



2023 **CORPORATE** **SUSTAINABILITY** **REPORT**

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2023 CORPORATE SUSTAINABILITY REPORT

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STAKEHOLDER FEEDBACK



A LETTER FROM SHELLY IBACH

TO OUR STAKEHOLDERS,

Our purpose — to improve the health and wellbeing of society through higher quality sleep — is foundational to our Company culture of individuality and central to our consumer innovation strategy. Inherent in each — our purpose, culture and strategy — is our commitment to continually advance our environmental stewardship, social priorities and governance practices (ESG).

Although we faced a myriad of external business disruptions in 2022, our decisions and actions during the year were guided, as always, by our values of

- **Passion** ... to make a positive difference,
- **Integrity** ... to do the right thing, even on the hardest of days,
- **Innovation** ... to find a better way — for each other and our customers,
- **Courage** ... to meet every challenge with conviction and creativity, and
- **Teamwork** ... because when we work together, we realize greater success.

As a result, as detailed in this report, we achieved important strategic milestones that strengthen our sleep health leadership and progress our key sustainability initiatives.

ENVIRONMENTAL:

To better understand and reduce our carbon footprint, we focused on measurement of our environmental impact, near-term improvements and longer-term opportunities. In the past year, to lower our nonrenewable energy use and related Scope 1 and Scope 2 greenhouse gas (GHG) emissions, we cut fuel consumption by decreasing home delivery truck idling, and we initiated solar installation projects at Company facilities in Minnesota, Texas and California. We also conducted an initial assessment of our Scope 3 GHG emissions, establishing a benchmark that will help us prioritize future actions, and we continued to focus on landfill diversion with expanded re-use and recycling programs. We expect that increased operational efficiencies from our recently completed transition to a single supply chain will accelerate our waste reduction going forward.

SOCIAL:

Quality sleep is at the center of wellbeing for our team, communities and suppliers, and vital to creating a sustainable future for all of us. With the introduction of our Climate360™ smart bed in October 2022, the greatest innovation in our Company history, we implemented Sleep Number's new technology platform. Our entire portfolio of smart beds will transition to this platform in 2023. With their advanced, research-grade sensors, these next generation smart beds create an immersive, adaptive sleep experience that effortlessly adjusts to optimize comfort and

wellbeing and support related health and wellness benefits for Smart Sleepers. In addition, through our partnership with the American Cancer Society, collaboration with the Mayo Clinic and work with other renowned scientists, researchers and physicians, we are advancing the fundamental understanding of sleep science and the application of that knowledge to deliver meaningful health outcomes. We were honored to receive the 2022 American Cancer Society Corporate Partner of the Year award, which recognized Sleep Number for the incredible impact our organization has had, and will continue to make, on cancer patients and caregivers.

Throughout 2022, we continued to invest in our team members' total wellbeing — offering workplace programs and benefits in support of their physical, emotional, financial, community and career health. The relevance of our efforts is evident in our high team member engagement and the extraordinary amount of meaning our team members indicate they have in their work.

Our commitment to social and environmental responsibility extends to our suppliers as well. We ensure they are aware of our human rights and environmental policies and work with them to align on priorities that promote safe working conditions and conversion to a low-carbon economy.

GOVERNANCE:

Engagement with and accountability to our stakeholders are cornerstones of our commitment to strong corporate governance. In 2022, we significantly increased stakeholder awareness of — and engagement in — our Company's sustainability initiatives. We completed our first materiality assessment to identify ESG issues of importance to our stakeholders; submitted our inaugural report of environmental performance to CDP, a not-for-profit considered the gold standard for environmental reporting; and communicated more frequently with team members and consumers about our Company's ESG priorities and progress. We also established and activated cross-functional teams to increase our preparedness for potential new Securities Exchange Commission (SEC) disclosure requirements related to climate and cybersecurity.

Driven by our purpose, the Sleep Number team has made significant strides in advancing our sustainability initiatives. We are proud of our thoughtful environmental stewardship, inclusive social progress and strong governance. Cognizant that the journey ahead is one of continuous improvement, we are resolute in our long-term commitment to further integrate our efforts with our pursuit of sustainable, profitable growth — an approach that benefits all stakeholders.

Sleep well, dream big,

BOARD CHAIR, PRESIDENT,

CHIEF EXECUTIVE OFFICER, SLEEP NUMBER

SLEEP NUMBER® SETTING 40

AVERAGE SLEEPIQ® SCORE: 82



OVERVIEW



PURPOSE, MISSION, VISION, INDIVIDUALITY, VALUES

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

PURPOSE

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

VISION

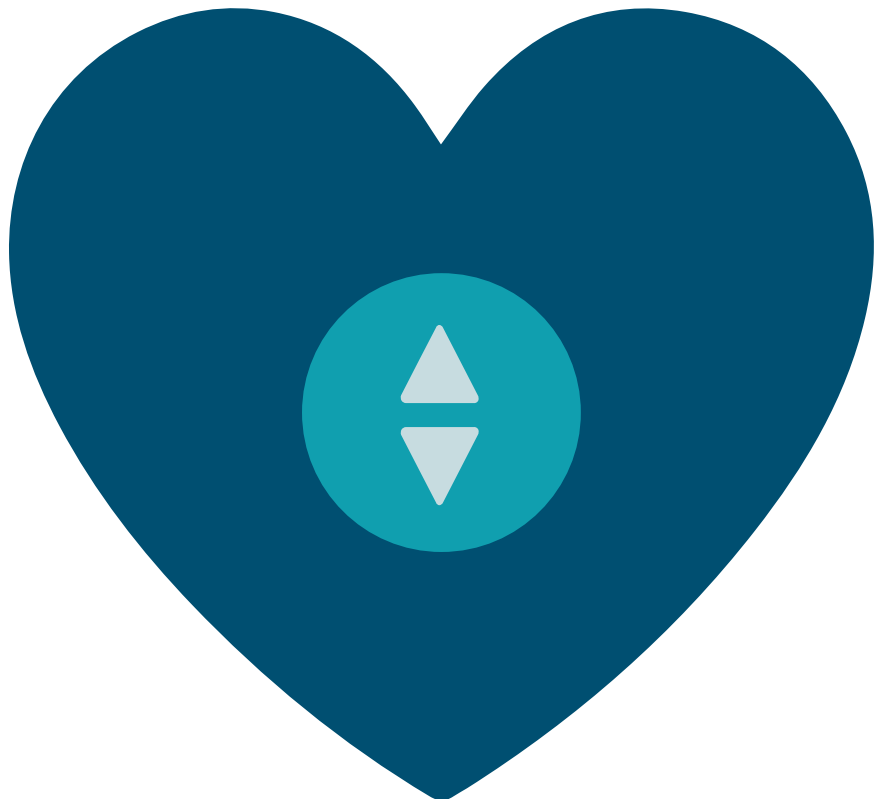
Become one of the world's most beloved brands by delivering an unparalleled sleep experience.

MISSION

Improve lives by individualizing sleep experiences.

FOUNDATION OF INDIVIDUALITY

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





OUR VALUES

PASSION

For making a difference and improving lives:

We go above and beyond because we care.

We love representing our brand with our customers and in our communities.

We are the champions of sleep at the center of a healthy mind, body and soul.

INTEGRITY

To always do the right thing:

We are empathetic and treat others with kindness and respect.

We are honest, fair and sincere.

We live our code of ethics every day.

INNOVATION

To find a better way:

We live and breathe innovation.

We leave nothing to chance.

We see innovation everywhere and ours will help shape the future.

COURAGE

To embrace change and challenges:

We take risks, learn and adapt.

We are confident and take action.

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

TEAMWORK

That celebrates individuality and the joy of working together:

We are unstoppable when we work together.

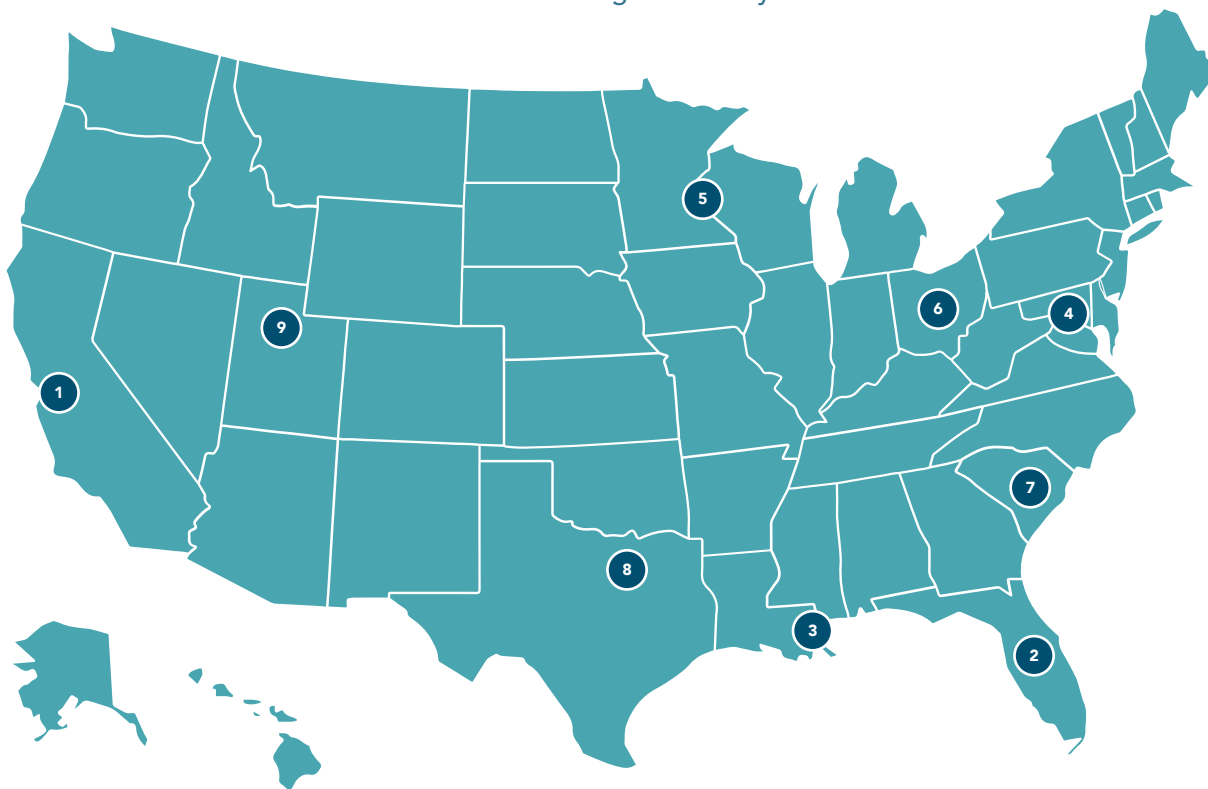
We laugh and learn, and trust each other.

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



WHERE WE OPERATE

We operate 670 retail locations across the United States plus our corporate headquarters, Sleep Number Labs, customer service centers, two manufacturing plants, one bedding collection fulfillment center and eight assembly distribution centers.



AK 1 Store	MA 12 Stores	OK 6 Stores
AL 11 Stores	MD 17 Stores Assembly Distribution Center 4	OR 8 Stores
AR 7 Stores	ME 3 Stores	PA 28 Stores
AZ 13 Stores	MI 20 Stores	RI 1 Store
CA 74 Stores Sleep Number Labs Assembly Distribution Center 1	MN 16 Stores Corporate Headquarters 5 Assembly Distribution Center Customer Service Center	SC 10 Stores Manufacturing Facility Assembly Distribution Center 7
CO 15 Stores	MO 13 Stores	SD 2 Stores
CT 7 Stores	MS 6 Stores	TN 17 Stores
DC 1 Store	MT 4 Stores	TX 61 Stores Assembly Distribution Center 8
DE 2 Stores	NC 21 Stores	UT 9 Stores Manufacturing Facility Assembly Distribution Center 9
FL 45 Stores Assembly Distribution Center 2	ND 2 Stores	VA 21 Stores
GA 25 Stores	NE 4 Stores	VT 1 Store
HI 2 Stores	NH 4 Stores	WA 18 Stores
IA 7 Stores	NJ 15 Stores	WI 11 Stores
ID 3 Stores	NM 4 Stores	WV 4 Stores
IL 25 Stores	NV 6 Stores	WY 2 Stores
IN 13 Stores	NY 24 Stores	
KS 7 Stores	OH 22 Stores Assembly Distribution Center and Bedding Collection Fulfillment Center 6	
KY 9 Stores		
LA 11 Stores Customer Service Center 3		



SUSTAINABILITY PRIORITIES AND PROGRESS

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

Sustainability considerations are included in:

- the way we design and manufacture our innovations,
- the products and services we offer our customers,
- the programs and opportunities we create to ensure the wellbeing of our team members,
- how we support the communities where we operate,
- the way we engage with our vendors, including suppliers and business partners, and
- the dialogue we have with – and returns we generate for – our shareholders.

We are dedicated to continually advancing our ESG initiatives and incorporating them into our strategy, culture and operations.

HIGHLIGHTS OF OUR EFFORTS DURING THE PAST YEAR INCLUDE:



GOVERNANCE	SOCIAL	ENVIRONMENT
Conducted ESG Materiality Assessment	Created a Social Impact Team to advance Social goals and priorities for our team members, communities and suppliers	Continued measurement of and focus on reducing Scope 1 and 2 greenhouse gas (GHG) emissions; completed initial assessment of Scope 3 GHG emissions
Advanced readiness for proposed and new SEC disclosure rules	Team member engagement exceeded average benchmark scores in commitment, effort and inspiration	Completed transition to integrated manufacturing and distribution network, enabling us to drive increased operational efficiencies
Further clarified Board Committee oversight responsibilities for ESG matters	Continued focus and progress on Sleep Health Innovation, including through high-impact collaborations with the American Cancer Society and Mayo Clinic, benefiting individuals and society	Initiated engagement with key suppliers to understand their ESG strategy and maturity and explore opportunities for education and partnership



As a signatory to the United Nations Global Compact (UNGC) since 2020, we are committed to incorporating the UNGC principles into our strategy, culture and day-to-day operations.

In compliance with UNGC requirements, we plan to complete our Communication on Progress questionnaire by the end of April 2023. In addition, we continue to leverage the Sustainable Development Goals (SDGs) as a blueprint to achieve a better and more sustainable future. While some of Sleep Number's environmental, social and governance efforts may support and advance other SDGs, our current initiatives and priorities align most closely with the eight SDGs identified below:



Ensure healthy lives and promote wellbeing for all at all ages

OUR WORK:

- Purpose, Mission, Vision, Individuality, Values ([p. 5](#))
- Team ([p. 21](#))



Achieve gender equality and empower all women and girls

OUR WORK:

- Culture and Career ([p. 25](#))
- Inclusivity and Belonging ([p. 26](#))



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

OUR WORK:

- Learning and Development ([p. 30](#))
- Suppliers ([p. 43](#))



Reduce inequality within and among countries

OUR WORK:

- Inclusivity and Belonging ([p. 26](#))
- Suppliers ([p. 43](#))



Make cities and human settlements inclusive, safe, resilient and sustainable

OUR WORK:

- Community ([p. 36](#))
- Waste ([p. 50](#))
- Product Stewardship, Sustainability and Safety ([p. 54](#))



Ensure sustainable consumption and production patterns

OUR WORK:

- Waste ([p. 50](#))
- Product Stewardship, Sustainability and Safety ([p. 54](#))



Take urgent action to combat climate change and its impacts

OUR WORK:

- Climate and Energy ([p. 48](#))
- Waste ([p. 50](#))



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

OUR WORK:

- Governance ([p. 13](#))
- Community ([p. 36](#))

WE SUPPORT



In 2022, we identified and disclosed specific governance, environmental and social priorities. The table below summarizes our progress as well as opportunities for continued improvement.



GOVERNANCE

PRIORITY	STATUS
Conduct initial materiality assessment	Completed assessment for consumers, team members and suppliers; investor outreach is planned in 2023
Submit inaugural report to CDP (formerly Carbon Disclosure Project)	Submitted disclosures in July 2022
Ensure preparedness for potential increased SEC disclosure requirements on climate and cybersecurity	Established and activated cross-functional working groups to monitor and prepare for SEC proposed rules, timing and impact
Review and clarify Board and Committee oversight responsibilities for ESG matters	<ul style="list-style-type: none"> Reaffirmed that the full Board is responsible for overseeing Sleep Number's strategy, including policies and practices related to our ESG approach, and will continue to receive regular updates on ESG initiatives and developments Updated Committee charters to more clearly represent ongoing oversight responsibilities



SOCIAL

PRIORITY	STATUS
Adopt a more holistic approach to advancing social initiatives across the Company	Established a Social Impact Team with broad, cross-functional representation, committed to coordinating efforts to advance social impact priorities
Demonstrate continued commitment to team member individuality and wellbeing through work-related programs and events, benefits and strategic partnerships	<ul style="list-style-type: none"> Added new business resource groups for team members (Team - Inclusivity and Belonging Table) Implemented enhanced self-identification capabilities in our Workday system (Team - Inclusivity and Belonging Table) Provided more equitable professional development opportunity through access to training across the enterprise and strengthened training for frontline leaders (Team - Inclusivity and Belonging Table) Reduced the number of injuries resulting in workers' comp claims and lost workdays for the Home Delivery team (Team - Health and Safety) Developed/Expanded strategic partnerships with organizations that advance equity (Team - Inclusivity and Belonging Table)
Increase team member awareness, engagement opportunities and active learning related to Sleep Number's social and environmental initiatives	<ul style="list-style-type: none"> Developed internal and external ESG communication strategy Shared ESG updates and news with team members through intranet stories, news releases and internal presentations
Continue to increase team member diversity	Hired our first full-time Diversity, Equity & Inclusion Director to intensify enterprise efforts to increase/attract/recruit/cultivate diverse talent
Increase suppliers' accountability on Human Rights and compliance with Sleep Number's Code of Business Conduct for Vendors	Confirm compliance with our Code of Business Conduct for Vendors from suppliers representing 90% of Sleep Number direct materials spend
Advance our sleep health innovation to benefit individuals and society through key strategic partnerships	<ul style="list-style-type: none"> Created Sleep Science Opt-in community with more than 300,000 members who participate in scientific studies throughout the year to advance science and research (Community) Improving sleep outcomes for cancer patients and survivors through partnership with the American Cancer Society Sponsored Mayo Clinic study to investigate the prevalence of obstructive sleep apnea and comorbid cardiovascular disease in U.S. residents of Somali heritage Furnished Hope Lodges in Rochester and Minneapolis



ENVIRONMENT

PRIORITY	STATUS
<p>Reduce annual Trash as % of Total Network Waste by 10 percentage points, including:</p> <ul style="list-style-type: none"> - Becoming zero-waste certified in Irmo, SC, and Salt Lake City, UT, facilities - Expanding scope of mattress haul away from 23 to 30 markets - Raising team member awareness of Company actions and opportunities to drive waste reduction 	<ul style="list-style-type: none"> • Conducted waste audit to confirm trash, recycling and mattress removal by market • Increased number of markets with mattress haul away/recycling capabilities from 23 to 27, resulting in a 6% increase in tons diverted from landfills; also initiated cardboard recycling in eight new markets • Developed and implemented strategy to communicate with internal and external stakeholders about Sleep Number ESG initiatives • Made progress toward zero-waste certification, while actively pursuing recycling/reuse solutions for remaining materials
<p>Reduce amount of non-renewable energy use and associated Scope 1 and 2 greenhouse gas (GHG) emissions, including through reduced fuel consumption and conversion of select facilities to renewable energy</p>	<ul style="list-style-type: none"> • Using telematics in delivery vehicles, we measured truck idling time in 2022, helping us reduce average idling hours per truck per day; resulted in an estimated savings of more than 2,500 gallons of fuel in the fourth quarter alone • Conducted three electric vehicle tests to understand feasibility and potential opportunity • Partnered with Blue Horizon Energy to launch solar projects at our Minnesota corporate headquarters and our Texas and California ADCs; anticipate project completion in 2023 • Leveraged new supply chain network to improve ADC outbound truck utilization, resulting in 355,000 fewer miles driven
<p>Develop baseline inventory of Scope 3 GHG emissions</p>	<p>Completed initial assessment of Scope 3 GHG emissions, which was primarily a spend-based analysis, with support of external partner</p>
<p>Establish a target hold-in-market rate to reduce transportation waste</p>	<p>Our target is to hold >90% of product for in-market reschedules. For full year 2022, we achieved a rate of 75%, including a fourth quarter exit rate of 84%</p>
<p>Align on enterprise Scope 1 and Scope 2 GHG emissions reduction goals and commit to science-based targets</p>	<ul style="list-style-type: none"> • Actively focused on measuring - and taking steps to reduce - our Scope 1 and Scope 2 GHG emissions • Ongoing analysis of science-based target commitment to gain: <ul style="list-style-type: none"> - industry/supplier alignment on feasibility and timing of impactful Scope 3 GHG actions - clarity on the SEC's proposed climate disclosure rules

In addition, several Sleep Number leaders became actively engaged members of sustainability industry councils, advisory boards and practitioner alliances in the past year to deepen their learning of sustainability best practices, share their knowledge with others and collaborate on solutions to complex sustainability issues.

Recognizing the importance of good governance in adopting and integrating social and environmental strategies, we start our corporate sustainability reporting with a description of our governance approach.



↑ GOVERNANCE

OUR GOVERNANCE APPROACH



Our management team is responsible for leading our ESG strategy, initiatives and results. Our Board of Directors is responsible for overseeing Sleep Number's strategy, including policies and practices with respect to risk assessment, risk management and our ESG approach. Our financial goals, investments and decisions incorporate Sleep Number's commitment to ESG initiatives and are designed to deliver sustainable, profitable performance over time.

The Board maintains ultimate oversight of the Company's ESG program, and each of the three standing Board committees plays a role in oversight of specific aspects of ESG. The Sleep Number management team engages with the entire Board, and with each of the Board committees in ESG discussions annually, quarterly and on an interim basis, as appropriate. Each December, the entire Board engages in a dedicated education session that covers key ESG trends as well as specific ESG initiatives that we recently completed, are exploring or are actively pursuing. On matters related to information security, management briefs our Audit Committee each quarter and full Board on an interim basis, as needed, including an annual full Board education session on cybersecurity and privacy. In addition, we have created a team with cross-functional leader representation that is focused on documenting internal controls and ensuring sustainable, auditable and repeatable process for cybersecurity readiness.

OTHER ONGOING BOARD ESG DISCUSSIONS INCLUDE:

- **Environmental** impact, such as those related to carbon, climate and waste.
- **Social** matters and talent management initiatives, such as team member engagement, wellbeing, diversity, equity and inclusion (DEI) and community involvement.
- **Governance** and audit topics, such as succession planning, executive compensation, cybersecurity, enterprise risk assessment and risk management, corporate policy development, internal controls and investor outreach.

OUR THREE BOARD COMMITTEES HAVE SPECIFIC OVERSIGHT ROLES OVER ASPECTS OF OUR ESG STRATEGY AND GENERALLY RECEIVE QUARTERLY UPDATES FROM MANAGEMENT ON THE ESG TOPICS SET FORTH BELOW:

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

In keeping with our longstanding record of exemplary corporate governance, Sleep Number has proactively taken steps to ensure compliance with proposed Securities Exchange Commission (SEC) climate and cybersecurity disclosure requirements, when enacted. Actions include measurement of Scopes 1 and 2 greenhouse gas (GHG) emissions and initial assessment of Scope 3 GHG emissions, increasing our understanding of reporting under the Task Force on Climate-related Financial Disclosures (TCFD) framework and activation of an internal cross-functional team that is documenting internal controls and ensuring a sustainable, auditable and repeatable process.



COMMITMENT TO ETHICAL BUSINESS PRACTICES AND LEGAL COMPLIANCE

Laws and regulations touch all aspects of our business – from how we make, market and sell our products to how we disclose our financial results and from how we treat one another to how we do business with third parties.

Sleep Number requires strict adherence to the letter and the spirit of all laws applicable to the conduct of our business. We have a [Code of Business Conduct](#), provided to all team members, which instructs and requires that our team members comply with applicable laws, engage in ethical and safe conduct in our work environment, avoid conflicts of interest, conduct our business with integrity and high ethical standards, and safeguard our Company's assets. Annually, each team member is required to complete training and acknowledge their commitment to this Code. The annual Code training includes information security training for all team members with more in-depth training for headquarters and Sleep Number Labs team members.

Our Code of Business Conduct directs team members who observe or suspect unethical or illegal behavior to report it to their management, Human Resources or our Chief Legal and Risk Officer. We also offer a confidential Business Abuse Hotline for team members. The hotline is operated by an independent third-party service to ensure confidentiality and 24-hour accessibility. On a quarterly basis, management provides the Audit Committee of our Board of Directors with a detailed update on any and all reported concerns and shares corresponding mitigation

plans and actions, demonstrating our accountability and governance practices.

We train our team members on our equal employment opportunity, anti-harassment and standards of conduct policies to foster a culture of diversity, inclusion, dignity and respect, and ensure adherence to our high standards of integrity. As part of a larger strategy to bolster our compliance and prevention efforts related to bribery and corruption, we conduct annual training in key functions where team members may interact with foreign entities and officials, increasing their vulnerability to Foreign Corrupt Practices Act (FCPA) issues. Members of the Direct Materials Sourcing, Bedding and Indirect Sourcing departments are among those who participate in this focused training which includes how to identify and refuse bribery or "agent" payments.

Sleep Number expects our suppliers and third-party business partners, collectively our vendors, to uphold high standards of business integrity, reputable business practices and sound ethical judgment. To ensure all of our vendors are aware of their responsibilities, we provide our [Code of Business Conduct for Vendors](#) to all active vendors, including business partners and suppliers of goods and services. This Code articulates our expectations for performance that align with Sleep Number's Code of Business Conduct for its team members and describes our rights to monitor and enforce vendor compliance.

"At Sleep Number, we are committed to the highest standards of ethical business practices. Our Company values, policies, training and culture underscore our expectations and provide clear guidelines for high-integrity business decisions and behavior."

- Sam Hellfeld, Executive Vice President, Chief Legal and Risk Officer
and Secretary, Sleep Number® setting 65



COMMITMENT TO ETHICAL BUSINESS PRACTICES AND LEGAL COMPLIANCE

THE CODE OF BUSINESS CONDUCT FOR VENDORS CONTAINS PROVISIONS THAT EXPLICITLY ADDRESS VENDOR RESPONSIBILITIES RELATED TO:



LABOR AND HUMAN RIGHTS, including fair treatment of workers, nondiscrimination in hiring and employment practices, strict prohibition of underage and involuntary labor and human trafficking, respect for freedom to associate, fair and timely compensation, and encouraging workers to speak up – to report questions, concerns, suggestions or complaints;



HEALTH AND SAFETY, including training, injury prevention and workplace environment such as safeguards from physical hazards, access to potable water and sanitary facilities, fire safety and adequate lighting and ventilation;



ENVIRONMENTAL ISSUES, including compliance with environmental laws, rules and regulations related to hazardous substances, conflict minerals, waste disposal and recycling, as well as adoption of initiatives and programs to reduce and conserve natural resources; and



LEGAL AND ETHICAL PRACTICES, including compliance with the principles described in our Code of Business Conduct for Vendors, which is a condition of doing business with Sleep Number. We ask our suppliers to agree, in writing, to the terms and conditions of our Code of Business Conduct for Vendors.



In addition, we leverage our contracts with vendors and suppliers to underscore our expectations of business integrity, incent appropriate behaviors and enforce compliance with our Code. For example, the contractual terms that are applicable to the vast majority of Sleep Number suppliers include language that requires each supplier to represent and warrant *“that it will, at all times, comply with the Code of Business Conduct for Vendors as may be amended from time to time.”*



HUMAN RIGHTS

Our values of Passion, Integrity, Innovation, Courage and Teamwork are our compass and guide our decisions. We expect Sleep Number team members and our vendors and suppliers – both key stakeholders in the implementation of our [Human Rights Policy](#) – to act with the highest ethical standards and to treat others with respect every single day. Their conduct should be in accordance

with standards set forth in our Code of Business Conduct, our Team Member Handbook, our Code of Business Conduct for Vendors, the expectations of the United Nations Global Compact, of which Sleep Number became a signatory in 2020, and the principles detailed in our Human Rights Policy. Our enterprise-wide commitment to human rights, which is overseen by the Sleep Number Board of Directors and the Executive Leadership Team, include the following principles: Child Labor Restrictions; Equal and Nondiscriminatory Practices; Human Trafficking, Slavery and Forced Labor; Wages and Working Hours; and Right to Freedom of Association and Collective Bargaining. These principles provide guidance to ensure that our business practices and processes support our commitment to human rights, and that our team members and vendors understand their role in – and responsibility for – upholding human rights and equality in the workplace. No Sleep Number team member or vendor should ever be complicit in human rights abuses or ethical violations of any kind.

CONFLICT MINERALS

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

Consistent with our Human Rights Policy, we fully support the aims of Section 1502 of the Dodd-Frank Act. Sleep Number does not directly source 3TG from mines, smelters or refiners. Our [Conflict Minerals Policy](#) clearly communicates our expectations to suppliers who provide materials to Sleep Number that may contain 3TG. In addition, our Code of Business Conduct for Vendors makes clear that vendors' subcontractors also will not use conflict minerals whose obtainment is linked to human rights violations.

POLITICAL CONTRIBUTIONS

Sleep Number does not use corporate funds for contributions to political campaigns. We may, however, indirectly engage in political advocacy activities through payments to organizations whose activities include lobbying and contributions to candidates and through payments to tax-exempt groups, including trade associations. During 2022, Sleep Number paid approximately \$23,000 to the Minnesota Business Partnership and \$175,000 to the International Sleep Products Association (ISPA).



STAKEHOLDER ENGAGEMENT

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

MATERIALITY ASSESSMENT

In 2022, we conducted our first ESG materiality assessment to identify sustainability issues of importance to our stakeholders and gain insights we can use to guide our ESG strategy and communication going forward. Our assessment process leveraged expertise from an external consultant and included the following phases:

- **RESEARCH:** We identified a list of material topics and defined our stakeholder groups through extensive desk-based research and examination of international reporting frameworks and standards. Material topics included:

GOVERNANCE	SOCIAL	ENVIRONMENT
<ul style="list-style-type: none">• Ethics and Compliance• ESG Leadership• Supply Chain Accountability• Data Privacy and Security• Risk Management• ESG Strategy Integration	<ul style="list-style-type: none">• Health, Wellbeing and Safety• Human Rights• Community Engagement• Product Quality• Product Safety	<ul style="list-style-type: none">• Waste Management• Energy Management• Transportation Management• Supply Chain Emissions• Materials Sourcing/Product Design• Life Cycle Impact of Products• Impact of Climate Change

- **SURVEY:** We designed and administered surveys to internal and external stakeholders, with questions focused on understanding the ESG topics and issues stakeholders view as most important to Sleep Number. Approximately 4,000 consumers, suppliers representing over 90% of our direct materials spend, and the majority of our operating team leaders representing all Company departments responded and ranked the issues of greatest importance.
- **ANALYZE AND COMMUNICATE:** We evaluated the survey results and reviewed them with our management team and Board.
- **PRIORITIZE:** Results validated our Governance focus on Data Privacy and Security, among other topics, and our Social commitments to Health, Wellbeing and Safety and Human Rights. With respect to the Environmental topics, survey results underscored the importance we have placed on measuring and reducing emissions from our operations and throughout our value chain, in addition to highlighting the opportunity for greater industry partnership to address issues such as the life cycle impact of products.



STAKEHOLDER ENGAGEMENT

We maintain an active shareholder engagement program that facilitates open channels of communication and aims to foster relationships with our shareholders to drive sustainable, long-term growth and shareholder value. As part of our engagement program, members of our management team meet with shareholders, in-person, by phone or via video conferencing, to discuss strategy, governance, performance and other matters of shareholder interest. We plan to engage key investors in ESG materiality conversations in 2023.

In addition, Sleep Number management also actively seeks feedback from – and regularly engages with – stakeholders, including team members, customers and suppliers, throughout the year.

- To maintain a clear understanding of our team members' needs, Sleep Number utilizes a continuous listening strategy that we have continued to refine for nearly 20 years, proactively seeking team member feedback throughout their tenure with Sleep Number ([Team - Engagement](#)).
- We engage with customers in a variety of ways and regularly invite their feedback regarding their experience with Sleep Number. In addition to in-person interactions in our stores, online chat and phone conversations, we continued to survey customers in 2022 to measure their satisfaction at each stage of their purchase, delivery, service and ownership experience and likelihood to recommend Sleep Number® products and services (Net Promoter Score or NPS). Survey scores are carefully monitored and customer input is used to identify opportunities for strategic improvements in our products and services.
- To build and strengthen relationships with suppliers, we have regular touchpoints with suppliers that include online training sessions, top-to-top discussions, normal course-of-business interactions, informal visits and formal audits. We also maintain an online portal as a resource for our suppliers to obtain critical information for partnering with Sleep Number.

To gain further understanding and insight about the ESG issues that matter most to our stakeholders and business, we will continue to gather stakeholder input in 2023 and beyond and incorporate their feedback as we advance our priority ESG initiatives.





SOCIAL



OUR SOCIAL APPROACH

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

Individuality is the foundation of Sleep Number. We celebrate individuality in our customers' and team members' lives. We embrace every individual's unique talents, perspectives and experiences and strive to create an environment where we are our best selves. We are guided by our shared values of passion, integrity, innovation, courage and teamwork.

Sleep Number has integrated fundamental principles of human rights, respect for individuality and a passion to improve the health and wellbeing of society through higher quality sleep into our strategy and operations. We take our responsibility to our stakeholders, including [Team](#), [Community](#) and [Suppliers](#), seriously and are tireless in our efforts to advance social sustainability goals. To advance our social impact priorities and coordinate enterprise-wide initiatives, in 2022 we established a Social Impact Team, comprised of leaders with broad, cross-functional representation.



TEAM



COMMUNITY



SUPPLIERS



TEAM

We are constantly striving to create and sustain a workplace culture of individuality – where unique talents, perspectives and experiences are valued, and all team members are treated equitably and with respect. By appreciating each other and prioritizing wellbeing, we create an environment in which every team member has a strong sense of belonging and can bring their authentic and whole self to work every day. This approach has led to strong engagement and inclusion in a highly competitive employment environment.

"At Sleep Number, we have the best people, period. I am in awe of the positivity, effort and commitment no matter the obstacle. I am grateful to work at an organization with a purpose centered on health and wellbeing. Thank you to all team members for all you do to make us who we are."

- Chris Krusmark,
Executive Vice President,
Chief Human Resources Officer
Sleep Number® setting 55





TEAM: WELLBEING

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

With sleep at the center, our culture supports the wellbeing of our team members across the pillars of physical, emotional, financial, community and career, and connects their work to the Sleep Number mission and goals.

"I've enjoyed serving as a Wellbeing Champion as it's a way to help team members flourish emotionally, socially, professionally and financially. I'm grateful for the opportunity to provide input on initiatives advancing wellbeing in each of those spheres."

- Nathan S., Manager,
Corporate Counsel
Sleep Number® setting 25





TEAM: WELLBEING

OUR WELLBEING EFFORTS ARE GUIDED BY THE FOLLOWING PRINCIPLES:

Strive for lifelong health and wellness for all team members through sustainable behavior change.

Ensure a holistic, accessible approach that values individuality, diversity, equity, inclusion and belonging.

Strengthen our ability to attract, engage, motivate and retain a thriving workforce.

Listen and connect authentically with team members about their total self.

Weave wellbeing into our culture, role modeled from the top.

To ensure these principles are being upheld, we created an enterprise-wide Wellbeing Change Champion Network. The purpose of this network is to embed wellbeing across the organization, invite continuous input and insight into our programs and drive awareness and utilization for all team members.

Because the wellbeing of our team members is of paramount importance – we have invested more than \$21 million (retail value) since November 2020, offering

all team members a new Sleep Number® smart bed. In fact – the majority (92%) of our team members told us in our 2022 engagement survey that their sleep quality has improved since receiving their Sleep Number 360® smart bed. We also offer team members discounts on additional Sleep Number smart beds and other products that help to deliver the benefit of life-changing sleep and demonstrate the importance we place on team member wellbeing.





TEAM: WELLBEING

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



PHYSICAL:

Broader medical plan choices, including transgender and domestic partner coverage and expanded travel benefit.



EMOTIONAL:

Enhanced time off flexibility for all team members to promote holistic wellbeing; includes paid time off for volunteering and civic duty, and enhanced parental leave.



FINANCIAL:

Increased 401(k) match for all eligible team members.



COMMUNITY:

Strengthened our culture of belonging and community through team member-to-team member support fund and Team Member Networks.



CAREER:

Expanded leadership development programs and resources to support continuous development, including tuition reimbursement and individualized development learning library.

TEAM MEMBER SMART BED BENEFIT

"The gift of higher quality sleep I received last year not only improved my life, this gift transformed my dreams. With my Sleep Number 360 smart bed, each night, I DREAM BIGGER! Thank you for this gift, Team Sleep Number."

- Zacharey O., Sleep Professional, Dublin, OH
Sleep Number® setting 35



TEAM: CULTURE AND CAREER

Our 5,115 Sleep Number team members are at the heart of our culture and disciplined execution of our consumer innovation strategy. Attracting, motivating, developing, engaging, rewarding and retaining the right talent is critical to Sleep Number's success – and providing an exceptional team member experience and ample opportunities for professional learning and advancement are paramount to team member engagement.



TALENT365

TALENT365 is a holistic view of the talent life cycle with interconnected elements that drive team member experience and productivity.



Talent365 embodies holistic talent planning and development that deliberately creates and sustains a work environment in which Sleep Number team members are able to realize their full potential while fulfilling our Company's mission. Through these interconnected practices, we invest, every day, in the development of our team members, who, in turn, enable Sleep Number to achieve annual and long-term enterprise and functional area priorities. We are continuously improving our talent practices to promote equity and inclusion, scale through profitable growth and evolve in the face of workplace challenges. Leaders throughout the organization leverage talent resources to design an effective organizational structure, coach for performance, celebrate individuality, manage change within their teams, empower team members and hold them accountable and provide meaningful recognition, incentives and rewards to inspire consistently superior results.



TEAM: INCLUSIVITY AND BELONGING

At Sleep Number, we're committed to creating an inclusive, innovative and purpose-driven company culture – celebrating individuality in our own lives and the lives of our customers. Our approach to Diversity, Equity and Inclusion (DEI) is designed to embrace different perspectives, cultivate and sustain an inclusive environment and empower our team members to be their best selves. Our latest (June 2022) engagement survey results exceed the average benchmark ([Team - Engagement](#)) and our team members expressed strong favorable results on inclusion indicators, such as:

70%

Feel supported

82%

Receive high recognition

79%

Connect to goals

Additionally, in 2022, to gain a deeper understanding of team members' sense of inclusion and overall feeling of belonging, we enhanced our Inclusion Index survey. Results revealed that Sleep Number continues to rank equal to, or better than, national benchmarks on inclusion. Equally important, our high inclusion favorability scores were consistent across all reported diversity dimensions, including race, gender and generations.

84%

Connect with manager

77%

Bring full self to work

77%

Agree my organization actively takes steps in encouraging diversity

"Belonging matters and it doesn't just happen without all of us participating in building an inclusive culture. You have to be intentional about being part of it ... both as members of the community and as allies for each other. I am proud to be a member of the DEI Council, Minorities in Leadership Alliance in Manufacturing and now helping to stand up our first ever enterprise-wide Black Alliance Network at Sleep Number."

- Joe S., Senior Manager of Continuous Improvement
Sleep Number® setting 70

67%

Feel valued and respected

TEAM MEMBER INCLUSION INDEX SURVEY RESPONSES

Sleep Number is open to different points of view

If I work hard, I can get ahead at Sleep Number

My career will advance as Sleep Number grows

I see how my work connects to larger Sleep Number goals

The leadership at Sleep Number has a compelling vision for the future

I believe I can accomplish more at Sleep Number than I can somewhere else

I am confident that if I do good work, it will be recognized

Sleep Number is a place for people like me

There is a strong sense of teamwork at Sleep Number

My organization supports me when I make mistakes

Sleep Number is a cool place to work

My job is important

I see a career path for me at Sleep Number

My manager tells me when I do a good job

I have a genuine connection with other members of my team

It is easy for me to bring my full self to work

My organization actively takes effective steps in encouraging diversity

At Sleep Number, I feel valued and respected for my diverse ideas, perspectives and background



TEAM: INCLUSIVITY AND BELONGING

While Sleep Number has embraced a culture of individuality for decades, we have intensified our commitment to DEI and accelerated implementation of initiatives within our strategy. Our Board of Directors, CEO and Executive Leadership Team set the tone, modeling inclusive behaviors and attitudes and consistently reinforcing their importance to the broader organization. DEI is highly valued, as reflected in board meetings and quarterly talent planning sessions with the Executive Leadership Team. We also proudly share detailed team member demographics annually in this report. ([Appendix - Team Member Demographics](#))

We are committed to advancing elements of our DEI strategy by continuously listening to our team members, finding solutions to complex challenges and implementing valuable insights gleaned from our dedicated DEI Council and Team Member Networks.

Building on the programs and initiatives described below, we plan to make additional progress in 2023 in three areas:

- Further reinforcing Diversity, Equity and Inclusion as a business priority.
- Increasing leadership accountability.
- Strengthening hiring and talent management practices.

TEAM MEMBER CONNECTION AND DEI LEADERSHIP

We are embracing the power of team member led and formed groups to help us identify the stories we've been missing and gaps in our inclusion knowledge. These networks are driving awareness and creating additional momentum around DEI initiatives and priorities across the organization.

In 2022, we strengthened team member connection through existing and newly established groups and networks, including:

- Armed Forces Support Community
- Young Professionals Network
- Women in Manufacturing
- Black Inclusion Network
- Pride Alliance Network
- Mental Health Allies

Our founding DEI Director will partner across the organization and oversee the continued development, implementation and monitoring of our enterprise DEI strategy. This leader will assess our ongoing opportunities, determine new and evolving policies, programs and processes, and advance our DEI roadmap through effective change management practices.

ATTRACTING AND HIRING DIVERSE TALENT

Our brand and value proposition – and cultivation of strategic partnerships – help us source, attract and retain diverse talent. Forty-three percent of our team members are racially diverse and 38% are female.

In 2022, our Early Talent Program welcomed an intern class with greater than 50% diverse representation from more than 21 schools and universities and earned a national [Top 100 Internship Program Award](#).

AWARENESS

In 2022, we added Workday™ capabilities that enable team members to provide self-identification details, including pronouns, sexual orientation and military status. Team members can choose to keep their self-identification information confidential within the Workday system or share it with their Sleep Number colleagues, if desired. In 2023, additional self-identification options will be available for team members to update.

In addition, we launched a new digital workplace through an enhanced intranet to deliver one shared experience for all Sleep Number team members, further promoting connection and belonging. Through celebration of inclusive internal programmings and monthly DEI newsletters, we continue to bring greater awareness, understanding and appreciation of our team's individuality and unique backgrounds and talents.

EDUCATION AND DEVELOPMENT

We are committed to providing equitable learning and development opportunities to all team members with real-time access to learning through technology ([Team - Learning and Development](#)). In 2022, we introduced an individualized learning library for all leaders and team members. This offering is part of our Learning Management System (LMS) which contains more than 150 available courses, including a focus on diversity, equity, inclusion and belonging.

STRATEGIC PARTNERSHIPS

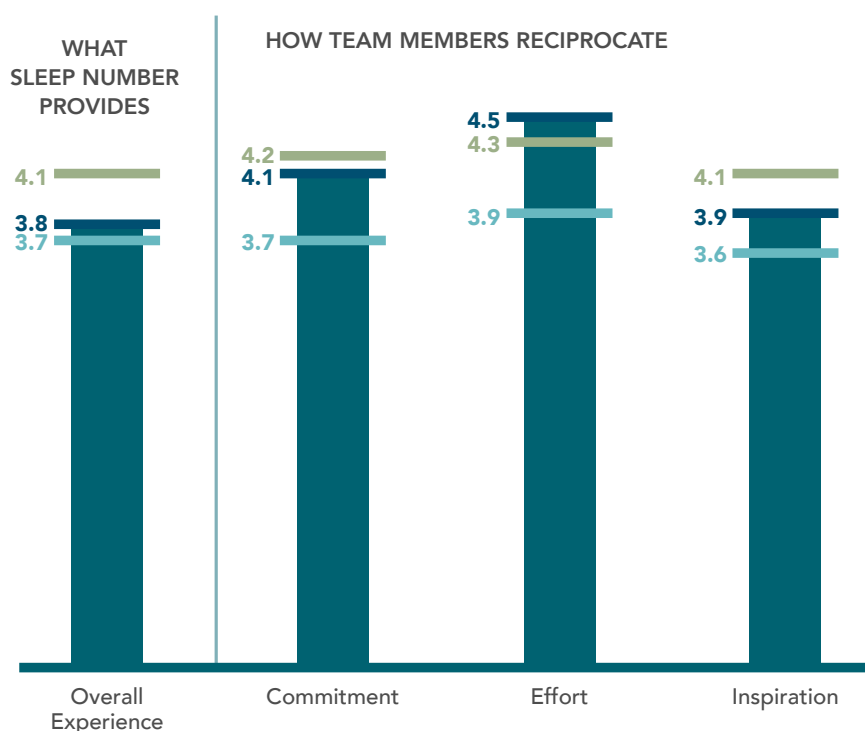
Sleep Number remains actively engaged with organizations and community initiatives designed to provide economic advancement and professional opportunities to underrepresented populations, including women and BIPOC (Black, Indigenous and People of Color). Throughout 2022, we sponsored events and strengthened our relationships with: AARP Foundation Back to Work 50+, Blue Star Families, ConnexMSP, Genesys Works, The Brand Lab, Hiring Our Heroes, MSEP (Military Spouse Employment Program), People Helping People, USA Cares, Twin Cities Diversity, Equity, and Inclusion Roundtable and UNCF (United Negro College Fund). In 2023, we will continue to cultivate strategic partnerships that advance equity and create a diverse team and culture of belonging at Sleep Number.

TEAM: ENGAGEMENT



As a company with purpose, Sleep Number attracts and retains people who want to make a difference, appreciate that wellbeing and belonging are enterprise priorities and are fulfilled by the work they do every day. To maintain a clear understanding of our team members' needs, Sleep Number utilizes a continuous listening strategy that evolves and improves each year, proactively seeking team member feedback – beginning with their onboarding process and continuing through ongoing check-ins and engagement surveys during their entire tenure with Sleep Number.

Our annual engagement survey measures Commitment, Effort and Inspiration. In 2022, 82% of team members completed our engagement survey, with a 70% favorability rating that reflected:



79%

of team reporting
High Commitment

93%

of team giving High Effort

69%

of team Feeling Inspired

■ Sleep Number 2022
■ Average Benchmark
■ Best-in-class

Best-in-class scores one half standard deviation above the benchmark mean.

Our team members told us they feel an extraordinary amount of meaning in their work and shared that we have opportunity for greater clarity related to career paths and learning and development opportunities ([Team - Learning and Development](#)).

The ongoing evolution of Work For Your Day for corporate team members is an excellent example of the way Sleep Number incorporates the voice of our team members. Our Work For Your Day philosophy is a hybrid approach – a blend and balance of onsite and virtual work time. In early 2022, we conducted a pulse survey to learn more about the wellbeing of our team members. We heard that they value our strong culture of individuality and the ability to flex their work day to best support their own wellbeing and needs of partners, teams and leaders. Taking that input, we enhanced our Work For Your Day philosophy – our evolution includes being intentional about a weekly in-office presence to strengthen relationships, facilitate connections and create spontaneous idea-sharing that drives innovation.



TEAM: ONBOARDING

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

Our 2022 onboarding survey results confirm that new Sleep Number team members are having a very positive experience during their first weeks and months. Based on a sample of more than 600 new team members – at the 7-, 30-, and 90-day milestones,

94%

strongly agree or agree
"I have a good understanding
of Sleep Number's culture
and values."

94%

strongly agree or agree
"I am willing to take
responsibility to make Sleep
Number more successful."

81%

strongly agree or agree
"My manager has taken
the time to get to know
me personally."

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



TEAM: LEARNING AND DEVELOPMENT

Over the past two years, we have been actively transforming our highly effective training team into a world-class enterprise learning and leadership development organization to create holistic, scalable and equitable learning opportunities for all team members.

OUR EVOLUTION INCLUDES:

- The adoption and integration of new learning operations.
- Enhanced data-driven and predictive analytics.
- The incorporation of behavior-based competencies to support development.
- The continued build-out of our current multi-level learning strategy, with deep functional and technical training paths and customized training programs for different areas of Sleep Number.

OUR PROGRAMS:

- Support product knowledge, role effectiveness and cultural awareness.
- Provide equitable and accessible learning and development opportunities to all Sleep Number team members.
- Offer training designed to boost capability and productivity by enhancing competency, skill and experience.
- Empower team members to invest in their learning and professional growth.

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

In 2022, we focused on frontline leader support – our largest team member population – creating a cohort- and self-led development program. Through the continued deployment of this leadership development program, and its planned expansion to all 'leaders of others', we will continue to strengthen Sleep Number leadership capabilities.

"This development program helped me see my role more clearly and understand the impact I can have – not only in advancing my own development but in the ways I can support my team to develop themselves as well."

- Favian Q., Store Manager, Sleep Number® setting 60



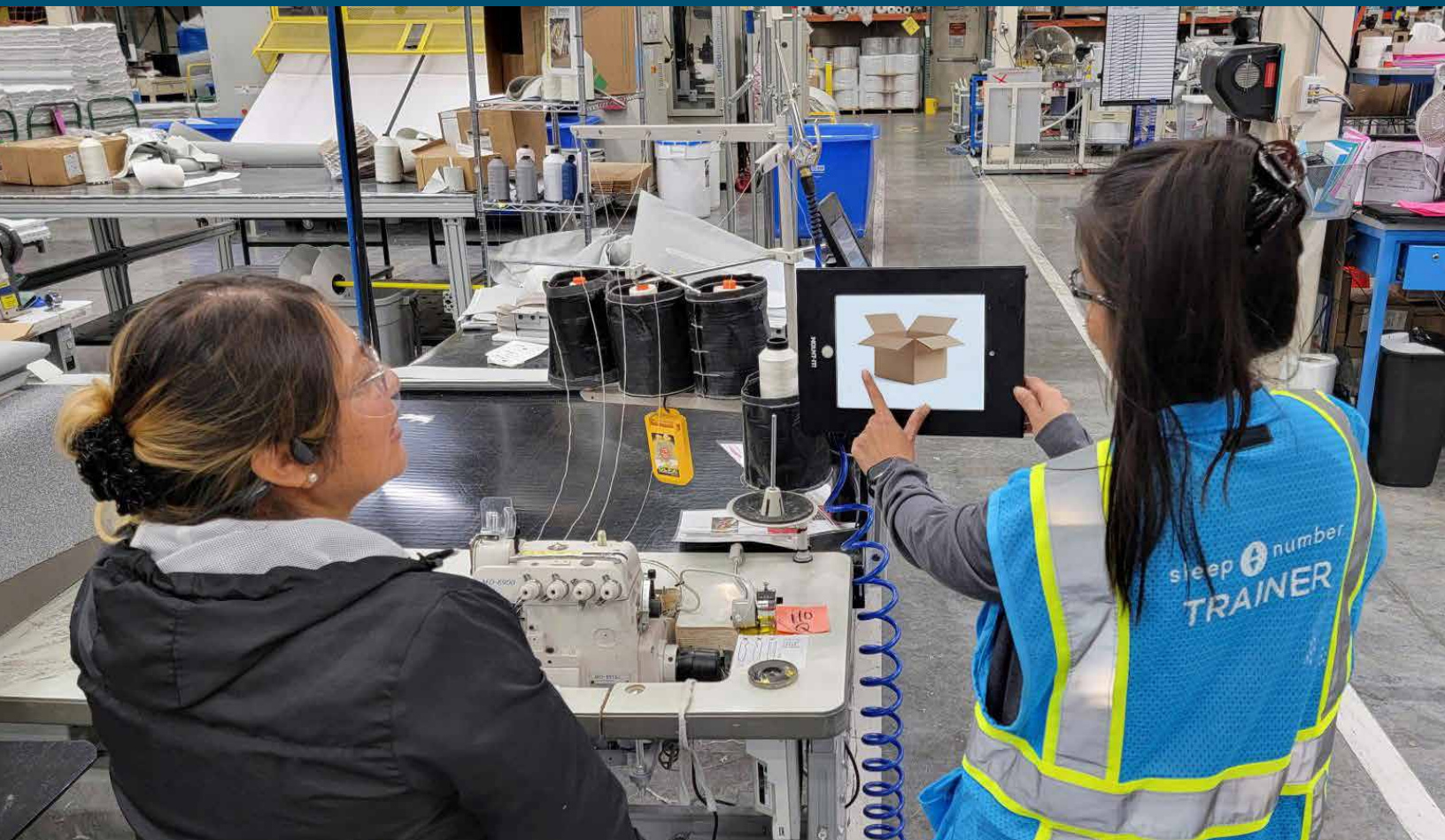


TEAM: LEARNING AND DEVELOPMENT

We are committed to equitable learning and development opportunities and are actively working to provide all team members with access to real-time learning through technology and online resources, such as our enterprise learning management system (LMS). The use of technology enables us to deliver a variety of dynamic and accessible content, monitor and measure team member training and better manage institutional knowledge. In addition to specific functional content to enhance competencies and performance, topics in our library include DEI, legal and ethical compliance training, and personal brand and leadership development training. In 2022, we launched a comprehensive, individualized learning library in our LMS with more than 150 courses available for team members and leaders throughout Sleep Number.

"We're investing in improved training technology, processes and documentation to build a better, more equitable learning environment for our teams. Whether you're an operator or a regional director, our goal is to create an environment where you can learn something new every day at work."

– Chris W., Vice President, Manufacturing & Assembly, Sleep Number® setting 40



Equitable Learning in Manufacturing Plants. Team members at our Irmo, SC, and Salt Lake City, UT, facilities demonstrate a commitment to personal growth, development and advancement, and benefit Sleep Number performance through their strong leadership in various operator and production manager roles.



TEAM: COACHING AND PERFORMANCE MANAGEMENT

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

- 1:1 weekly or bi-weekly conversations to discuss work assignments, provide project updates, check in on wellbeing and strengthen connection.
- Quarterly coaching conversations to create and align on goals, provide feedback on development progress and discuss future career aspirations.
- Annual performance review to discuss team member achievements during the past year, highlight their strengths and opportunities and outline career development opportunities and actions.

We also recently introduced a set of core competencies to create a common language for all Sleep Number leaders and team members. Our multi-year roadmap includes further expansion of our competency model, integration of leadership

levels and the introduction of an enterprise career framework.

Sleep Number invests significant time and energy in hiring, onboarding and training team members to thrive and grow at our Company. However, some team member turnover is part of the normal course of business. For team members who depart voluntarily for personal or professional reasons, we conduct an exit interview and exit survey to ensure we learn from their experience and take action to reduce unwanted turnover in the future. We are committed to increasing effectiveness and utilization of the exit survey process to capture the voice of our exiting team members and have planned enhancements to the exit survey in 2023 to give us deeper insight into the reasons team members are leaving Sleep Number. For team members who have been involuntarily terminated, we offer the opportunity to appeal their termination through our turnover appeal process by inviting them to provide additional information that was not considered at the time of the termination.



TEAM: TOTAL REWARDS

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

Recent enhancements include competitive base pay adjustments and merit funding, enhanced time-off benefits, strengthened mental health resources and support options and access to a wide range of resources as described in the [Team - Wellbeing](#) section of this report. Additionally, Sleep Number takes pay equity seriously and conducts regular, comprehensive pay practice reviews on the basis of race and gender. Our 2023 Total Rewards reflect recent enhancements and our continued commitment to equitable team member compensation and benefits.





TEAM: HEALTH AND SAFETY

Sleep Number provides appropriate equipment, safeguards, personal protection, training and administrative support to protect team member health and safety in the workplace – which reinforces our commitment to team member wellbeing. Our [A Workplace Accident and Injury Reduction \(AWAIR\) Policy](#) creates clear expectations for how each Sleep Number team member contributes to a safe and healthy workplace, underscoring our belief that safety at Sleep Number is everyone's responsibility. All team members are trained to work safely and are empowered to drive actions that ensure we maintain a safety-first culture and are in compliance with all safety rules and standards. In addition, in keeping with our focus on wellbeing and Company-wide commitment to safety, we implemented a new emergency communication tool, Everbridge, in 2022 that enables us to connect quickly with team members and check on their wellbeing in the event of a security, emergency or natural disaster incident.

As part of our effort to improve safety, we collect and analyze workplace injury and accident information across all our locations and take appropriate steps to reduce incident rates, number of workers' compensation claims and lost workdays. In 2022, we made progress on our safety goals with a decrease of team members impacted. We recorded 218 workers' compensation claims in 2022, compared with 225 in 2021. We recorded 7,019 lost workdays in 2022 compared to 7,973 in 2021. We had no reported work-related fatalities in either year.

While health and safety are priorities throughout our entire Company, our safety-first culture is deeply rooted within our manufacturing plants and assembly distribution centers (ADCs). Several advancements were made in 2022 to keep the health and safety of our team members at the forefront, including:

- Introduction of dedicated safety coordinators at each site who are focused on executing safety programs, keeping us at low safety rates compared to the industry.
- Implementation of a safety management system to standardize our safety practices and programs and track all incidents to better understand trends, identify root causes and increase awareness for leaders.
- Installation of equipment with safety features to enhance operations and reduce hazards for team members paired with related safety training.

Additionally, our Safety Hazard Recognition Identification Program for our manufacturing plants, which was implemented as an additional precaution in 2021, encourages team members to identify hazards before an injury can occur and allows leaders to take immediate steps to mitigate the hazards. It has created more than 700 safety engagement opportunities for team members and has driven positive safety outcomes, resulting in best-in-class safety performance that includes:

- Our largest manufacturing facility, located in Irmo, SC, has operated for six years without any lost workday injuries and more than a year without a recordable injury, and our second-largest plant in Salt Lake City, UT, has operated for more than a year without a lost workday injury.
- Our largest standalone Assembly Distribution Center, located in Springdale, OH, has operated for more than a year without any lost workday injuries or OSHA recordable injuries.





TEAM: HEALTH AND SAFETY

Team members at our 670 retail stores nationwide also have a strong record of safety. The OSHA 12-month rolling incident rate for Sleep Number® retail locations is less than 0.5, with a lost workday incident rate less than 0.5 for the past three years. Sleep Number retail store OSHA rate outperforms the 2021 furniture store industry rate of 2.3.

In Home Delivery, we made a commitment in 2022 to improve our OSHA 12-month rolling incident rate. We made significant improvements against our commitment, which resulted in a 3.8 incident rate improvement versus 2021. Specific actions that were taken in 2022 to better understand the causes of, make progress on, and reduce the number of incidents, include:

- Created learning programs and enhanced training standards with a focus on upskilling on safety measures.
- Implemented a communication strategy, including newsletters and safety huddles, to share tips and best practices.
- Updated safety tools and resources incorporating best practices.

- Updated Standard Operating Procedures on safety guidelines and best practices for all technicians.
- Enhanced market-specific reporting to track trends, identify root causes and understand injury type to share with leaders on a monthly basis.
- Implemented a safe driving rewards and recognition program, using vehicle telematics data for speeding, braking and acceleration, the three most common causes of accidents.

We track the number of injuries per 10,000 delivery stops to understand the correlation between technician workload and injuries. Since beginning this tracking in February 2021, we have experienced an improvement from six injuries per 10,000 stops to three injuries per 10,000 stops, and we are trending toward our goal of less than three injuries per 10,000 stops.

It is the respect and care our team members show for one another and understanding of compliance regulations that drive the success of our safety programs and contribute to safety and wellbeing as top priorities.





COMMUNITY

We continue to strengthen our impact in the communities where we operate. We work closely with strategic partners who share our commitment, and directly engage Sleep Number team members in our efforts to support individuals and families in need. In 2022, cash and product donations were valued at more than \$650,000.

Our commitment to our community includes supporting military families, children and adults facing health challenges and families in transition – all through quality sleep. To deliver on this commitment, amplify our positive community impact, advance sleep science to benefit society and fulfill our purpose, we are honored to partner with highly respected organizations, including:

- At the beginning of 2022, Sleep Number began a multi-year partnership with the **AMERICAN CANCER SOCIETY (ACS)** to meaningfully support the fight against cancer. Over the next six years, ACS will conduct research with data and expertise

from Sleep Number's proprietary smart beds to identify the impact of quality sleep on cancer prevention and recovery. Leveraging Sleep Number's 18 billion hours of highly accurate sleep data in conjunction with historical and ongoing cancer prevention studies, ACS will study the effects of cancer on patients' and survivors' nighttime sleep and biometric patterns. Informed by this research, the goal is to develop the first-ever sleep guidelines for cancer prevention and treatment and improve sleep outcomes for cancer patients and survivors.

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

sleep  number.



CORPORATE PARTNER OF THE YEAR





CEOs AGAINST CANCER is a powerful group of executives from top companies, uniting to change the course of cancer by leveraging the collective knowledge, influence and resources of the ACS. Driven by her personal commitment to raise awareness of and funding for cancer prevention and treatment, Sleep Number Chair, President and CEO Shelly Ibach serves as the chair of CEOs Against Cancer's Minnesota chapter. To raise awareness of the essential role that personal health plays in the fight against cancer, Shelly invited team members to participate in quarterly health challenges in 2022, including the second annual Fit2BeCancerFree® – a virtual step-tracking fitness challenge with a goal to create a healthy, cancer-free future. Sleep Number was one of the nation's top finishers in this event, stepping up in the fight against cancer.

Additionally, Sleep Number demonstrated the breadth of our commitment to the American Cancer Society – and to improving the wellbeing of society through high quality sleep – through two other actions in 2022:

- To benefit cancer patients and their caregivers, Sleep Number furnished the American Cancer Society's Hope Lodges with life-changing smart beds, Sleep Number® bedding and other sleep solutions to provide comfort and care for individuals undergoing cancer treatment away from home. Hope Lodges offer these patients and their caregivers a free place to live when their best option for effective care is in a city other than their home location. Lodges located in Rochester and Minneapolis, MN, near Sleep Number headquarters, were the first to receive Sleep Number's support in early 2022. In subsequent months, Hope Lodge locations in Kansas City, MO, and Dallas, TX, also received Sleep Number furnishings. The Dallas Hope Lodge included a surprise visit by Dallas Cowboys' Micah Parsons and received 150 PlushComfort™ pillows and autographed Cowboys gear.
- In celebration and recognition of Juneteenth and our support for greater health equity, Sleep Number was proud to contribute to the American Cancer Society's Health Equity Fund for the second year. Our donation to NorthPoint Health & Wellness in Minneapolis, MN, supports efforts to increase access to colorectal cancer screenings for underserved communities.
- Our InnerCircleSM Rewards members supported our purpose and partnerships, too, donating \$85,000 of reward points to the American Cancer Society.



COMMUNITY

More than 330,000 smart sleepers have opted in to participate in our ongoing sleep science research to advance the science of sleep and health. This has enabled rapid enrollment in Institutional Review Board approved studies utilizing our broad sleep database coupled with sleeper behaviors.

In 2020, Sleep Number announced a collaboration with Mayo Clinic, which is advancing the science of sleep by funding several Mayo Clinic research projects, including:

- Research to investigate the prevalence of disordered sleep (sleep apnea, insomnia and short sleep) in patients with Somali heritage and the implications for cardiovascular risk;
- Research to explore the relationship between disrupted sleep and markers of aging; and
- Research to explore Excessive Daytime Sleepiness and its cardiovascular implications.





COMMUNITY

Sleep Number is also advancing sleep science through the publication of society-changing research, including:

- At International Pediatric Sleep Association (IPSA) Online 2022, a global event on the latest scientific and clinical developments in pediatric sleep medicine, Sleep Number presented two studies using large-scale, longitudinal sleep data for children and adolescents captured from 360® smart beds. The data included overnight sleep parameters by age and gender for a large sample of children ages 5-17. With data collected over multiple nights using Sleep Number smart bed technology, the studies assessed whether children's sleep schedules changed in response to summertime school breaks or the COVID-19 pandemic.
- At World Sleep 2022, the 16th international meeting of the World Sleep Society in Rome, Sleep Number unveiled research that used data from our smart bed technology to evaluate sleep. The studies, which included (a) results of a prediction model for influenza-like illnesses, and (b) analysis of real-time sleep staging to potentially detect and guide intervention for sleep disorders, which appeared in the journal *Physiological Measurement*, demonstrate the capabilities of the 360 smart bed to accurately assess and monitor sleep in a non-invasive, longitudinal way, while also delivering effortless, proven quality sleep. We also hosted a symposium with world-leading sleep experts to evaluate how external factors like temperature, light, noise and sleeping position can be optimized to improve sleep quality. Additionally, through our onsite, immersive presence, we introduced the Sleep Number brand, 360 smart bed and our sleep research and science capabilities to the global scientific community.
- In May 2022, Sleep Number announced the publication of a new study that demonstrates a strong correlation between sleep measurement data from SleepIQ® technology, the operating system of the 360 smart bed, and traditional laboratory polysomnography (PSG), the current gold standard of measuring sleep. Unlike clinical sleep assessment methods, such as PSG, the smart bed captures the true, in-home, characteristics of sleep, including longitudinal data that is unavailable in clinical in-lab practice. The proven accuracy of data collected from our smart beds provides sleepers with trusted health insights and can be reliably used to inform physicians, potentially surfacing health concerns sooner, preventing progression and opening the door for less invasive early treatment.

For more information, see our [Sleep Science web page](#).





COMMUNITY

As the Official Sleep + Wellness Partner of the NATIONAL FOOTBALL LEAGUE (NFL), Sleep Number partners with NFL teams and players to drive social impact through the following efforts:

- Now in our ninth year of partnering with **BLUE STAR FAMILIES**, a nonprofit devoted to strengthening military families in transition, Sleep Number provided financial support and the gift of quality sleep to the families of those who serve and sacrifice for our country. In 2022, Sleep Number partnered with NFL teams to improve the lives of Blue Star Families in the Twin Cities, Los Angeles and Kansas City. With the help of a player partner in each city, three Blue Star Families' recipients were surprised and given Sleep Number 360 smart beds as well as signed NFL player jerseys, footballs and tickets to a home game in their respective cities. Two of the lucky recipients, Marie Nordine and her partner, Dustin Thompson, have more than 18 years of combined service as members of the Minnesota National Guard.

[View their story here.](#)



- Sleep Number also utilized our long-standing and recently renewed partnership with the NFL – and their wide-reaching platform – to raise awareness of important issues through storytelling. During Super Bowl 57, we partnered with the American Cancer Society (ACS) to raise awareness for cancer detection and prevention. The Defender, a digital cancer risk assessment tool created by ACS, was available on site in the Sleep Number content studio. Hundreds of people took the short quiz to understand how to fight against cancer. Additionally, Dr. Arif Kamal, Chief Patient Officer for ACS, spoke with Shelly Ibach on the One Shot podcast, hosted by former Dallas Cowboys safety Darren Woodson. Dr. Kamal and Shelly discussed their personal views of cancer prevention and recovery, the need for greater empathy in society, and the important ACS mission – to end cancer as we know it, for everyone – that our two organizations embrace.
- **MAKE-A-WISH**, with its mission to create life-changing wishes for children with critical illnesses, is one of the nation's most beloved nonprofit organizations. During the past year, Sleep Number partnered with Make-A-Wish, granting bedroom makeover wishes – complete with Sleep Number 360 smart beds – for immunocompromised children, helping them find comfort and sanctuary in the benefits of quality sleep while at home. In addition, Sleep Number customers – our Smart SleeperSM community members – were given the opportunity to donate their InnerCircleSM Rewards points to purchase additional product for wish kids.

Sleep Number also supported:

- **MY VERY OWN BED**, a Minnesota-based nonprofit that provides new beds and bedding to children of families who have recently transitioned into more stable housing, helping their new house feel more like a home and supporting their health and wellbeing through improved sleep.
- **DREAM FOUNDATION**, a national organization serving terminally ill adults and their families by providing end-of-life dreams that offer inspiration, comfort and closure, providing smart beds and once-in-a-lifetime NFL experiences to terminally ill patients.



COMMUNITY

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

"Recently, I used my paid volunteer time so my daughters and I could fix breakfast and lunch for sixteen children at Homeless No More in Columbia, SC. I really appreciate the wonderful opportunity Sleep Number offers us to volunteer in our communities. It also allows me to demonstrate to my own children about helping others."

– Valorie D., Quality Specialist, Irmo, SC, Sleep Number® setting 65



COMMUNITY

In 2022, we founded the **Sleep Number Team Member Support Fund** as a way for Sleep Number team members to provide financial assistance to their work colleagues who may be recovering or rebuilding after a personal crisis, hardship or natural disaster. Administered by E4E Relief, this fund is backed by the generosity of fellow team members through their tax-deductible charitable donations. Qualified applicants receive a minimum grant of \$500 in financial assistance. In its first year, the fund provided assistance to 64 team members.

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





SUPPLIERS

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

We have for many years maintained a [Code of Business Conduct for Vendors](#) that is applicable to all our suppliers (or vendors) and addresses a full range of relevant topics, including labor and human rights, wages and benefits, health and safety, environmental issues, ethics, and compliance with related laws, rules and regulations. In addition, our Supplier Quality Manual (SQM) and Supplier Business Manual (SBM) define minimum quality requirements, processes and systems for doing business with Sleep Number, and we continue to share the SQM / SBM with our suppliers to create alignment, ensure superior product quality and to demonstrate our commitment to creating a collaborative relationship based on open communication and mutual trust. The SBM defines the business practices and general guidelines expected of suppliers who are doing business with

Sleep Number. This manual outlines the requirements to ensure that Sleep Number's supply base is providing top-level performance while following guidelines and procedures. It is the responsibility of the supplier's leadership to ensure compliance with this manual. Our supplier scorecard, created for key suppliers, evaluates their quality and delivery performance – measured by defective parts per million and percent on-time delivery – relative to specific goals. The assessment, which is shared with Sleep Number suppliers on a monthly or quarterly basis, informs our purchasing decisions and whether the supplier remains in our qualified-supplier base. New suppliers are audited and must meet our minimum standards before production can begin. In addition, we conduct annual audits of the suppliers who represent approximately 90% of our direct materials spend.





SUPPLIERS

To align our suppliers – all of whom are subject to the Sleep Number Code of Business Conduct for Vendors – with our human rights commitments, to build compliance with our expectations for performance and to promote safe and secure working environments for all workers, Sleep Number monitors supplier performance related to our [Human Rights Policy](#). Monitoring and assessment occurs through information we glean from our annual business scorecard and audits of all new direct materials suppliers. In addition, we continue to expand and enhance supplier training and audits that will increase compliance and improve work conditions for at-risk workers.

We take violations of our Code of Business Conduct seriously. Team members should report, in accordance with the process described in our Code of Business

Conduct and as they are reminded in the annual training on the Code, any behavior or conduct by a Sleep Number team member or vendor, including business partners and suppliers, that they observe or suspect is in potential violation of our human rights policy or principles.

In the event any supplier audit or assessment raises concerns or identifies performance issues, we re-audit to ensure improvement and compliance. All suppliers are required to acknowledge their commitment to this Code. Sleep Number provides team members and management who have direct responsibility for supply chain management with training on matters within the scope of the Code. Sleep Number monitors suppliers' compliance with our standards and the Code through both formal audits and informal visits.



SUPPLIERS

Sleep Number is committed to environmental stewardship and promotes environmental responsibility among suppliers by informing them of our environmental policy as reflected in our Code of Business Conduct for Vendors and encouraging them to adopt effective environmental management practices. In 2021, we made progress on this journey, conducting a survey of key suppliers to better understand their ESG strategies and sustainability programs. The suppliers surveyed represent 96% of our direct materials and bedding collections spend. Based on their responses to our survey, more than 63% of these suppliers have policies and practices that demonstrate their commitment to environmental and social standards and 50% currently measure their GHG emissions. With this additional knowledge, we will continue to encourage our suppliers to prioritize programs that benefit people and our planet.

As part of our supply chain evolution, we have shared our safety best practices and expertise and reduced the transportation time and environmental impact of our manufacturing by, among other tactics, co-locating key suppliers within – or close to – our plant facilities. In 2022, for the fourth consecutive year, Sleep Number was awarded the Supply Chains to Admire™ award (by an independent organization: Supply Chain Insights) for transforming our supply chain while delivering unprecedented levels of speed and flexibility throughout the supply chain network.

By actively engaging with suppliers, including, among others, Leggett & Platt® and Bernhardt® Furniture, who represent a significant percentage of our annual direct materials spend, we strengthen our relationships with strategic direct materials and bedding collection partners and advance our respective ESG initiatives.





ENVIRONMENT





OUR ENVIRONMENTAL APPROACH

Sleep Number embraces our responsibility to move society forward and ensure a sustainable future for all. We are committed to being a good steward of the environment as we work to better understand and reduce the impact of our manufacturing, supply chain, retail operations and products throughout their life cycles. While we have incorporated sustainable practices and policies into our business for years, we have taken additional steps in recent years as further evidence of our responsibility and commitment, including:

- Becoming a signatory to the United Nations Global Compact (UNGC) in 2020 and prioritizing initiatives that support the UNGC Ten Principles and align with our values.
- Establishing our Environmental Impact Committee in 2021, comprised of cross-functional operating team leaders focused on continuing to identify and advance initiatives that will reduce our impact while benefiting our performance, such as improving the efficiency of our distribution and logistics operations and reducing the volume of waste we generate.
- Partnering with outside experts to measure, report and reduce our Scope 1 and 2 GHG emissions.
- Performing an initial assessment of our Scope 3 GHG emissions.
- Conducting our first materiality assessment to better understand the intersection of our stakeholder ESG priorities and their impact on society and the environment.
- Submitting information to CDP for the first time.
- Joining the International Sleep Products Association sustainability committee, established in 2022, to guide industry sustainability actions.

We are committed to engaging constructively with industry peers, supply chain partners and external stakeholders to help accelerate the transition to a low-carbon economy. In addition, we are actively raising awareness among our 5,115 team members about our actions and plans and inviting their ideas about other ways we can accelerate our environmental efforts.

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



CLIMATE AND ENERGY



In 2020, Sleep Number initiated efforts to measure and report energy and water usage with the aim of better understanding our baseline data, improving our reporting and beginning to identify and implement programs that reduce our impact. In 2021, we took another step forward, engaging an external vendor to support our data collection and reporting efforts across all Sleep Number locations, then including 648 stores, our headquarters building, customer service center and two manufacturing facilities and seven assembly distribution centers. This collaboration is enabling us to develop a more accurate, complete and auditable baseline – including Scope 1 GHG emissions and Scope 2 market-based GHG emissions for 2020 and 2021 – as well as create a Carbon Greenhouse Gas (GHG) Inventory Management Plan. Our 2020 and 2021 energy usage and emissions data are reported in the [Appendix - Environmental Metrics](#).

In 2022, we took additional actions designed to reduce our carbon footprint and provide insight to our impact. We completed an initial Scope 3 GHG emissions assessment, reflecting primarily spend-based data, and we submitted to CDP (formerly the Carbon Disclosure Project) for the first time. With management approval of \$4.1 million in capital spending, we engaged Blue Horizon Energy, a full-service, clean-energy development company, to help Sleep Number build a plan to increase our use of renewable energy alternatives. With their help, we launched projects in 2022 to install solar panels on our Minneapolis, MN, headquarters building, our California assembly distribution center, and our Texas assembly distribution center, which is planned to fully convert our Texas operations, including Retail, to renewable energy. These projects are expected to be completed by year-end 2023, and additional 2023 projects are also under consideration.

"Despite disruptions to global supply chains, our vertically integrated business model creates strong advantages for us, including our ability to own the customer experience from end-to-end. This recognition is the result of successfully working horizontally across the business, effectively managing complexity, and creating value-generating networks that deliver on our brand promise and establish lifelong relationships with our customers."

- Hunter Saklad, Executive Vice President, Chief Supply Chain Officer, Sleep Number® setting 65



CLIMATE AND ENERGY



Other meaningful efforts across our operations include:

- **MANUFACTURING AND DISTRIBUTION:** Sleep Number has been on a multi-year journey since 2015 to build a regional, digitally-enabled supply chain network that improves our manufacturing and distribution processes, increases our productivity, reduces waste and enhances customer experience from order through delivery. In 2022, we completed our supply chain transition to a network of assembly and delivery centers across eight regions, complemented with a mobile inventory visibility application. Our network design and investment in increased supply chain digitization and automation provide a more efficient movement of goods throughout the material supply and fulfillment process and improve our agility, responsiveness and reliability, contributing to reduced environmental impact and continued profitable growth. As a vertically-integrated business, we manufacture Sleep Number bed components at our production facilities in Irmo, SC, and Salt Lake City, UT. Final mattress assembly for distribution with our bases currently occurs at our eight assembly distribution centers (ADC) in Utah, Maryland, South Carolina, California, Florida, Texas, Minnesota and Ohio. Our electrical Firmness Control™ systems also are assembled in our Utah plant. We installed an HVAC system in seven of our eight ADCs, carefully considering energy usage and optimization,

while improving the work experience for our team members, and we intend to install a temperature control system in our California ADC in 2023.

- **HOME DELIVERY:** As a result of our increased focus on measurement, we learned that our fleet fuel usage accounts for nearly half of our Scope 1 and Scope 2 GHG emissions. In recent years, as we have grown our home delivery fleet, we have transitioned a portion of our vehicles to non-diesel transit vans which get better fuel mileage. In 2021, we added telematics technology to our entire fleet, improving our ability to monitor and measure efficiency as well as identify opportunities to reduce fuel consumption and emissions, including through reduced idling and a schedule routing system to optimize miles per delivery stop. In 2022, we significantly increased driver awareness of the impact of their actions. In the fourth quarter alone, we reduced our year-over-year average idling per truck per day by 10%, resulting in a savings of more than 2,500 gallons of fuel. Considering the importance and significance of this activity to our business and environmental impact, we continue to explore the feasibility of other options as well, including a small, initial test with two different vendors in 2022 of three electric home delivery vehicles.





NATURAL RESOURCES

With the help of our external partner, we are collecting water-usage data for all of our facilities. While we have reported 2020 and 2021 water usage in the [Appendix - Environmental Metrics](#), water is not an input to any Sleep Number process, nor any aspect of our operations, including retail, manufacturing, assembly or logistics. The 2020 data provided represents 77% actual and 23% modeled usage and the 2021 data represents 70% actual and 30% modeled usage.



WASTE

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

Because foam is a key component of Sleep Number® mattresses and pillows, our initial sustainability efforts have focused on ensuring that we properly handle its manufacturing and disposal. Along with our three CertiPUR-US® certified suppliers, we work to reduce waste from our foam manufacturing operations. One of our foam suppliers is currently utilizing 100% of our scrap as recycled rebond, a flexible polyurethane

foam with a near-infinite number of applications – such as carpet padding – due to its characteristics of compressibility, cushioning and energy absorption. In 2022, we also donated durable foam to Hope Haven, a community for disability services and advocacy, to help build new wheelchairs with enhanced comfort.

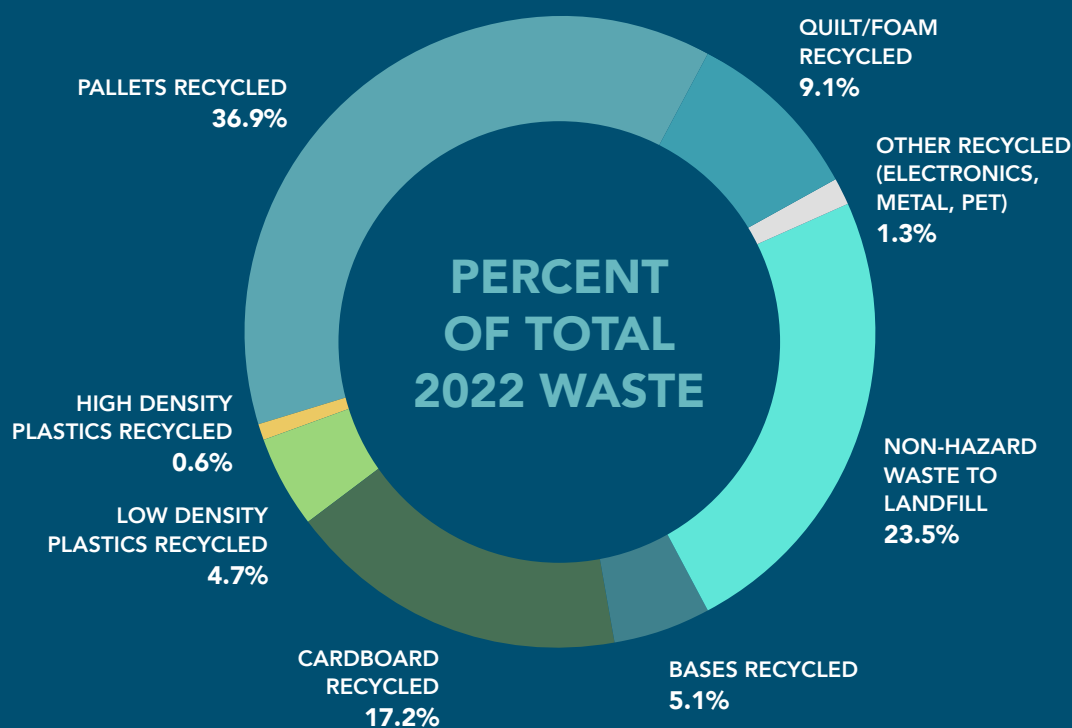


WASTE



For virtually all customers who purchase a new Sleep Number® bed, we offer to haul away their old mattress. Our 2022 haul away efforts diverted 114,406 old bedding pieces from landfills compared with 107,464 pieces in 2021. The 2022 diversion represents 4,158 tons, an increase of 236 tons, or 6%. This improvement reflects our successful 2022 efforts to expand mattress recycling across our footprint, increasing the number of vendors we work with and growing the number of markets where we recycle from 23 to 27. To further advance our knowledge and sustainability efforts, our Senior Director of Comfort Engineering serves on the board of the Sleep Products Safety Council (SPSC) and is actively engaged in industry efforts to recycle finished mattresses through our membership in the International Sleep Products Association (ISPA).

Sleep Number is committed to reducing the amount of disposable waste it generates and preserving valuable, limited landfill space. In early 2021, Sleep Number implemented more rigorous efforts to measure waste generation, by category, for each of our manufacturing and distribution locations to create an accurate baseline for future reduction. During 2022, Sleep Number produced 13 thousand tons of recycled and trash materials in our manufacturing plants and assembly distribution centers, which was approximately 1.1 thousand tons greater than the recycled and trash content we produced in 2021. The increase in 2022 is due to our opening of additional preassembled mattress manufacturing and distribution facilities in 2022, which generated incremental trash while ramping up their recycling operations.



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



WASTE

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

- In 2022, we established a goal to become zero-waste certified in our manufacturing operations. While our progress is slower than initially anticipated, we expect new initiatives being piloted in our Irmo, SC, and Salt Lake City, UT, facilities to result in certification by the end of 2023.
- We undertook efforts to reduce our annual Trash as a percent of Total Network Waste (Trash and Recycled Materials) toward our goal of a 10 percentage point reduction by year-end 2022; While our efforts were delayed by our focus on economic and supply chain priorities in 2022, we improved landfill diversion by 3% during the final three months of the year.
- We raised team member awareness of actions and opportunities to reduce waste through more frequent and targeted communication.

One of our key 2022 waste and natural resource reduction initiatives within our ADCs was to decrease use of wood pallets by transitioning to a more durable alternative. As a result of this effort, we used 47,312 fewer wood pallets in 2022, relying instead on an inventory of 5,000 plastic recyclable, reusable pallets. As we completed the transition to 100% pre-assembled smart beds in our ADCs and increased our recycling opportunities to minimize our waste to landfill, our wooden pallet recycling increased in 2022 compared to 2021.

In addition, Sleep Number initiated a program in 2021 to re-certify electronics. This program satisfies warranty claims while also reducing e-waste. Importantly, in 2022, with the launch of our Climate360™ smart bed, we are also implementing our new smart bed platform, with technology that supports our entire new portfolio in 2023. This platform design requires fewer stock-keeping units and electronic components and uses newer, more readily available semiconductor chips, which will reduce future e-waste.



SUSTAINABLE RETAIL DESIGN



In 2022, Sleep Number introduced a new store concept centered on sustainable design. This is the first time that Sleep Number has used sustainability as a guiding principle and foundational requirement, including consideration of materials, manufacturing, construction and maintenance. The first store debuted in July 2022 and 10 additional new stores opened by year end.

FEATURES OF THESE STORES INCLUDE:

- Flooring manufactured in U.S.-zero-based waste facilities that use 100% closed loop pre-consumer recycled content
- Fixtures made from certified recycled acrylic
- Laminated fixtures consisting of high-pressure laminate, with a top layer composed of an average of 34% post-consumer recycled (PCR) material and a bottom layer of 32-67% PCR
- Use of GREENGUARD GOLD Certified products in lieu of melamine for solid surfaces
- PVC-free wall coverings manufactured with recycled fibers
- Paints, coating and adhesive that are either no- or low-VOC (volatile organic compounds)
- Automated window coverings with improved UV, thermal and glare protection
- Low-flow restroom fixtures to decrease water usage
- Drinking fountain bottle fillers
- LED lighting
- Incorporation of digital technology to support the in-store customer experience and enable future evolution without requiring major renovation or contributing to waste

As we plan our future growth and renovate existing stores, we will evaluate the feasibility of integrating some or all of these features into every retail location. We plan to share our sustainability priorities with prospective real estate and general contractor partners and develop a plan to address end-of-life treatment as part of our design and construction process.





PRODUCT STEWARDSHIP, SUSTAINABILITY AND SAFETY

Sleep Number's ambitious vision is to become one of the world's most beloved brands by delivering an unparalleled sleep experience. With a relentless focus on the customer, we have continued to advance our award-winning smart beds. Enhancing their trademark comfort, adjustability and highly accurate detection of sleep and bio signal data, the smart bed ecosystem has evolved into a progressive and adaptive wellness technology platform.

The platform empowers individualized sleep performance through sense-and-do technology and advanced health data insights. These insights deliver personalized knowledge about what happens to a Smart Sleeper during the night and provide valuable information that may be used for their preventative and proactive wellness. All of this occurs from their smart bed, in the comfort of their home; all they have to do is sleep. Without having to take any action, our Smart Sleepers benefit from the collection of their personal sleep data as well as the billions of hours of sleep data and research that we have amassed.

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

Sleep Number is committed to producing and delivering top-quality products to our customers. We test every smart bed model, utilizing both industry standard and proprietary Sleep Number testing protocols. Our proprietary testing was developed to more closely simulate actual customer use. Our testing supports 25-year durability for Sleep Number beds. Our beds come with a warranty that is considerably longer than industry average, and our quality is evident through our life-long relationships and exclusive direct-to-consumer distribution.





PRODUCT STEWARDSHIP, SUSTAINABILITY AND SAFETY

Sleep Number also offers a selection of pillows and bedding collections designed to enhance individualized comfort and our internal bedding sourcing policy makes clear our intent to choose the sustainable bedding product option if such an option for a product in our assortment is available and relevant. Ninety-six percent of our bedding collection products hold the coveted STANDARD 100 by OEKO-TEX® certification, one of the world's best-known labels for textiles, certifying that every component of the article has been tested and is harmless in human ecological terms. Some of our bedding collection products also hold MADE IN GREEN by OEKO-TEX® endorsement, which guarantees that the textiles are tested for harmful substances and have been manufactured using sustainable processes under environmentally-friendly and socially-responsible working conditions. All of the down comforters and pillows in our assortment comply with the Responsible Down Standard (RDS), which aims to incentivize practices that respect the

humane treatment of ducks and geese. Each certification stands for customer confidence and high product safety.

We partner with multiple foam manufacturers to supply foam for our proprietary mattress designs and pillows. Each of these manufacturers produce foam that is CertiPUR-US® certified which provides confidence that it meets standards for content, emissions and durability and that it is made without: zone depleters, PBDEs, TDCPP or TCEP ("Tris") flame retardants, mercury, lead or other heavy metals, formaldehyde, and phthalates regulated by the Consumer Product Safety Commission. CertiPUR-US foams are also low volatile organic compound (VOC) emissions for indoor air quality (less than 0.5 parts per million).

All of our smart beds and bases are tested and comply with federal fire retardancy regulations and the electronic control systems are listed to UL standards.





APPENDIX



ABOUT THIS REPORT

Making the world a better place through proven quality sleep is core to who we are at Sleep Number. Our Board of Directors, management and our 5,115 Sleep Number team members are dedicated to our Company's mission and values of passion, integrity, innovation, courage and teamwork. This 2023 Sleep Number Corporate Sustainability Report provides an update on our governance, social and environmental practices, programs and policies. It was published in March 2023 and reflects our activities and initiatives for our 2022 fiscal year ending December 31, 2022, as well as certain subsequent events and initiatives that occurred after the end of fiscal year 2022 and prior to publication and certain data from fiscal 2021 that only recently became available. It includes forward-looking statements about our business plans, initiatives and objectives as further described in the [Appendix - Forward-Looking Statements](#). These business plans, initiatives and objectives may change based on subsequent developments.

PUBLICLY AVAILABLE GOVERNANCE DOCUMENTS

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



BOARD, LEADERSHIP AND TEAM MEMBER DEMOGRAPHICS

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

BOARD DIVERSITY MATRIX (AS OF MARCH 13, 2023)				
TOTAL NUMBER OF DIRECTORS - 11				
	FEMALE	MALE	NON-BINARY	DID NOT DISCLOSE GENDER
PART I: GENDER IDENTITY				
Directors	5	6		
PART II: DEMOGRAPHIC BACKGROUND				
African American Or Black	1			
Alaskan Native Or Native American				
Asian				
Hispanic Or Latinx		2		
Native Hawaiian Or Pacific Islander				
White	4	4		
Two Or More Races Or Ethnicities				
LGBTQ+			1	
Did Not Disclose Demographic Background			0	

EXECUTIVE LEADERSHIP TEAM (ELT) DIVERSITY MATRIX (AS OF MARCH 13, 2023)				
TOTAL NUMBER OF ELT - 7				
	FEMALE	MALE	NON-BINARY	DID NOT DISCLOSE GENDER
PART I: GENDER IDENTITY				
ELT	3	4		
PART II: DEMOGRAPHIC BACKGROUND				
African American Or Black		1		
Alaskan Native Or Native American				
Asian				
Hispanic Or Latinx	1			
Native Hawaiian Or Pacific Islander				
White	2	3		
Two Or More Races Or Ethnicities				
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

BOARD, LEADERSHIP AND TEAM MEMBER DEMOGRAPHICS



TEAM MEMBER DEMOGRAPHICS		
TENURE		
TENURE BY YEAR	NUMBER OF TEAM MEMBERS	PERCENT OF TOTAL TEAM MEMBERS
<1 Year	1,148	22%
Female	405	35%
Male	743	65%
1 - 3 Years	1,733	34%
Female	642	37%
Male	1,091	63%
3 - 5 Years	712	14%
Female	287	40%
Male	425	60%
5 - 10 Years	939	18%
Female	357	38%
Male	582	62%
10+ Years	583	11%
Female	259	44%
Male	324	56%
Grand Total	5,115	100%
GENDER		
TEAM MEMBER GENDER	NUMBER OF TEAM	PERCENT OF TOTAL TEAM
Female	1,950	38%
Male	3,165	62%
Grand Total	5,115	100%
GENDER BY GRADE		
TEAM MEMBER GENDER BY COMPENSATION	NUMBER OF TEAM	PERCENT OF TOTAL TEAM
Compensation Grades 1 - 7	4,363	85%
Female	1,636	37%
Male	2,727	63%
Compensation Grades 8 - 10	617	12%
Female	270	44%
Male	347	56%
Compensation Grades 11+	135	3%
Female	44	33%
Male	91	67%
Grand Total	5,115	100%

BOARD, LEADERSHIP AND TEAM MEMBER DEMOGRAPHICS



GENERATION		
GENERATION	NUMBER OF TEAM MEMBERS	PERCENT OF TOTAL TEAM MEMBERS
Generation Z (1997 and onward)	540	11%
Female	182	34%
Male	358	66%
Generation Y / Millennials (1981 -1996)	2,448	48%
Female	876	36%
Male	1,572	64%
Generation X (1965 -1980)	1,519	30%
Female	612	40%
Male	907	60%
Baby Boomers (1946 -1964)	602	12%
Female	278	46%
Male	324	54%
Silent Generation (1928 -1945)	4	—%
Female	1	25%
Male	3	75%
Unidentified	2	—%
Female	1	50%
Male	1	50%
Grand Total	5,115	100%
CONTINGENT WORKERS		
CONTINGENT WORKERS		YEAR-END TOTAL
Contingent Worker		647
Grand Total		647
FULL-TIME AND PART-TIME TEAM MEMBERS		
FULL-TIME AND PART-TIME TEAM MEMBERS	NUMBER OF TEAM	PERCENT OF TOTAL
Full time	5,023	98%
Female	1,893	38%
Male	3,130	62%
Part time	92	2%
Female	57	62%
Male	35	38%
Grand Total	5,115	100%



BOARD, LEADERSHIP AND TEAM MEMBER DEMOGRAPHICS

PERMANENT/REGULAR AND TEMPORARY TEAM MEMBERS		
PERMANENT/REGULAR AND TEMPORARY TEAM MEMBERS	NUMBER OF TEAM MEMBERS	PERCENT OF TOTAL TEAM MEMBERS
Regular	5,040	99%
Female	1,900	37%
Male	3,140	63%
Temporary	75	1%
Female	50	69%
Male	25	31%
Grand Total	5,115	100%

RACE AND ETHNICITY		
RACE AND ETHNICITY	NUMBER OF TEAM MEMBERS	PERCENT OF TOTAL TEAM MEMBERS
American Indian or Alaska Native (Not Hispanic or Latino)	40	1%
Female	14	35%
Male	26	65%
Asian (Not Hispanic or Latino)	258	5%
Female	91	35%
Male	167	65%
Black or African American (Not Hispanic or Latino)	977	19%
Female	423	43%
Male	554	57%
Hispanic or Latino	645	13%
Female	205	32%
Male	440	68%
I Do Not Wish To Answer	72	1%
Female	36	50%
Male	36	50%
Native Hawaiian or Other Pacific Islander (Not Hispanic or Latino)	33	1%
Female	18	55%
Male	15	45%
Two or More Races (Not Hispanic or Latino)	191	4%
Female	75	39%
Male	116	61%
White (Not Hispanic or Latino)	2,899	57%
Female	1,088	38%
Male	1,811	62%
Grand Total	5,115	100%

Note:

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

MEASURING OUR PROGRESS



Sleep Number initiated reporting in accordance with the GRI Standards 2021 and SASB Standards 2018-10 in our 2022 report as a first step in aligning our disclosures with these globally and nationally recognized frameworks and principles. In this 2023 report, we describe the ESG actions taken during our 2022 fiscal year (January 2, 2022, through December 31, 2022) — and actions we plan to pursue moving forward — in keeping with these standards.

ENVIRONMENTAL METRICS					
ENERGY					
METRIC	FY21 USAGE	FY21 MTCO2E	FY20 USAGE	FY20 MTCO2E	YOY MTCO2E % CHANGE
Electricity consumed (kwh)		11,595	27,767,657	10,809	
Scope 2 (Direct) CO2 emissions (MTCO2e) (location based)		11,595		10,809	7%
Scope 2 (Direct) CO2 emissions (MTCO2e) (market based)		12,533		—	—
Natural Gas consumed (therms)	855,628	4,554	864,825	4,152	
Propane (gal.)	754	4	647	4	
Diesel (fleet fuel in gal.)	1,608,506	16,542	1,332,934	13,773	
Refrigerant (lbs.)	615	532	601	520	
Scope 1 (Direct) CO2 emissions (MTCO2e)		21,632		18,448	17%
TOTAL MTCO2e* (location based)		33,227		29,257	14%
TOTAL MTCO2e* (market based)		34,165		—	—
Emissions Intensity (Scope 1 and 2 MTCO2e/Cal. Norm. SqFt)		11,882		11,597	2%

WASTE			
METRIC	2022	2021	YOY CHANGE (TONS)
Bases recycled (tons)	645	1,118	(473)
Cardboard recycled (tons)	2,264	1,946	318
Electronics recycled (tons)	23	14	9
Low Density Plastics recycled (tons)	764	476	288
High Density Plastics recycled (tons)	88	406	(317)
Metal recycled (tons)	113	16	97
Pallets recycled	4,709	3,459	1,250
PET recycled (tons)	28	28	1
Quilt/Foam recycled (tons)	1,155	1,457	(302)
Non-Hazardous Waste to Landfill (tons of Trash)	3,029	2,923	106
WTE	218	93	125
TOTAL Waste (tons)	13,039	11,935	1,104
Hazardous Waste (tons)	—	—	—

	2022	2021	2020
Water Usage* (thousands of gal.)	Not Available	25,113	9,997
	2022	2021	
% of bedding assortment that is OEKO-TEX certified	96%	92%	

*Scope 1 & 2 (MTCO2e) for 2021 represents 86.5% actual and 13.5% modeled data; For 2020, 82% was actual and 18% was modeled data. 2021 water usage represents 70% actual and 30% modeled data. The change in actual/modelled water usage data compared to 2020 (77%/23%) is due to modeled data for new manufacturing facilities.



GRI CONTEXT INDEX

STATEMENT OF USE	Sleep Number has reported in accordance with the GRI Standards for the period January 2, 2022, through December 31, 2022.
GRI 1 USED	GRI 1: Foundation 2021
APPLICABLE GRI SECTOR STANDARD(S)	Household Durables; Retail

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
ORGANIZATION AND REPORTING PRACTICES		
GRI 2: General Disclosures 2021	GRI 2.1a Organizational Details (Legal Name)	Form 10-K , cover page.
	GRI 2.1b Organizational Details (Nature of Ownership)	Form 10-K , cover page.
	GRI 2.1c Organizational Details (HQ Address)	Form 10-K , cover page.
	GRI 2.1d Organizational Details (Countries of Operation)	Corporate Sustainability Report, Where We Operate
	GRI 2.2a Entities included in ESG reporting	Parent and consolidated subsidiaries.
	GRI 2.2b Specify difference between entities included in ESG reporting and those included in publicly filed financial statements	None.
	GRI 2.2c Approach used to consolidate multiple entities	Form 10-K , Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Critical Accounting Policies and Estimates.
	GRI 2.3a Reporting period for and frequency of ESG reporting	This report covers Sleep Number operations and performance for the period January 2, 2022, through December 31, 2022. Our first report was published in March 2019. We publish ESG updates annually.
	GRI 2.3b Differences between financial reporting and ESG reporting period, if any	ESG reporting period (for select items) extends beyond most recent fiscal year end to report publication date.
	GRI 2.3c ESG Report publication date	March 2023.
	GRI 2.3d Contact point for questions about reported information	Corporate Sustainability Report, Stakeholder Feedback
	GRI 2.4 Restatements of prior period information, including reason(s) and effect	None.
	GRI 2.5a External Assurance - describe policy and practice for seeking external assurance, including whether and how the highest governance body and senior executives are involved	To date, we do not engage an external resource for assurance of our ESG reporting. However, we have engaged with internal assurance that reports to the Audit Committee and consulted with external assurance on ESG reporting topics. Per our Corporate Sustainability Report, Governance , our Executive Leadership Team is actively engaged and our Board of Directors reviews this report.



GRI CONTEXT INDEX

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
ORGANIZATION AND REPORTING PRACTICES		
GRI 2: General Disclosures 2021	GRI 2.5b If externally assured, provide link or reference to assurance statement, describe what has been assured and on what basis, describe relationship between company and assurance provider	See response to GRI 2.5a.
SASB: Activity Metric	CG-MR-000.A Number of (1) retail locations and (2) distribution centers	Corporate Sustainability Report, Where We Operate
ACTIVITIES AND WORKERS		
GRI 2: General Disclosures 2021	GRI 2.6a Sector	Household Durables, Retail.
	GRI 2.6b Value Chain (Products, Services, Markets, Supply Chain)	Form 10-K , Item 1. Business.
	GRI 2.6c Business Relationships	Form 10-K
	GRI 2.6d Changes in 2.6 compared to prior reporting periods	Form 10-K
	GRI 2.7a # of Employees – Total, By Gender, By Region	Corporate Sustainability Report, Appendix - Team Member Demographics
	GRI 2.7b Permanent, Temporary, FT, PT (with breakdowns by gender & region)	We provide Permanent, Temporary, FT, PT team member breakdown by gender in our Corporate Sustainability Report, Appendix - Team Member Demographics , but do not report this information by region as not all team members are assigned to regions.
	GRI 2.7c Reporting Methodology (YE vs. Ave, # vs. FTE)	Year-End #.
	GRI 2.7d Context to understand TM data	Form 10-K , Item 1. Business; Human Capital.
	GRI 2.7e Fluctuations across reporting periods	Number of team members at year-end 2021 was 5,515 compared to 5,115 at year-end 2022. Corporate Sustainability Report, Appendix - Team Member Demographics
	GRI 2.8a Workers who are not employees (most common type, work they perform)	Corporate Sustainability Report - Team Member Demographics
	GRI 2.8b Workers who are not employees methodology (YE vs. Ave, # or FTE)	Year-End #.
	GRI 2.8c Workers who are not employees (fluctuations within/across periods)	Sleep Number has not previously reported information about workers who are not employees.
GOVERNANCE		
GRI 2: General Disclosures 2021	GRI 2.9a – c Governance Structure & Composition (Board & Committees)	Proxy , Corporate Governance.
	GRI 2.10a – b Nomination & selection of highest governance body	Proxy , Corporate Governance.
	GRI 2.11a – b Chair of highest governance body	Proxy , Corporate Governance.
	GRI 2.12a – c Role of highest governance body	Proxy , Corporate Governance.
	GRI 2.13a – b Delegation of responsibility	Proxy , Corporate Governance.
	GRI 2.14a – b Role of the highest governance body in ESG reporting	Proxy , Corporate Governance.



GRI CONTEXT INDEX

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
ORGANIZATION AND REPORTING PRACTICES		
GOVERNANCE		
GRI 2: General Disclosures 2021	GRI 2.15a – b Conflicts of Interest	Proxy , Corporate Governance.
	GRI 2.16a – b Communication of critical concerns	Proxy , Corporate Governance; Corporate Sustainability Report, Governance
	GRI 2.17 Collective knowledge of the highest governance body	Corporate Sustainability Report, Governance - Our Governance Approach
	GRI 2.18a – c Evaluation of the performance of the highest governance body	Proxy , Corporate Governance.
	GRI 2.19a – b Remuneration policies	Proxy , Executive Compensation (beginning on page 28).
	GRI 2.20a – b Process to determine remuneration	Proxy , Executive Compensation: Committee and Governance
	GRI 2.21a – c Annual total compensation ratio	Proxy , CEO Pay Ratio (page 54).
STRATEGIES, POLICIES AND PRACTICES		
GRI 2: General Disclosures 2021	GRI 2.22 Statement on sustainable development strategy	Corporate Sustainability Report, Sustainability Priorities and Progress
	GRI 2.23a Policy commitments (re: responsible business conduct)	Team Member Code of Business Conduct ; Code of Business Conduct for Vendors
	GRI 2.23b Policy commitments (re: human rights)	Human Rights Policy
	GRI 2.23c Policy commitments links	Corporate Sustainability Report, Appendix - Publicly Available Governance Documents
	GRI 2.23d Policy commitments (re: level of approval)	The Board and/or Executive Leadership Team reviews and approves policy commitments.
	GRI 2.23e Policy commitments (re: application to activities and business relationships)	Policies apply to all of the organization's activities and business relationships.
	GRI 2.23f Policy commitments (re: communication to workers, business partners, others)	Policies are publicly available and the majority are proactively communicated to relevant stakeholders for review and alignment.
	GRI 2.24 Embedding policy commitments	Corporate Sustainability Report, Governance - Commitment to Ethical Business Practices and Legal Compliance
	GRI 2.25a – e Process to remediate negative impacts	Corporate Sustainability Report <ul style="list-style-type: none"> • Governance • Team: Coaching/Performance, Team: Health & Safety • Social: Suppliers
	GRI 2.26 Mechanisms for seeking advice and raising concerns	Corporate Sustainability Report, Governance - Commitment to Ethical Business Practices and Legal Compliance ; Corporate Sustainability Report, Social - Suppliers
	GRI 2.27a – d Compliance with laws and regulations	Corporate Sustainability Report, Governance - Commitment to Ethical Business Practices and Legal Compliance
	GRI 2.28 Member associations	Corporate Sustainability Report, Overview - Sustainability Priorities and Progress ; Corporate Sustainability Report, Governance - Political Contributions



GRI CONTEXT INDEX

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
ORGANIZATION AND REPORTING PRACTICES		
STAKEHOLDER ENGAGEMENT		
GRI 2: General Disclosures 2021	GRI 2.29 Approach to Stakeholder Engagement	Corporate Sustainability Report, Governance - Stakeholder Engagement
	GRI 2.30a – b Collective bargaining agreements	Corporate Sustainability Report, Appendix, Publicly Available Governance Documents - Human Rights Policy
MATERIALITY		
GRI 3: Material Topics 2021	GRI 2021 3.1 Process to determine Material Topics	Corporate Sustainability Report, Governance - Stakeholder Engagement
	GRI 2021 3.2 List of Material Topics	Corporate Sustainability Report, Governance - Stakeholder Engagement
	GRI 2021 3.2 Management of Material Topics	Corporate Sustainability Report, Governance - Stakeholder Engagement
ENERGY		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Corporate Sustainability Report, Environment - Climate and Energy
	302-3 Energy intensity	Corporate Sustainability Report, Appendix - Environmental Metrics
	302-4 Reduction of energy consumption	We are early in our journey of measuring and reporting energy usage and have identified specific initiatives, including installation of solar panels and telemetrics, to reduce energy consumption. Our energy usage rose in 2022. Corporate Sustainability Report, Appendix - Environmental Metrics
	302-5 Reductions in energy requirements of products and services	We are early in our journey of measuring and reporting energy usage. We expect to develop reduction goals and further identify specific initiatives to reduce energy consumption in the future.
SASB 2018-10 Energy Management in Retail & Distribution	CG-MR-130a.1 (1) Total energy consumed (2) percentage grid electricity (3) percentage renewable	Corporate Sustainability Report, Appendix - Environmental Metrics
EMISSIONS		
GRI 305: Emissions 2016	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Environment - Climate and Energy ; Corporate Sustainability Report, Environment - Climate and Energy
	305-1 Direct (Scope 1) GHG emissions	Corporate Sustainability Report, Appendix - Environmental Metrics
	305-2 Energy indirect (Scope 2) GHG emissions	Corporate Sustainability Report, Appendix - Environmental Metrics



GRI CONTEXT INDEX

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
EMISSIONS		
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	Corporate Sustainability Report, Environment - Climate and Energy
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	We have measured Scope 1 and 2 emissions for two consecutive years. We are continuing to capture data to enable us to report these metrics in the future.
WASTE		
GRI 306: Waste 2020	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Stakeholder Engagement ; Corporate Sustainability Report, Environment - Waste
	306-1 Waste generation and significant waste-related impacts	Corporate Sustainability Report, Environment - Waste
	306-2 Management of significant waste-related impacts	Corporate Sustainability Report, Environment - Waste
	306-3 Waste generated	Corporate Sustainability Report, Appendix - Environmental Metrics
	306-4 Waste diverted from disposal	Corporate Sustainability Report, Appendix - Environmental Metrics
	306-5 Waste directed to disposal	Corporate Sustainability Report, Appendix - Environmental Metrics
EMPLOYMENT		
GRI 401: Employment 2016	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Stakeholder Engagement
	401-1 New employee hires and employee turnover	We view this information to be confidential
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Corporate Sustainability Report, Social - Team
	401-3 Parental leave	Corporate Sustainability Report, Social - Team
TRAINING AND EDUCATION		
GRI 404: Training and Education 2016	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Stakeholder Engagement
	404-1 Average hours of training per year per employee	We do not currently capture this data
	404-2 Programs for upgrading employee skills and transition assistance programs	Corporate Sustainability Report, Social - Team
	404-3 Percentage of employees receiving regular performance and career development reviews	Corporate Sustainability Report, Social - Team



GRI CONTEXT INDEX

GRI/SASB STANDARD	INDICATOR/METRIC	DISCLOSURE
DIVERSITY AND EQUAL OPPORTUNITY		
GRI 405: Diversity and Equal Opportunity 2016	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Stakeholder Engagement
	405-1 Diversity of governance bodies and employees	Corporate Sustainability Report, Appendix - Board, Leadership and Team Member Demographics
	405-2 Ratio of basic salary and remuneration of women to men	We do not capture this information because we do not believe it would be an accurate measure of pay equity in our business.
SASB: Workforce Diversity & Inclusion	CG-MR-330a.1/CG-MR:02 Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	Corporate Sustainability Report, Appendix - Board, Leadership and Team Member Demographics
SUPPLIERS		
GRI 414: Supplier Social Assessment 2016	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Stakeholder Engagement Corporate Sustainability Report, Social - Suppliers
	414-1 New suppliers that were screened using social criteria	No new significant suppliers were added during the reporting period.
	414-2 Negative social impacts in the supply chain and actions taken	Corporate Sustainability Report, Social - Suppliers
PUBLIC POLICY		
GRI 415: Public Policy 2016	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Political Contributions
	415-1 Political Contributions	Corporate Sustainability Report, Governance - Political Contributions
HEALTH AND SAFETY		
GRI 416: Customer Health & Safety 2016	GRI 3 2021 3.3 Management disclosures approach - Materiality	Corporate Sustainability Report, Governance - Stakeholder Engagement Corporate Sustainability Report, Team: Health and Safety Corporate Sustainability Report, Environmental - Product Stewardship, Sustainability and Safety
	416-1 Assessment of the health and safety impacts of product and service categories	Corporate Sustainability Report, Overview - Purpose Corporate Responsibility Report, Social - Team Corporate Sustainability Report, Environmental - Product Stewardship, Sustainability and Safety



INNOVATION AWARDS AND RECOGNITION

Sleep Number was recognized for leadership, quality and innovation throughout 2022. Honors include the following awards and rankings, as well as others which can be found on our Sleep Number [newsroom](#):



CES 2022 Innovation Award honoree for the new Sleep Number 360® smart bed, Health & Wellness Category



CES 2022 Innovation Award honoree for the new Sleep Number 360 smart bed, Smart Home Category



American Cancer Society's Corporate Partner of the Year



GENYOUth's 2022 Vanguard Award - for valuable contributions to youth sleep education



Digital Health Award for Sleep Number Climate360 smart bed, Personal Digital Health Devices / Wearables - Sleep Tracking Category



The Stevie Awards for Women in Business, Best New Product of Service of the Year - Consumer Products for the Sleep Number Climate360 smart bed



2022 Digital Commerce 360 Top 500 Company



Sleep Number, 3+ Company by 50/50 Women on Boards



International Loyalty Awards, High Commendation in "Best Customer Experience" category, Sleep Number InnerCircleSM Rewards Program



Loyalty360, Platinum Customer Insights and Metrics



Loyalty360, Best in Class Corporate Social Responsibilities



Top 100 Internship Program, The Yello and WayUp team

FORWARD-LOOKING STATEMENTS



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

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

- Current and future economic conditions and consumer sentiment;
- Increases in interest rates, which have increased the cost of servicing the Company’s indebtedness;
- Availability of attractive and cost-effective consumer credit options;
- Operating with minimal levels of inventory, which may leave the Company vulnerable to supply shortages;
- Sleep Number’s dependence on, and ability to maintain strong working relationships with, key suppliers and third parties;
- Rising commodity costs or third-party logistics costs and other inflationary pressures;
- Risks inherent in global-sourcing activities, including tariffs, geo-political turmoil, war, strikes, labor challenges, government-mandated work closures, outbreaks of pandemics or contagious diseases, and resulting supply shortages and production and delivery delays and disruptions;
- Risks of disruption due to health epidemics or pandemics, such as the COVID-19 pandemic;
- Regional risks related to having global operations and suppliers, including climate and other disasters;
- The effectiveness of the Company’s marketing strategy and promotional efforts;
- The execution of Sleep Number’s Total Retail distribution strategy;
- Ability to achieve and maintain high levels of product quality;
- Ability to improve and expand Sleep Number’s product line and execute successful new product introductions;
- Ability to prevent third parties from using the Company’s technology or trademarks, and the adequacy of its intellectual property rights to protect its products and brand;
- Ability to compete;
- Risks of disruption in the operation of any of the Company’s main manufacturing, distribution, logistics, home delivery, product development or customer service operations;
- The Company’s ability to comply with existing and changing government regulation;
- Pending or unforeseen litigation and the potential for associated adverse publicity;
- The adequacy of the Company’s and third-party information systems and costs and disruptions related to upgrading or maintaining these systems;
- The Company’s ability to withstand cyber threats that could compromise the security of its systems, result in a data breach or business disruption;
- Sleep Number’s ability, and the ability of its suppliers and vendors, to attract, retain and motivate qualified personnel;
- The volatility of Sleep Number stock;
- Environmental, social and governance (ESG) risks, including increasing regulation and stakeholder expectations; and
- The Company’s ability to adapt to climate change and readiness for legal or regulatory responses thereto.

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



STAKEHOLDER FEEDBACK

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

763-551-7498

investorrelations@sleepnumber.com

WE SUPPORT

