Acceleration of Equity Awards <sup>(9)</sup>   | 1,406,027  | 1,406,027  | —                                     | 1,892,849   | 1,892,849                 | —                                     | 7,481,849   |
|                            | Health and Welfare Continuation <sup>(6)</sup> | 18,922   | 18,922   | —                                     | —   | —                         | —                                     | —   |
| <b>David Montgomery</b>    | Cash Severance <sup>(10)</sup>                 | 392,014  | 392,014  | —                                     | —   | —                         | —                                     | —   |
|                            | Annual Incentive Payment <sup>(11)</sup>       | —  | —  | —                                     | (11)  | (11)                      | —                                     | —   |
|                            | Acceleration of Equity Awards <sup>(12)</sup>  | 1,586,331  | 1,586,331  | —                                     | 1,647,099   | 1,647,099                 | —                                     | 7,236,099   |
|                            | Health and Welfare Continuation                | —  | —  | —                                     | —   | —                         | —                                     | —   |
|                            | Pension Benefits <sup>(13)</sup>               | 47,839   | 47,839   | —                                     | —   | —                         | —                                     | —   |
|                            | Car Allowance <sup>(14)</sup>                  | 19,121   | 19,121   | —                                     | —   | —                         | —                                     | —   |
| <b>Scott J. Vollet</b>     | Cash Severance <sup>(7)</sup>                  | 438,000  | 438,000  | —                                     | —   | —                         | —                                     | —   |
|                            | Annual Incentive Payment <sup>(4)</sup>        | —  | —  | —                                     | —   | —                         | —                                     | —   |
|                            | Acceleration of Equity Awards <sup>(15)</sup>  | 881,075  | 881,075  | —                                     | 1,141,481   | 1,141,481                 | —                                     | 5,281,481   |
|                            | Health and Welfare Continuation <sup>(6)</sup> | 18,220   | 18,220   | —                                     | —   | —                         | —                                     | —   |

- (1) Excludes amounts for earned but unpaid salary and accrued, unused vacation, if applicable.
- (2) The NEOs' employment agreements do not provide for any payments solely due to a change in control of Tempur Sealy International or Tempur Sealy International Limited, as applicable. To the extent equity award agreements trigger acceleration of vesting of awards, such accelerations are noted in the appropriate column and the specific details are described in separate footnotes. To the extent a termination of employment occurs in connection with a change in control, any severance or bonus payments would only be made to the extent the termination qualified as a termination by the Company without cause or as a resignation by the employee for good reason, and such payments are described in the appropriate column in the table.
- (3) For Mr. Thompson, the amount presented under Cash Severance for Termination by Company without Cause and for Employee Resignation for Good Reason includes two years of base salary (reduced by any salary continuation benefit paid for under any plan maintained by the Company) and cash payments for certain benefits that may not be continued after termination of employment due to the provisions of the applicable plans.
- (4) With respect to the currently employed NEOs, because the termination event is deemed to have occurred on December 31, 2018, any incentive compensation is payable as earned under the terms of the annual incentive program, so no additional amounts would be payable as a result of the deemed termination.
- (5) The acceleration of equity awards represents the fair value of awards that would accelerate upon vesting as of the event date. Mr. Thompson's stock option agreement dated January 5, 2018 provides that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or he resigns for good reason (as defined in the grant agreement and the employment agreement, as applicable) within twelve months of the change of control, his remaining unvested options immediately vest. The January 5, 2018 stock option agreement also provides that if Mr. Thompson is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the options on the remaining vesting dates and the full amount of the options if the termination occurs after twelve months of such grant.

Mr. Thompson's stock option agreement dated January 5, 2017 provides that in the event of a change of control, if Mr. Thompson is terminated without cause or resigns for good reason (as defined in the grant agreement) within twelve months of the change of control, his remaining unvested options immediately vest.

Mr. Thompson was awarded 118,000 RSUs under his RSU agreement dated September 4, 2015. These RSUs vested over three years and are now fully vested. Except for RSUs distributed as stock and sold to pay for taxes, these RSUs have not been paid as stock to Mr. Thompson and he is entitled to receive the remaining 113,591 RSUs as shares of common stock within thirty days of his termination for any reason.

Mr. Thompson's RSU agreements dated January 5, 2017 and January 5, 2018 provide that if he is terminated due to disability, death or, in the event of a change of control, he is terminated or he resigns for good reason (as defined in his employment agreement) within twelve months of such change of control, then his remaining unvested RSUs immediately vest. These agreements also provide that if Mr. Thompson is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the RSUs on the remaining vesting dates and the full amount of the RSUs if the termination occurs after twelve months of such grant.

Mr. Thompson's Matching PRSU agreements dated March 18, 2016 and May 6, 2016 provide that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or resigns for good reason (as defined in his employment agreement) within twelve months of such change of control, then his target PRSU awards immediately vest. Mr. Thompson's Aspirational PRSU award agreement dated August 7, 2017 provides that if a change of control occurs on or after December 31, 2018 he will receive time-based vesting RSUs in an amount equal to the number of outstanding unvested PRSUs granted thereunder that have not previously been vested and paid or are not then vested and payable, including any PRSUs available to be earned during prior performance periods that were not earned.

- (6) Mr. Thompson would be eligible to continue to participate in welfare benefit plans offered by the Company for a period of two years and Messrs. Rao, Anderson and Vollet for one year, following termination without Cause or resignation for Good Reason.
- (7) For Messrs. Rao, Anderson and Vollet, the amount presented under Cash Severance for Termination by Company without Cause and for Employee Resignation for Good Reason represents twelve months of base salary.
- (8) The acceleration of equity awards represents the fair value of awards that would accelerate upon vesting as of the event date. Mr. Rao's stock option agreement dated January 5, 2018 provides that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of the change of control, his remaining unvested options immediately vest. The January 5, 2018 stock option agreement also provides that if Mr. Rao is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the options on the remaining vesting dates and the full amount of the options if the termination occurs after twelve months of such grant.

Mr. Rao's stock option agreement dated January 5, 2017 provides that in the event of a change of control, if Mr. Rao is terminated without cause or resigns for good reason (as defined in the grant agreement) within twelve months of the change of control, his remaining unvested options immediately vest.

Mr. Rao's RSU agreements dated February 11, 2016, January 5, 2017, October 13, 2017 and January 5, 2018 provide that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or he resigns for good reason (as defined in the grant agreement or his employment agreement, as applicable) within twelve months of such change of control, then his remaining unvested RSUs immediately vest. These agreements also provide that if Mr. Rao is terminated without cause or he resigns for good reason (as defined in the grant agreement or his employment agreement, as applicable) within twelve months of such grant, then he is entitled to receive a pro rata portion of the RSUs on the remaining vesting dates and the full amount of the RSUs if the termination occurs after twelve months of such grant.

Mr. Rao's Matching PRSU agreement dated June 3, 2016 provides that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or resigns for good reason (as defined in the grant agreement) within twelve months of such change of control, then his target PRSU awards immediately vest. Mr. Rao's Aspirational PRSU award agreements dated August 7, 2017 and October 13, 2017 provide that if a change of control occurs on or after December 31, 2018 he will receive time-based vesting RSUs in an amount equal to the number of outstanding unvested PRSUs granted thereunder that have not previously been vested and paid or are not then vested and payable, including any PRSUs available to be earned during prior performance periods that were not earned.

- (9) The acceleration of equity awards represents the fair value of awards that would accelerate upon vesting as of the event date. Mr. Anderson's stock option agreement January 5, 2018 provides that if he is terminated due to disability, death or, in the event of a change of control, if Mr. Anderson is terminated without cause or resigns for good reason (as defined in his employment agreement) within twelve months of the change of control, his remaining unvested options immediately vest. The January 5, 2018 stock option agreement also provides that if Mr. Anderson is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the options on the remaining vesting dates and the full amount of the options if the termination occurs after twelve months of such grant.

Mr. Anderson's stock option agreement dated January 5, 2017 provides that in the event of a change of control, if Mr. Anderson is terminated without cause or resigns for good reason (as defined in his employment agreement) within twelve months of the change of control, his remaining unvested options immediately vest.

Mr. Anderson's RSU agreements dated February 11, 2016, January 5, 2017 and January 5, 2018 provide that if he is terminated due to disability, death or, in the event of a change of control, he is terminated or he resigns for good reason (as defined in his employment agreement) within twelve months of such change of control, then his remaining unvested RSUs immediately vest. These agreements also provide that if Mr. Anderson is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the RSUs on the remaining vesting dates and the full amount of the RSUs if the termination occurs after twelve months of such grant.

Mr. Anderson's Matching PRSU agreement dated March 18, 2016 provides that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or resigns for good reason (as defined in his employment agreement) within twelve months of such change of control, then his target PRSU awards immediately vest. Mr. Anderson's Aspirational PRSU award agreement dated August 7, 2017 provides that if a change of control occurs on or after December 31, 2018 he will receive time-based vesting RSUs in an amount equal to the number of outstanding unvested PRSUs granted thereunder that have not previously been vested and paid or are not then vested and payable, including any PRSUs available to be earned during prior performance periods that were not earned.

- (10) For Mr. Montgomery, the amount presented under Cash Severance for Termination by Company without Cause and for Employee Resignation for Good Reason includes a lump sum payment equal to one year of base salary. Mr. Montgomery's cash severance amounts are denominated in British Pounds and have been converted to United States Dollars using the spot conversion rate as of December 31, 2018.

- (11) For death while in service to the Company, insurance coverage exists which will provide for four times base salary paid in a lump sum, of which the payout as of December 31, 2017 would have been \$1,579,412. This benefit is available to all other employees who work in the United Kingdom (UK) at three times base salary. In addition, a widow's benefit insurance contract exists that pays an amount of up to 25% of base salary until normal retirement age of 65. The payout for this component would have been approximately \$789,706 as of December 31, 2017. The widow's benefit is only available to Mr. Montgomery. Mr. Montgomery also has Company-provided insurance coverage providing a lump sum payment of four times base salary at the time he experiences an illness or injury preventing him from future service. The payout as of December 31, 2017, would have been \$1,579,412. This benefit is available to all other members of the management team in the UK at three times base salary. In the case of a critical illness, Mr. Montgomery's policy would provide for three times base salary, but that amount is capped at £500,000 (\$676,122.50). In the case of long term disability, permanent health insurance coverage will be provided in an amount of \$202,511 per year until normal retirement age. The permanent health insurance coverage benefit is only available to Mr. Montgomery. Each of these amounts is based on Mr. Montgomery's base salary, which is denominated in British Pounds, and has been converted to United States Dollars using the spot conversion rate as of December 31, 2017.

- (12) The acceleration of equity awards represents the fair value of awards that would accelerate upon vesting as of the event date. Mr. Montgomery's stock option agreement dated January 5, 2018 provides that if he is terminated due to disability, death or, in the event of a change of control, if Mr. Montgomery is terminated without cause or resigns for good reason (as defined in his employment agreement) within twelve months of the change of control, his remaining unvested options immediately vest. The January 5, 2018 stock option agreement also provides that if Mr. Montgomery is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the options on the remaining vesting dates and the full amount of the options if the termination occurs after twelve months of such grant

Mr. Montgomery's stock option agreement dated January 5, 2017 provides that in the event of a change of control, if Mr. Montgomery is terminated without cause or resigns for good reason (as defined in his employment agreement) within twelve months of the change of control, his remaining unvested options immediately vest.

Mr. Montgomery's RSU agreements dated February 11, 2016, January 5, 2017 and January 5, 2018 provide that if he is terminated due to disability, death or, in the event of a change of control, he is terminated or he resigns for good reason (as defined in his employment agreement) within twelve months of such change of control, then his remaining unvested RSUs immediately vest. These agreements also provide that if Mr. Montgomery is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the RSUs on the remaining vesting dates and the full amount of the RSUs if the termination occurs after twelve months of such grant.



Mr. Montgomery's Aspirational PRSU award agreement dated August 7, 2017 provides that if a change of control occurs on or after December 31, 2018 he will receive time-based vesting RSUs in an amount equal to the number of outstanding unvested PRSUs granted thereunder that have not previously been vested and paid or are not then vested and payable, including any PRSUs available to be earned during prior performance periods that were not earned.

- (13) For Mr. Montgomery, the amount presented under Pension benefits for Termination by Company without Cause and for Employee Resignation for Good Reason includes continuation of pension benefits for a period of twelve months.
- (14) For Mr. Montgomery, the amount presented under Car Allowance benefits for Termination by Company without Cause and for Employee Termination for Good Reason includes continuation of car allowance benefits for a period of twelve months.
- (15) The acceleration of equity awards represents the fair value of awards that would accelerate upon vesting as of the event date. Mr. Vollet's stock option agreement dated January 5, 2018 provides that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of the change of control, his remaining unvested options immediately vest. The January 5, 2018 stock option agreement also provides that if Mr. Vollet is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the options on the remaining vesting dates and the full amount of the options if the termination occurs after twelve months of such grant.

Mr. Vollet's stock option agreement dated January 5, 2017 provides that in the event of a change of control, if Mr. Vollet is terminated without cause or resigns for good reason (as defined in the grant agreement) within twelve months of the change of control, his remaining unvested options immediately vest.

Mr. Vollet's RSU agreements dated February 11, 2016, January 5, 2017 and January 5, 2018 provide that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or he resigns for good reason (as defined in the grant agreement or his employment agreement, as applicable) within twelve months of such change of control, then his remaining unvested RSUs immediately vest. These agreements also provide that if Mr. Vollet is terminated without cause or he resigns for good reason (as defined in his employment agreement) within twelve months of such grant, then he is entitled to receive a pro rata portion of the RSUs on the remaining vesting dates and the full amount of the RSUs if the termination occurs after twelve months of such grant.

Mr. Vollet's Matching PRSU agreements dated March 18, 2016 and May 6, 2016, respectively, provide that if he is terminated due to disability, death or, in the event of a change of control, he is terminated without cause or resigns for good reason (as defined in the grant agreements) within twelve months of such change of control, then his target PRSU awards immediately vest. Mr. Vollet's Aspirational PRSU award agreements dated August 7, 2017 and February 8, 2018 provide that if a change of control occurs on or after December 31, 2018 he will receive time-based vesting RSUs in an amount equal to the number of outstanding unvested PRSUs granted thereunder that have not previously been vested and paid or are not then vested and payable, including any PRSUs available to be earned during prior performance periods that were not earned.

## Equity Compensation Plan Information

The following table provides information as of December 31, 2018, about the Company's common stock that may be issued upon the exercise of options, warrants, and rights under its existing equity compensation plans:

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|--|---|---|---|
|  | (a)   | (b)   | (c)   |
| Equity compensation plans approved by security holders:        |   |   |   |
| Amended and Restated 2003 Equity Incentive Plan <sup>(1)</sup> | 201,334   | \$ 41.59  | —   |
| Amended and Restated 2013 Equity Incentive Plan <sup>(2)</sup> | 4,263,926   | 65.45   | 3,752,785   |
| Equity compensation plans not approved by security holders     | —   | —   | —   |
| Total  | 4,465,260   | \$ 62.51  | 3,752,785   |

- (1) In May 2013, our Board adopted a resolution that prohibited further grants under the Amended and Restated 2003 Equity Incentive Plan. The number of securities to be issued upon exercise of outstanding stock options, warrants and rights issued under the Amended and Restated 2003 Equity Incentive Plan includes 404 shares issuable under restricted stock units and deferred stock units. These restricted and deferred stock units are excluded from the weighted average exercise price calculation above.
- (2) The number of securities to be issued upon exercise of outstanding stock options, warrants and rights issued under the Amended and Restated 2013 Equity Incentive Plan includes 836,122 shares issuable under restricted stock units and deferred stock units. Additionally, this number includes 2,007,319 performance restricted stock units which reflects a maximum payout of the awards granted. These restricted, deferred and performance restricted stock units are excluded from the weighted average exercise price calculation above. For more information on the aspirational PRSU awards, please see "Compensation Discussion and Analysis - 2018 Compensation Actions - 2015 Aspirational Grants" and "Compensation Discussion and Analysis - 2018 Compensation Actions - 2017 Aspirational Grants." These restricted, deferred and performance restricted stock units are excluded from the weighted average exercise price calculation above.

## 2018 CEO Pay Ratio

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act and Regulation S-K promulgated under the Exchange Act, we are providing the following information about the relationship of the annual total compensation of our CEO and the annual total compensation of our employees for 2018 (our "CEO pay ratio"). Our CEO pay ratio information is a reasonable good faith estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

The ratio of the annual total compensation of our CEO, calculated as described above, to the median of the annual total compensation of all employees for 2018 was 269 to 1. This ratio is 39% lower than in 2017 because our CEO did not receive an annual incentive bonus for 2018 and did not receive any special long-term incentive awards. We expect to report a higher pay ratio in 2020, reflecting additional earnings for a 2019 annual incentive bonus.

To calculate the ratio above, we used the same median employee that we had identified as of October 1, 2017. We believe there have been no changes in our employee population or our compensation arrangements in 2018 that would result in a material change in our pay ratio disclosure or our median employee.

**Methodology for Determining Our Median Employee.** For purposes of the above CEO pay ratio disclosure, we are required to identify a median employee based on our worldwide workforce, without regard to their location, compensation arrangements, or employment status (full-time versus part-time). The median employee is determined by identifying the employee whose compensation is at the median of the compensation of our employee population (other than our CEO). Accordingly, to identify the median of the compensation of our employee population, the methodology and the material assumptions and estimates that we used were as follows:

### Employee Population

- Total Global Population. This is the second year in which we will use the same median employee that we selected as of October 1, 2017. When we selected our median employee last year, we determined that as of October 1, 2017 our employee population consisted of approximately 7,000 individuals working for Tempur Sealy. As of October 2, 2018, our employee population consisted of approximately 6,200 individuals working for Tempur Sealy.
- We also evaluated the effect of the closure of our St. Paul, Minnesota facility and determined that it was not material for purposes of identifying a new median employee in 2018.

### Compensation Measure Used to Identify the Median Employee

- Given the geographical distribution of our employee population, we use a variety of pay elements to structure the compensation arrangements of our employees. Consequently, for purposes of measuring the compensation of our employees to identify the median employee in 2017, rather than using annual total compensation, we selected base salary / wages and overtime pay, plus actual annual cash incentive compensation (annual bonus) paid through October 1, 2017 as the compensation measure. We annualized the compensation of employees to cover the full calendar year, and also annualized any new hires in 2017 as if they were hired at the beginning of the fiscal year, as permitted by SEC rules, in identifying the median employee. We did not change our compensation practices in 2018 so believe the methodology used in 2017 is applicable to 2018 and, thus, using the same median employee is appropriate.
- We did not make any cost-of-living adjustments in identifying the median employee.

**Annual Total Compensation of Median Employee.** In order to determine the annual total compensation of the median employee, we compared the elements of compensation that we calculated in 2017 for our median employee with employee's compensation for 2018 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation in the amount of \$41,969 for 2018.

**Annual Total Compensation of Chief Executive Officer.** With respect to the annual total compensation of our CEO, in accordance with SEC rules, we included the amount reported for Mr. Thompson in the "Total" column for 2018 in the Summary Compensation Table included in this Proxy Statement.

## DIRECTOR COMPENSATION

### *Overview of Director Compensation Program*

During the calendar year ended December 31, 2018, the Company's non-employee Directors received annual compensation for their service on the Board as described below. The compensation described represents the Director compensation programs in effect for the 2017 and 2018 Board years, which covered the periods from the 2017 Annual Meeting in May 2017 to the 2018 Annual Meeting in May 2018 ("2017 Board Year") and from the 2018 Annual Meeting to the 2019 Annual Meeting scheduled for May 9, 2019 ("2018 Board Year").

| Description of Compensation  | 2017 Board Year  | 2018 Board Year  |
|--|--|--|
| Annual Retainer:   | \$70,000 cash retainer, payable in equal quarterly installments  | \$90,000 cash retainer, payable in equal quarterly installments  |
| Annual Equity Award Grant:   | An annual equity award targeted at \$130,000 and granted as DSUs.  | An annual equity award targeted at \$130,000 and granted as DSUs.  |
| Annual Lead Director Retainer:   | A supplemental equity award targeted at \$35,000 and granted as DSUs.  | A supplemental equity award targeted at \$35,000 and granted as DSUs.  |
| Annual Committee Chair Retainer:   |  |  |
| <ul style="list-style-type: none"> <li>• Audit</li> <li>• Compensation</li> <li>• Nominating and Corporate Governance</li> </ul> | <ul style="list-style-type: none"> <li>• Cash retainer of \$10,000</li> <li>• Cash retainer of \$10,000</li> <li>• Cash retainer of \$10,000</li> </ul>    | <ul style="list-style-type: none"> <li>• Cash retainer of \$15,000</li> <li>• Cash retainer of \$15,000</li> <li>• Cash retainer of \$10,000</li> </ul>    |
| Committee Member Retainer:   |  |  |
| <ul style="list-style-type: none"> <li>• Audit</li> <li>• Compensation</li> <li>• Nominating and Corporate Governance</li> </ul> | <ul style="list-style-type: none"> <li>• No Additional Compensation</li> <li>• No Additional Compensation</li> <li>• No Additional Compensation</li> </ul> | <ul style="list-style-type: none"> <li>• No Additional Compensation</li> <li>• No Additional Compensation</li> <li>• No Additional Compensation</li> </ul> |
| Expense Reimbursements:  | Reimbursement of reasonable expenses incurred in attending meetings  |  |

The following table sets forth the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of the Company's non-employee Directors during the calendar year ended December 31, 2018. Mr. Thompson does not receive any additional compensation for serving on the Board. In accordance with the policies of H Partners, of which he was a Partner, Mr. Ruchim declined to accept any compensation.

| Name                          | Fees Earned Or Paid In Cash (\$) <sup>(1)</sup> | Stock Awards <sup>(2)</sup> |       | Option Awards <sup>(3)</sup> |   | Non-Equity Incentive Plan Compensation(\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings(\$) | All other Compensation(\$) | Total (\$) |
|-------------------------------|---|-----------------------------|-------|------------------------------|---|--|---|----------------------------|------------|
|                               |   | \$                          | #     | \$                           | # |  |   |                            |            |
| Evelyn S. Dilsaver            | 92,500  | 130,000                     | 2,811 | —                            | — | —  | —   | —                          | 222,500    |
| John A. Heil                  | 90,000  | 130,000                     | 2,811 | —                            | — | —  | —   | —                          | 220,000    |
| Jon L. Luther                 | 92,500  | 130,000                     | 2,811 | —                            | — | —  | —   | —                          | 222,500    |
| Arik W. Ruchim <sup>(4)</sup> | —   | —                           | —     | —                            | — | —  | —   | —                          | —          |
| Richard W. Neu <sup>(5)</sup> | 35,000  | 210,000                     | 4,515 | —                            | — | —  | —   | —                          | 245,000    |
| Robert B. Trussell, Jr.       | 80,000  | 130,000                     | 2,811 | —                            | — | —  | —   | —                          | 210,000    |
| Cathy R. Gates <sup>(6)</sup> | 30,000  | 108,000                     | 2,108 | —                            | — | —  | —   | —                          | 138,000    |

- (1) Director compensation is based on the Board year, which is the period from one annual meeting to the next annual meeting, and fees are paid in arrears at the end of July, October, January and April. As required by SEC rules, the amounts shown in this table were paid during calendar year 2018. The table reflects amounts paid during the second half of the 2017 Board Year (which ended on May 10, 2018) and amounts paid through December 31, 2018 of the 2018 Board Year.
- (2) The DSUs granted during calendar year 2018 vest in four equal increments at the end of July 2018, October 2018, January 2019 and April 2019. Vesting of each DSU is subject to the applicable grant recipient being a member of the Board as of the applicable vesting date. All DSUs which become vested shall be paid on the third anniversary date of the grant date applicable to each DSU, or such later date elected by the Director in accordance with the Non-Employee Director Deferred Compensation Plan. The value of the DSU awards set forth is the grant date fair value, calculated in accordance with FASB ASC 718. See the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for a complete description of the valuations.
- (3) No stock options were granted to non-employee Board members during calendar year 2018.
- (4) In accordance with the policies of H Partners, of which he is a Partner, Mr. Ruchim declined to accept any compensation.
- (5) In 2018 Mr. Neu elected to receive a portion of his cash compensation as equity. The number of shares awarded each quarter is calculated based upon the closing price of the Company's common stock on the date the cash would otherwise have been payable.
- (6) Ms. Gates compensation is pro-rated from July 6, 2018, the date she was appointed to the Board.

| Name                    | Aggregate Option Awards             | Aggregate DSU Awards Outstanding As of December 31, 2018 |                         |
|-------------------------|-------------------------------------|--|-------------------------|
|                         | Outstanding As of December 31, 2018 | Vested   | Unvested <sup>(a)</sup> |
| Evelyn S. Dilsaver      | 18,669                              | 6,200  | 1,405                   |
| Cathy R. Gates          | —                                   | 1,054  | 1,054                   |
| John A. Heil            | 9,878                               | 6,200  | 1,405                   |
| Jon L. Luther           | 1,669                               | 6,200  | 1,405                   |
| Arik W. Ruchim          | —                                   | —  | —                       |
| Richard W. Neu          | 675                                 | 7,869  | 1,784                   |
| Robert B. Trussell, Jr. | 11,478                              | 6,200  | 1,405                   |

- (a) Reflects DSUs granted to members of the Board that are unvested, or are vested, but are still subject to the applicable deferral period required in the award agreement. Shares released upon satisfaction of the applicable deferral period and still held by the Director are reflected in the Beneficial Ownership Table elsewhere in this Proxy Statement.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers, Directors, and persons who own more than 5% of our common stock to file reports of ownership and changes in ownership with the SEC. We believe based on information made available to us that, during the year ended December 31, 2018, our executive officers, Directors and greater than 5% stockholders complied with all Section 16(a) filing requirements.

## Certain Relationships and Related Transactions

As described above under "Board of Directors' Meetings, Committees of the Board and Related Matters - Policy Governing Related Party Transactions," the Board has adopted a written Related Party Transactions Policy requiring review and approval or ratification of any transaction qualifying as a related party transaction. No transactions requiring consideration under the Policy were identified for the year ended December 31, 2018.

## PROPOSAL TWO

### RATIFICATION OF INDEPENDENT AUDITORS

We are asking stockholders to ratify the appointment of Ernst & Young LLP as Tempur Sealy International's independent auditors for the year ending December 31, 2019. Ernst & Young became the independent auditors for Tempur Sealy International after Tempur Sealy International's predecessor Tempur-Pedic International, Inc. acquired Tempur World, Inc. in 2002.

The Audit Committee annually considers the independence, qualifications and performance of Ernst & Young LLP. Such consideration includes reviewing the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and discussing with Ernst & Young LLP their independence. The Audit Committee periodically reviews and evaluates the performance of Ernst & Young LLP's lead audit partner, oversees the required rotation of Ernst & Young LLP's lead audit partner responsible for the Company's audit and reviews and considers the selection of the lead audit partner. In addition, in order to help ensure auditor independence, the Audit Committee periodically considers whether there should be a rotation of the Company's independent registered public accounting firm.

In 2019, the Audit Committee also considered several factors in deciding whether to re-engage its independent registered public accounting firm including the length of time Ernst & Young LLP has served as the Company's independent auditors, Ernst & Young LLP's general reputation for adherence to professional auditing standards, the breadth and complexity of the Company's business and its global scope, and the resulting demands placed on the Company's auditing firm in terms of expertise in the Company's business, the quantity and quality of Ernst & Young LLP's staff and the Company's global reach.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that they will be available to respond to appropriate questions.

Although stockholder ratification of Ernst & Young LLP is not required by law, the Board believes it is advisable to provide stockholders an opportunity to ratify this selection. In the event that stockholders fail to ratify the appointment of Ernst & Young LLP, the Audit Committee may reconsider the appointment, but is not required to do so. Even if the appointment of Ernst & Young LLP is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year should it determine that such change is in the best interests of the Company and its stockholders.

### VOTE REQUIRED

The affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote at the Annual Meeting is required to ratify such appointment.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP TO SERVE AS TEMPUR SEALY INTERNATIONAL'S INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2019.**

## Fees for Independent Auditors During the Years Ended December 31, 2018 and 2017

The aggregate fees for professional services rendered by Ernst & Young LLP for the years ended December 31, 2018, and 2017 were approximately as follows (amounts in thousands):

|   | <u>2018</u>     | <u>2017</u>     |
|---|-----------------|-----------------|
| <b>Audit fees<sup>(1)</sup></b>         | \$ 4,097        | \$ 4,117        |
| <b>Audit-related fees<sup>(2)</sup></b> | 146             | 650             |
| <b>Tax fees<sup>(3)</sup></b>           | 2,801           | 2,979           |
| <b>Other<sup>(4)</sup></b>              | \$ 278          | \$ —            |
| <b>Total</b>                            | <u>\$ 7,322</u> | <u>\$ 7,746</u> |

- (1) Audit fees for 2018 and 2017 relate to professional services provided in connection with the audit of our consolidated financial statements and internal control over financial reporting, the reviews of our quarterly consolidated financial statements and audit services provided in connection with other regulatory filings and the statutory audits of certain subsidiaries.
- (2) Audit-related fees in 2018 and 2017 principally relate to acquisition related due diligence services.
- (3) Tax fees in 2018 consist of approximately \$1.6 million for domestic and international tax compliance and related activities and \$1.2 million for tax services related to the impact of U.S. Tax Reform and certain one-time business restructuring activities. Tax fees in 2017 principally relate to professional services rendered in connection with domestic and international tax compliance, tax audits, and other international tax consulting and planning services.
- (4) Other fees in 2018 principally relate to permitted risk management advisory services.

### Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of the Independent Auditors

The Audit Committee is responsible for appointing, setting compensation, and overseeing the work of the independent auditors. The Audit Committee has established a policy regarding pre-approval of all audit and non-audit services provided by the independent auditors.

On an ongoing basis, management communicates specific projects and categories of service for which the advance approval of the Audit Committee is requested. The Audit Committee reviews these requests and scope of services and through discussions with the independent auditors and management, advises management if the Audit Committee approves the engagement of the independent auditors. The Audit Committee authorizes its Chair to pre-approve all non-audit services on behalf of the Audit Committee during periods between regularly scheduled meetings, subject to ratification by the Audit Committee. On a periodic basis, management reports to the Audit Committee regarding the actual spending for such projects and services compared to the approved amounts. The services performed by the independent auditors may include audit services, audit-related services, tax services, and, in limited circumstances, other services.

During each of the years ended December 31, 2018, and 2017, the Audit Committee approved all of the services provided by the independent auditor in accordance with the foregoing policies and procedures.

## Audit Committee Report

*The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Tempur Sealy International specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.*

The Audit Committee of the Board is responsible for providing independent, objective oversight with respect to the Company's accounting and financial reporting functions, internal and external audit functions, and system of internal controls regarding financial matters and legal, ethical and regulatory compliance. During 2018, the Audit Committee was composed of Evelyn S. Dilsaver, John A. Heil and Richard W. Neu. Cathy R. Gates joined the Audit Committee effective December 7, 2018. The Board has determined that each of these persons is "independent" as defined in the applicable rules of the New York Stock Exchange and the SEC. The Board has also determined that all Audit Committee members are "audit committee financial experts" as defined under the applicable rules of the SEC. The charter of the Audit Committee is available on Tempur Sealy International's investor website at <http://investor.tempursealy.com/overview> under the caption "Corporate Governance."

Management is responsible for the Company's internal controls and financial reporting processes. Ernst & Young LLP, the Company's independent auditor, is responsible for performing an independent audit of the Company's consolidated financial statements and the effectiveness of the Company's internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In connection with its responsibilities, the Audit Committee met on nine occasions during 2018, either in person or via teleconference. These meetings involved representatives of management, internal auditors and the independent accountants. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with United States Generally Accepted Accounting Principles, and the Audit Committee has reviewed and discussed with management, internal auditors and the independent auditors the audited consolidated financial statements. The Audit Committee has also discussed with internal auditors and the independent auditors, with and without management present, the evaluations of the Company's internal controls, the overall quality of the Company's financial reporting, the quality of the Company's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 1301 (Communications with Audit Committees), as adopted by the PCAOB. The Audit Committee received written disclosures and the letter from the Company's independent auditors required by the applicable requirements of the PCAOB regarding the Company's independent auditor's communications with the Audit Committee concerning independence. The Audit Committee has discussed with the independent auditors that firm's independence.

Based on the review and discussions with management, internal auditors and the independent auditors referred to above, the Audit Committee recommended that the Board include the audited consolidated financial statements for the year ended December 31, 2018 in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC.

Submitted by,

*AUDIT COMMITTEE:*

Evelyn S. Dilsaver (Chair)

Cathy R. Gates

John A. Heil

Richard W. Neu



## PROPOSAL THREE

### ADVISORY VOTE TO APPROVE THE COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our NEOs as disclosed in this Proxy Statement in accordance with the SEC's rules. In 2017, in accordance with the Board's recommendation, the Company's stockholders voted for the option to hold such vote annually.

As described in detail under the heading "Executive Compensation and Related Information - Compensation Discussion and Analysis," above, our executive compensation programs are designed to attract, motivate, and retain our management talent, including our NEOs, and to reward them for strong Company performance and successful execution of our key business plans and strategies. Under these programs, our NEOs are rewarded for the achievement of specific annual, long-term and strategic goals and the realization of increased stockholder value. The Compensation Committee of the Board regularly reviews the Company's compensation programs to confirm that they are achieving these goals. Please read the "Compensation Discussion and Analysis," included elsewhere in this Proxy Statement, for additional details about our executive compensation programs, including information about the compensation of our NEOs in 2018.

As discussed more fully above and in the "Compensation Discussion and Analysis" section included elsewhere in this Proxy Statement:

- The vast majority of our executives' total compensation opportunity is in the form of incentive-based compensation, the majority of which is equity-based, tied to long-term performance objectives and aligned with stockholder interests.
- We tie performance-based incentives to metrics that drive the leadership team and other associates to accomplish our most important business goals.
- We require our executives to meet meaningful stock ownership and retention requirements.
- In 2015, we adopted a Clawback Policy providing that certain performance-based compensation is recoverable from specified officers, including the NEOs, if that officer has engaged in fraud, willful misconduct or gross negligence that directly caused or otherwise directly contributed to the need for a material restatement of the Company's financial results.
- We prohibit the hedging or pledging of Company securities by employees, executive officers and members of the Board.
- We prohibit the re-pricing or exchange of stock options or stock appreciation rights without stockholder approval.
- As described elsewhere in this Proxy Statement, we do not provide excessive perquisites. Other than those benefits described, we do not provide additional perquisites or benefits to our NEOs that differ from those provided to other employees.

We are asking our stockholders to indicate their support for our NEO compensation as described in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our NEOs' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices as described in this Proxy Statement. Accordingly, we will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis section, compensation tables and narrative discussion, is hereby APPROVED on an advisory basis."

### VOTE REQUIRED

The affirmative vote of the majority of shares of common stock present or represented by proxy and entitled to vote at the Annual Meeting on the proposal is required to approve Proposal Three. The say-on-pay vote is advisory, and therefore not binding on Tempur Sealy International, its Compensation Committee or Board. The Board and the Compensation Committee value the opinions of our stockholders and, to the extent there is any significant vote against the NEO compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ADVISORY VOTE TO APPROVE THE COMPENSATION OF NAMED EXECUTIVE OFFICERS.**

## OTHER INFORMATION

### Stockholder Proposals for 2020 Proxy Statement

Under Rule 14a-8 of the Exchange Act, to submit a proposal for inclusion in our Proxy Statement for the 2020 Annual Meeting, stockholder proposals must be submitted in writing and received by the Company no later than 11:59 p.m., local time, on November 27, 2019, at the following address:

Corporate Secretary  
Tempur Sealy International, Inc.  
1000 Tempur Way  
Lexington, Kentucky 40511

In addition, a stockholder may bring business before the 2020 Annual Meeting, other than a proposal included in the Proxy Statement, or may submit nominations for directors pursuant to the advance notice and proxy access provisions of the Company's By-Laws, if the stockholder complies with the requirements specified in Article II, Sections 2.12 and 2.13 of the By-Laws. The requirements include:

- providing written notice that is received by Tempur Sealy International's Corporate Secretary between December 11, 2019, and January 10, 2020 (subject to adjustment if the date of the 2020 Annual Meeting is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary date of the 2019 Annual Meeting, as provided in Article II, Section 2.12 and 2.13 of the By-Laws); and
- supplying the additional information listed in Article II, Sections 2.12 and 2.13 of the By-Laws.

### Annual Report on Form 10-K

Our Annual Report on Form 10-K for the year ended December 31, 2018, is available without charge to each stockholder, upon written request to the Corporate Secretary of Tempur Sealy International at our principal executive offices at 1000 Tempur Way, Lexington, Kentucky 40511 and is also available on our investor website at <http://investor.tempursealy.com/overview> under the caption "SEC Filings."

### Stockholders Sharing an Address

Only one copy of our Annual Report on Form 10-K, Proxy Statement or Notice of Internet Availability of Proxy Materials is being delivered to multiple stockholders sharing an address unless we have received instructions to the contrary from one or more of the stockholders.

We will deliver promptly upon written or oral request a separate copy our Annual Report on Form 10-K, the Proxy Statement or Notice of Internet Availability of Proxy Materials to any stockholder at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of our Annual Report on Form 10-K, Proxy Statement or Notice of Internet Availability of Proxy Materials, or to receive separate copies in the future, or if two stockholders sharing an address have received two copies of any of these documents and desire to only receive one, you may write to the Investor Relations Department of Tempur Sealy International at our principal executive offices at 1000 Tempur Way, Lexington, Kentucky 40511 or call the Investor Relations Department of Tempur Sealy International at (800) 805-3635.

### Cost of Solicitation

Tempur Sealy International will pay the costs of soliciting proxies from stockholders. Certain of our officers and employees, who will receive no compensation for their services other than their regular salaries, may solicit proxies, either personally or by telephone, on behalf of Tempur Sealy International. We will also reimburse banks, brokers and other nominees for their costs in forwarding proxy materials to beneficial owners of Tempur Sealy International stock. Tempur Sealy International has retained Innisfree M&A Incorporated to assist in the solicitation of proxies at an anticipated approximate cost of \$15,000 plus reasonable out-of-pocket expenses. Other proxy solicitation expenses that Tempur Sealy International will pay include those for preparing, mailing, returning and tabulating the proxies.

## NON-GAAP FINANCIAL INFORMATION

We provide information regarding EBITDA and adjusted EBITDA, which are not recognized terms under GAAP and do not purport to be alternatives to net income as a measure of operating performance. We believe these non-GAAP financial measures provide investors with performance measures that better reflect our underlying operations and trends, providing a perspective not immediately apparent from net income, gross profit, and operating income. The adjustments we make to derive the non-GAAP financial measures include adjustments to exclude items that may cause short-term fluctuations in the nearest GAAP measure, but which we do not consider to be the fundamental attributes or primary drivers of our business.

We believe that exclusion of these items assists in providing a more complete understanding of our underlying results from continuing operations and trends, and we use these measures along with the corresponding GAAP financial measures to manage our business, to evaluate our consolidated and business segment performance compared to prior periods and the marketplace, to establish operational goals and to provide continuity to investors for comparability purposes. Limitations associated with the use of these non-GAAP measures include that these measures do not present all of the amounts associated with our results as determined in accordance with GAAP and these non-GAAP measures should be considered supplemental in nature and should not be construed as more significant than comparable measures defined by GAAP. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies. For more information about these non-GAAP measures and a reconciliation to the nearest GAAP financial measure, please refer to the reconciliations on the following pages.

*Reconciliation of GAAP net income to EBITDA and Adjusted EBITDA*

The following table sets forth the reconciliation of our reported net income to the calculation of EBITDA and Adjusted EBITDA for the years ended December 31, 2018, and 2017:

| <i>(in millions)</i>   | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| GAAP net income  | \$ 100.5    | \$ 151.4    |
| Interest expense, net  | 92.3        | 87.3        |
| Income taxes   | 49.6        | 43.8        |
| Depreciation and amortization                                | 113.7       | 94.0        |
| EBITDA   | 356.1       | 376.5       |
| Adjustments:   |             |             |
| Loss from discontinued operations, net of tax <sup>(1)</sup> | 17.8        | 30.9        |
| Restructuring costs <sup>(2)</sup>                           | 22.3        | —           |
| Customer-related charges <sup>(3)</sup>                      | 21.2        | —           |
| Supply chain transition costs <sup>(4)</sup>                 | 7.3         | —           |
| Customer termination charges <sup>(5)</sup>                  | —           | 34.3        |
| Other costs <sup>(6)</sup>                                   | —           | 3.4         |
| Latin American subsidiary charges <sup>(7)</sup>             | —           | 0.5         |
| Adjusted EBITDA  | \$ 424.7    | \$ 445.6    |

- (1) Certain subsidiaries in the International business segment are accounted for as discontinued operations and have been designated as unrestricted subsidiaries in the 2016 Credit Agreement. Therefore, these subsidiaries are excluded from our adjusted financial measures for covenant compliance purposes.
- (2) In 2018, we recorded \$24.9 million of restructuring costs, including \$2.6 million of depreciation expense. These costs included \$11.5 million of charges related to the operational alignment of a joint venture that was wholly acquired in the North America business segment, including \$2.6 million of depreciation expense and \$1.3 million of other expense, net. Restructuring costs also included \$8.5 million of expenses in the International business segment related to International simplification efforts, including headcount reduction, professional fees and store closures, and \$4.9 million of Corporate professional fees related to restructuring activities.
- (3) On January 11, 2019, iMS, a customer, filed a voluntary petition in U.S. Bankruptcy Court for the Eastern District of Kentucky seeking relief under Chapter 11 of the U.S. Bankruptcy Code. In the fourth quarter of 2018, we recorded charges of \$21.2 million associated with certain iMS-related assets on the our Consolidated Balance Sheet as of December 31, 2018, primarily made up of trade and other receivables, to fully reserve this account.
- (4) In 2018, we recorded \$7.3 million of supply chain transition costs which represent charges incurred to consolidate certain manufacturing and distribution facilities, including \$0.8 million of other expense.
- (5) Adjusted EBITDA for 2017 excludes \$34.3 million of charges related to the termination of the relationship with Mattress Firm. This amount represents the \$25.9 million of net charges and adds the net amortization impact of \$8.4 million of stock-based compensation benefit incurred in the first quarter of 2017.
- (6) In 2017, we incurred \$3.4 million in other costs. We incurred \$1.9 million of customer-related charges, \$1.1 million in charges for hurricane-related costs and \$0.4 million in costs associated with an early lease termination.
- (7) In 2017, we incurred \$0.5 million of legal charges associated with a Latin American subsidiary.

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