TEMPUR SEALY INTERNATIONAL, INC.
Form PRE 14A
March 16, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. _____)

Filed by the Registrant ý
Filed by a Party other than the Registrant o

Check the appropriate box:
ý Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

TEMPUR SEALY INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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

TEMPUR SEALY INTERNATIONAL, INC.
Notice of Annual Meeting

Dear Stockholder:

On behalf of the Board of Directors, I am pleased to invite you to attend the 2017 Annual Meeting of Stockholders of Tempur Sealy International, Inc. The meeting will be held on Thursday, May 11, 2017 at 8:30 a.m., local time, at the Griffin Gate Marriott, 1800 Newtown Pike, Lexington, Kentucky 40511. At the meeting, stockholders will:

- elect seven directors to each serve for a one-year term and until the director's successor has been duly elected and qualified;
- ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2017;
- approve the Amended and Restated 2013 Equity Incentive Plan;
- ratify the Amended and Restated Rights Agreement;
- hold an advisory vote to approve the compensation of our Named Executive Officers;
- hold an advisory vote on the frequency of future executive compensation votes; and
- transact such other business as may properly come before the meeting or any adjournment thereof.

If you were a stockholder of record at the close of business on March 15, 2017, you will be entitled to vote at the meeting. A list of stockholders entitled to vote at the meeting will be available for examination during normal business hours for ten days before the meeting at the office of the Corporate Secretary of Tempur Sealy International, Inc. at 1000 Tempur Way, Lexington, Kentucky 40511. The stockholder list will also be available at the meeting.

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

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

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

Sincerely,

SCOTT L. THOMPSON
Chairman, President and Chief Executive Officer

Lexington, Kentucky
March 27,

2017

Important Notice Regarding Availability of Proxy Materials:
The 2017 Proxy Statement and 2016 Annual Report are available at http://www.proxyvote.com.

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

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

PROXY STATEMENT

Annual Meeting of Stockholders To Be Held on Thursday, May 11, 2017

INFORMATION CONCERNING SOLICITATION AND VOTING

Our Board of Directors is soliciting proxies for the 2017 Annual Meeting of Stockholders of Tempur Sealy International, Inc. (“Annual Meeting”). The Annual Meeting will be held at 8:30 a.m., local time, on May 11, 2017 at the Griffin Gate Marriott, 1800 Newtown Pike, Lexington, Kentucky 40511. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

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

Important Notice Regarding Availability of Proxy Materials:

The 2017 Proxy Statement and 2016 Annual Report are available at http://www.proxyvote.com.

Under rules adopted by the Securities and Exchange Commission ("SEC"), we are furnishing proxy materials (including our 2016 Annual Report on Form 10-K) to our stockholders on the Internet, rather than mailing paper copies to each stockholder. If you received a Notice Regarding the Availability of Proxy Materials (the “Notice of Availability”) by U.S. or electronic mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice of Availability tells you how to access and review the proxy materials and vote your shares on the Internet. If you would like to receive a paper copy of our proxy materials free of charge, follow the instructions in the Notice of Availability. The Proxy Statement, form of proxy and the Notice of Availability will be distributed to our stockholders beginning on or about March 27, 2017.

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

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

VOTE BY INTERNET	VOTE BY TELEPHONE	VOTE BY MAIL
http://www.proxyvote.com	1-800-690-6903	
24 hours a day/7 days a week until 11:59 p.m. on the day before the meeting	toll-free 24 hours a day/7 days a week until 11:59 p.m. on the day before the meeting	Sign and date the proxy card and return it in the enclosed postage-paid envelope.

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

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

If you vote your proxy by Internet or by telephone, please do NOT mail back the proxy card. You may access, view and download this year's Proxy Statement and 2016 Annual Report on Form 10-K at http://www.proxyvote.com.

Q: When is the Record Date and who may vote at the meeting?

A: Our Board of Directors (also referred to herein as the “Board” with the members of the Board referred to as "Directors") set March 15, 2017 as the record date for the meeting. All stockholders who owned Tempur Sealy International common stock of record at the close of business on March 15, 2017 may attend and vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held on all matters to be voted on. On March 15, 2017, there were 53,885,518 shares of Tempur Sealy International common stock outstanding. The common stock is the only class of securities eligible to vote at the meeting. There are no cumulative voting rights.

Q: How many shares must be present at the meeting?

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

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

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

Q: What proposals will be voted on at the meeting?

A: There are six proposals scheduled to be voted on at the meeting:

- Election of seven (7) Directors to each serve for a one-year term and until the Director’s successor has been duly elected and qualified (Proposal One).
- Ratification of the appointment of the firm of Ernst & Young LLP as Tempur Sealy International’s independent auditors for the year ending December 31, 2017 (Proposal Two).
- Approval of the Amended and Restated 2013 Equity Incentive Plan (Proposal Three).
- Ratification of the Amended and Restated Rights Agreement (Proposal Four).
- Advisory vote to approve the compensation of our Named Executive Officers (Proposal Five).
- Advisory vote on the frequency of future executive compensation votes (Proposal Six).

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

A: At an annual meeting at which a quorum is present, the following votes will be necessary to approve the Proposals described in this Proxy Statement:

- Each Director shall be elected by the affirmative vote of a majority of the votes cast at the Annual Meeting. The term “majority of the votes cast” means that the number of shares voted ‘for’ a director must exceed the number of shares voted ‘against’ that Director, and for purposes of this calculation, abstentions, “broker non-votes” and “withheld votes” will not count as votes cast.
- Ratification of the appointment of Ernst & Young LLP as independent auditors for the year ending December 31, 2017 requires the affirmative vote of the majority of shares present or represented by proxy and entitled to vote at the Annual Meeting.
- Approval of the Amended and Restated 2013 Equity Incentive Plan requires the affirmative vote of the majority of shares present or represented by proxy and entitled to vote at the Annual Meeting.
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Ratification of the Amended and Restated Rights Agreement requires the affirmative vote of the majority of shares present or represented by proxy and entitled to vote at the Annual Meeting.

- Approval of the advisory vote on the compensation of our Named Executive Officers requires the affirmative vote of the majority of shares present or represented by proxy and entitled to vote at the Annual Meeting.
- You may vote on whether the advisory vote on executive compensation should be included in the Company's proxy statement every 1, 2 or 3 years, or you may abstain from voting on the matter. The frequency (every 1, 2 or 3 years) that receives the highest number of votes will be deemed to be first choice of the stockholders.

- For proposals other than the election of directors, and the advisory vote on the frequency of future executive compensation votes, abstentions are counted as votes present and entitled to vote and have the same effect as votes "against" the proposal.
- Broker non-votes, if any, will be handled as described below.

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

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

Q: What is Tempur Sealy International’s voting recommendation?

A: Our Board of Directors recommends that you vote your shares "FOR" each of the nominees to the Board (Proposal One), "FOR" the ratification of the appointment of Ernst & Young LLP as Tempur Sealy International’s independent auditors for the year ending December 31, 2017 (Proposal Two); "FOR" the approval of the Amended and Restated 2013 Equity Incentive Plan (Proposal Three); "FOR" the ratification of the Amended and Restated Rights Agreement (Proposal Four); "FOR" the advisory vote to approve the compensation of Named Executive Officers (Proposal Five); and "FOR" one year as the frequency of future executive compensation votes (Proposal Six).

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

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

- Proposal One: "FOR" the election of seven (7) directors to each serve for a one-year term and until the director’s successor has been duly elected and qualified.
- Proposal Two: "FOR" the ratification of the appointment of the firm of Ernst & Young LLP as Tempur Sealy International’s independent auditors for the year ending December 31, 2017.
- Proposal Three: "FOR" the approval of the Amended and Restated 2013 Equity Incentive Plan.
- Proposal Four: "FOR" the ratification of the Amended and Restated Rights Agreement.
- Proposal Five: "FOR" the advisory vote to approve the compensation of our Named Executive Officers.
- Proposal Six: "FOR" one year as the frequency of future executive compensation votes.

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

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

Q: How may I vote my shares in person at the meeting?

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

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

Q: How may I vote my shares without attending the meeting?

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

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

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

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

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

You may vote by Internet or telephone until 11:59 P.M., Eastern Time, the day before the meeting date. Proxy cards submitted by mail must be received by the time of the Annual Meeting for your shares to be voted as indicated on that proxy.

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

If you provide specific voting instructions, your shares will be voted as you have instructed.

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

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

Q: Where can I find the voting results of the meeting?

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

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

Corporate Governance

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

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

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

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

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

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

Board of Directors' Meetings

The Board held seven meetings in 2016. The SEC requires disclosure of the name of any Director who, during the last full fiscal year (calendar year 2016), attended fewer than 75% of the aggregate of the total number of meetings of (i) the Board during the period for which he or she has been a Director and (ii) all committees of the Board on which the

Director served during the periods that he or she served. Each Director attended more than 75% of the combined total number of meetings of the Board and its committees held in 2016 during the period in which they served as Directors or committee members.

Directors' Independence

Our corporate governance guidelines provide that the Board shall consist of a majority of Directors who are independent within the meaning of the NYSE rules governing the composition of the Board and its committees ("NYSE Independence Rules"). The Board has determined that none of Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman S. Nabi, Richard W. Neu or Robert B. Trussell, Jr. have a material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) within the meaning of the NYSE Independence Rules and accordingly are "independent" for purposes of the NYSE Independence Rules.

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

Board Leadership Structure

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

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

- presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent Directors;
- has the authority to call meetings of the independent Directors;
- serves as the principal liaison between the Chairman and the independent Directors;
- consults with the Chairman regarding all information sent to the Board of Directors, including the quality, quantity, appropriateness and timeliness of such information;
- consults with the Chairman regarding meeting agendas for the Board of Directors;
- consults with the Chairman regarding the frequency of Board of Directors meetings and meeting schedules, assuring there is sufficient time for discussion of all agenda items;
- recommends to the Nominating and Corporate Governance Committee and to the Chairman, selection for the membership and chairman position for each Board committee;
- interviews, along with the chair of the Nominating and Corporate Governance Committee, all Director candidates and makes recommendations to the Nominating and Corporate Governance Committee; and
- will be invited to attend meetings of all other committees of the Board (other than meetings of committees on which he or she is already a member).

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

Board of Director's Role in Risk Oversight

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

Committees of the Board

The standing committees of the Board are the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

The Audit Committee

The members of the Audit Committee are Evelyn S. Dilsaver (Chair), John A. Heil and Richard W. Neu.

The Board has determined that each member of the Audit Committee is independent as defined in the NYSE Independence Rules and the rules of the SEC. The Board has also determined that all members of the Audit Committee are audit committee financial experts within the meaning of Item 407(d)(5)(ii) of Regulation S-K of the Securities Exchange Act of 1934, as amended (“Exchange Act”) and have "accounting or related financial management expertise" within the meaning of the applicable NYSE Rules. See "Election of Directors-Nominees to Board of Directors" for disclosure regarding such audit committee financial experts’ relevant experience. The Audit Committee was established in accordance with Section 3(a)(58) of the Exchange Act.

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

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

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

The Audit Committee met twelve times in 2016. A copy of the Audit Committee charter as adopted by our Board of Directors is available on Tempur Sealy International’s website under the caption "Corporate Governance" at http://investor.tempursealy.com/overview.cfm.

The Compensation Committee

The members of the Compensation Committee are Jon L. Luther (Chair), Usman S. Nabi and Richard W. Neu.

The Board has determined that each member and prospective member of the Compensation Committee is independent as defined in the NYSE Independence Rules.

Some of the Compensation Committee’s responsibilities include:

- reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for the chief executive officer, evaluating at least once a year the chief executive officer's performance in light of these established goals and objectives and, based upon these evaluations, determining and approving the chief executive officer's annual compensation, including salary, bonus, incentive, equity compensation, perquisites and other personal benefits;

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

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

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

In determining the incentive compensation of our senior executives (other than for our Chief Executive Officer), our Chief Executive Officer recommends performance objectives to the Compensation Committee and assists the Compensation Committee to determine if the performance objectives have been achieved.

Since 2005, the Compensation Committee has periodically engaged Frederic W. Cook & Co., Inc. (“Cook”), an executive compensation consultant, to evaluate the Company’s overall compensation structure and equity compensation for the Company’s executive officers and Directors. In 2016, the Compensation Committee directly engaged Cook to update the competitive analysis of executive compensation levels and structure. For a further description of the services Cook has provided, see "Executive Compensation and Related Information - Compensation Discussion and Analysis" in this Proxy Statement.

Cook does no work for the Company unless requested by and on behalf of the Compensation Committee Chair, receives no compensation from the Company other than for its work in advising the Compensation Committee and maintains no other economic relationships with the Company. A representative from Cook attends meetings of the Compensation Committee, when requested by the Compensation Committee Chair, and the Compensation Committee Chair frequently interacts with Cook between meetings to define the nature of work to be conducted, to review materials to be presented at Committee meetings and to obtain the consultant’s opinion and perspective on proposals prepared by management. In accordance with the requirements of Item 407(e)(3)(iv) of Regulation S-K and the NYSE rules, the Compensation Committee has affirmatively determined that no conflicts of interest exist between the Company and Cook (or any individuals working on the Company’s account on Cook’s behalf). In reaching such determination, the Compensation Committee considered the following enumerated factors, all of which were attested to or affirmed by Cook:

- during 2016, Cook provided no services to and received no fees from the Company other than in connection with the engagement;

- the amount of fees paid or payable by the Company to Cook in respect of the engagement represented (or are reasonably certain to represent) less than 1% of Cook's total revenue for the 12 month period ended December 31, 2015;
- Cook has adopted and put in place adequate policies and procedures designed to prevent conflicts of interest, which policies and procedures were provided to the Company;
- there are no business or personal relationships between Cook and any member of the Compensation Committee other than in respect of (i) the engagement, or (ii) work performed by Cook for any other company, board of directors or compensation committee for whom such Committee member also serves as an independent director;
- Cook owns no stock of the Company; and
- there are no business or personal relationships between Cook and any executive officer of the Company other than in respect of the engagement.

The Compensation Committee met six times in 2016. A copy of the Compensation Committee charter as adopted by our Board of Directors is available on Tempur Sealy International’s website under the caption "Corporate Governance" at http://investor.tempursealy.com/overview.cfm.

The Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are John A. Heil (Chair), Evelyn S. Dilsaver, Jon L. Luther and Usman S. Nabi. The Board has determined that each member and prospective member of the Nominating and Corporate Governance Committee is independent as defined in the NYSE Independence Rules. Some of the Nominating and Corporate Governance Committee’s responsibilities include:

- identifying individuals qualified to become members of the Board;
- recommending to the Board director nominees to be presented at the annual meeting of stockholders and to fill vacancies on the Board;
- developing appropriate criteria for identifying properly qualified directorial candidates;
- annually reviewing the composition of the Board and the skill sets and tenure of existing directors and discussing longer term transition issues;
- annually reviewing and recommending to the Board members for each standing committee of the Board;
- monitoring and participating in the Company's overall stockholder communications effort so that all of the communications elements are unified and consistent; members of the Committee, individually or collectively, may attend, with management, meetings with stockholders of the Company when requested by the Board or management;
- establishing procedures to assist the Board in developing and evaluating potential candidates for executive positions, including the Chief Executive Officer;
- reviewing various corporate governance-related policies, including the Code of Business Conduct and Ethics, the Related Party Transactions Policy, and the Policy on Insider Trading and Confidentiality, and recommending changes, if any, to the Board;
- reviewing and evaluating related party transactions;
- developing, annually reviewing and recommending to the Board corporate governance guidelines for the Company;
- establishing procedures to exercise oversight of the Company's adherence to such guidelines and the evaluation of the Board and Company management;
- reviewing at least annually the reports on the Company prepared by the major proxy advisory firms and provide a report to the Board;
- developing and overseeing, when necessary, a Company orientation program for new directors and a continuing education program for current directors, and periodically reviewing these programs and updating them as necessary;
- making recommendations to the Board in connection with any Director resignation tendered pursuant to the Company’s Amended and Restated By-Laws;
- preparing an annual evaluation of the committee's performance and reporting to the Board on the results of this self-evaluation; and
- reporting regularly to the Board on the committee's activities.

The Nominating and Corporate Governance Committee met five times in 2016. A copy of the Nominating and Corporate Governance Committee charter as adopted by our Board of Directors is available on Tempur Sealy International’s website under the caption "Corporate Governance" at http://investor.tempursealy.com/overview.cfm.

Compensation Committee Interlocks and Insider Participation

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

Policy Governing Related Party Transaction

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

Policies Governing Director Nominations

Director Qualifications and Review of Director Nominees

The Nominating and Corporate Governance Committee makes recommendations to the Board regarding the size and composition of the Board. The Committee reviews annually with the Board the composition of the Board as a whole and recommends, if necessary, measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, expertise and diversity required for the Board as a whole and contains at least the minimum number of independent directors required by applicable laws and regulations. The Nominating and Corporate Governance Committee is responsible for ensuring that the composition of the Board accurately reflects the needs of the Company’s business and, in furtherance of this goal, proposing the addition of members and the necessary resignation of members for purposes of obtaining the appropriate members and skills. Board members should possess such attributes and experience as are necessary to provide a broad range of personal characteristics including diversity, management skills and business experience. Directors should be able to commit the requisite time for preparation and attendance at regularly scheduled Board and committee meetings, as well as be able to participate in other matters necessary to ensure that good corporate governance is practiced. No individual may stand for election to the Board if he or she would be age 75 or older at the time of the election unless the application of that restriction to an individual is waived on an annual basis by the Board.

In evaluating a director candidate, the Nominating and Corporate Governance Committee considers factors that are in the best interests of the Company and its stockholders, including the potential contribution of each candidate to the diversity of backgrounds, experience and competencies which the Board desires to have represented; independence; reputation for integrity, honesty and adherence to high ethical standards; the ability to exercise sound business judgment; substantial business or professional experience and the ability to offer meaningful advice and guidance to the Company’s management based on that experience; each candidate’s ability to devote sufficient time and effort to his or her duties as a director; and any other criteria established by the Board and any core competencies or technical expertise necessary to staff Board committees. In addition, the Nominating and Corporate Governance Committee assesses whether a candidate possesses the integrity, judgment, knowledge, experience, skills and expertise that are likely to enhance the Board’s ability to manage and direct the affairs and business of the Company, including, when applicable, to enhance the ability of committees of the Board to fulfill their duties.

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

Each nominee also brings a strong and unique background and set of skills to the Board, giving the Board as a whole competence and experience in a wide variety of areas, including corporate governance and board service, executive management, investing, finance, manufacturing, consumer product companies, sales, marketing and international business. The Board believes that these are the skills necessary to execute on our strategy and to deliver long-term stockholder value. Set forth below are the conclusions reached by the Board with regard to its nominees.

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

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

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

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

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

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

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

The Nominating and Corporate Governance Committee of the Board is responsible for reviewing with the Board from time to time the appropriate qualities, skills and characteristics desired of members of the Board in the context of the needs of the business and the composition of the Board. This assessment includes consideration of the following minimum qualifications that the Nominating and Corporate Governance Committee believes must be met by all Directors:

- a reputation for integrity, honesty and adherence to high ethical standards;
- the ability to exercise sound business judgment;
- substantial business or professional experience and the ability to offer meaningful advice and guidance to the Company’s management based on that experience; and
- the ability to devote the time and effort necessary to fulfill their responsibilities to the Company.

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

Process for Identifying and Evaluating Director Nominees

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

In 2016, the Company did not employ a search firm or pay fees to any third party to either search for or evaluate Board nominee candidates.

Procedures for Recommendation of Director Nominees by Stockholders

The Nominating and Corporate Governance Committee will consider director candidates recommended by our stockholders, in accordance with the Company's By-Laws. In evaluating candidates recommended by our stockholders, the Nominating and Corporate Governance Committee applies the same criteria set forth above under "Director Qualifications and Review of Director Nominees" and follows the same process as set forth above under "Process for Identifying and Evaluating Director Nominees." Any stockholder recommendations of director nominees proposed for consideration by the Nominating and Governance Committee should include the nominee's name and qualifications for Board membership and should be addressed in writing to the Committee, care of: Tempur Sealy International, Inc., 1000 Tempur Way, Lexington, Kentucky 40511, Attention: Corporate Secretary. The Company's By-Laws permit stockholders to nominate directors for consideration at our 2018 annual stockholder meeting in accordance with certain procedures described in this Proxy Statement under the heading "Stockholder Proposals for 2018 Proxy Statement."

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

The Board has designated Mr. Neu as the Lead Director. Stockholders or other interested parties wishing to communicate with our Board may contact the Lead Director by e mail at presidingdirector@tempursealy.com or by going to Tempur Sealy International's website at http://investor.tempursealy.com/overview.cfm under the caption "Corporate Governance - email the Lead Director." Regardless of the method you use, the Lead Director will be able to view your unedited message. The Lead Director will determine whether to relay your message to other members of the Board.

Executive Sessions

Executive sessions, or meetings of the outside (non-management) Directors without management present, are held regularly. In 2016, executive sessions were held during four of the regularly scheduled meetings of the Board of Directors. Executive sessions are led by the Lead Director.

Charitable Contributions

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

Board Member Attendance at Annual Meetings

In accordance with our Corporate Governance Guidelines, all continuing Directors are generally expected to attend the annual meeting of stockholders. At our last annual meeting, which was held on May 5, 2016, all the members of the Board attended.

PROPOSAL ONE

ELECTION OF DIRECTORS

Board of Directors

Tempur Sealy International’s Board currently consists of seven members, each serving a one-year term. The nominees for this year’s election of directors are: Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman S. Nabi, Richard W. Neu, Scott L. Thompson and Robert B. Trussell, Jr., each currently a director of Tempur Sealy International. The nominees, if elected, will each serve a one-year term until Tempur Sealy International’s annual meeting of stockholders in 2018 or until his or her respective successor is elected and qualified. Each of the nominees has consented to serve a one-year term. There are no family relationships among our executive officers and directors.

VOTE REQUIRED

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

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

Nominees to Board of Directors

Evelyn S. Dilsaver, 61, has served as a member of Tempur Sealy International’s Board of Directors since December 2009. Ms. Dilsaver was President and Chief Executive Officer of Charles Schwab Investment Management from July 2004 until September 2007. Prior to that, Ms. Dilsaver held various senior management positions with The Charles Schwab Corporation since December 1991, including Executive Vice President and Senior Vice President, Asset Management Products and Services, of Charles Schwab Investment Management and Chief Financial Officer for U.S. Trust Company. Ms. Dilsaver is also a member of the board of directors of Aeropostale, Inc., a clothing retailer, HealthEquity, Inc., a non-bank health savings trustee, Bailard Private Real Estate Fund, as well as Blue Shield of California and other non-profit boards. She also serves as a member of the advisory board of Protiviti, a global consulting company. In the past five years, Ms. Dilsaver has also served as a director of HighMark Funds, an asset management firm, Longs Drugs, a retail pharmacy chain, and Tamalpais Bancorp. Ms. Dilsaver is a certified public accountant and holds a B.S. degree in accounting from California State University-Hayward. Ms. Dilsaver brings a long professional career in finance, accounting and general management and considerable experience with consumer-oriented businesses to the Board as a senior executive of a large investment management firm and her many years of serving as a director of companies in a variety of businesses.

John A. Heil, 64, has served as a member of Tempur Sealy International’s Board of Directors since March 2008. From February 2005 until his retirement in April 2013, he served as President of United Pet Group, Inc., a global manufacturer and marketer of pet food/supplies and a subsidiary of Spectrum Brands, Inc. Spectrum Brands, Inc. filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in February 2009 and emerged from bankruptcy protection on August 28, 2009. From 2000 to February 2005 he served as United Pet Group’s President and Chief Executive Officer. Mr. Heil has been a member of the board of directors and a member of the audit committee of VCA Antech, Inc., a NYSE listed company, since February 2002, and previously served as a director of that company from 1995 to 2000. Prior to joining United Pet Group, Mr. Heil spent twenty-five years with the H.J. Heinz Company in various executive and general management positions including President of Heinz Pet Products. Mr. Heil holds a B.A. degree in economics from Lycoming College. Mr. Heil's long career in management and the branded consumer products arena brings a remarkable depth of operational and strategic experience to the Board.

Jon L. Luther, 73, has served as a member of Tempur Sealy International's Board of Directors since May 2015. He served as Chief Executive Officer of Dunkin' Brands from January 2003 to January 2009 and Chairman from March 2006 to January 2009. In January 2009, he assumed the role of Executive Chairman and became non-Executive Chairman from July 2010 until his retirement in May 2013. Prior to Dunkin' Brands, Mr. Luther was President of Popeyes, a division of AFC Enterprises, from February 1997 to December 2002. Prior to Popeyes, Mr. Luther served as President of CA One Services, a subsidiary of Delaware North Companies, Inc., a global food service and hospitality company, and served as President and CEO of Benchmark Services, Inc., a food services company he founded. Earlier in his career, Mr. Luther held various leadership positions at Marriott Corporation and ARAMARK. Mr. Luther is a member of the board of directors of Six Flags Entertainment Corporation and Arby's Restaurant Group. Mr. Luther holds a degree in hotel and restaurant management from Paul Smith's College. Mr. Luther brings a strong track record of profitably growing large global consumer branded businesses, with a keen understanding of the consumer, and notable brand development expertise. He has significant relevant experience as a CEO and as a director of other high-performance public companies.

Usman S. Nabi, 42, has served as a member of Tempur Sealy International's Board of Directors since May 2015. Mr. Nabi is a Senior Partner at H Partners, an investment management firm and Tempur Sealy International's largest stockholder. Before joining H Partners in 2006, Mr. Nabi was at Perry Capital, the Carlyle Group, and Lazard Freres. Mr. Nabi serves on the Board of Directors of Six Flags Entertainment. Mr. Nabi received his A.B. degree from Harvard College and an M.B.A. degree from Stanford University Graduate School of Business. Mr. Nabi brings a strong business and financial background and extensive investment experience to the Board.

Richard W. Neu, 61, has served as a member of Tempur Sealy International's Board of Directors since October 2015. Mr. Neu's professional career has spanned over 35 years. For the last 11 years Mr. Neu has served in a variety of Board roles. Mr. Neu currently serves on the board of directors, as chair of the audit committee and as a member of the executive and integration risk oversight committees of Huntington Bancshares Incorporated, and as a member of the board of directors of TICC Capital Corp. Until the sale of the company in 2012, he was the lead director and a member of the audit committee and governance committee of Dollar Thrifty Automotive Group, Inc., having served as the chairman of the Dollar Thrifty board of directors from 2010 through 2011. Mr. Neu also served as a director of MCG Capital Corporation, a private equity firm, from 2007 until its sale in 2015, and during this period served as chairman of the board from 2009 to 2015 and as Chief Executive Officer from November 2011 to November 2012. Mr. Neu served from 1985 to 2004 as Chief Financial Officer of Charter One Financial, Inc., a major regional bank holding company, and a predecessor firm, and as a director of Charter One Financial, Inc. from 1992 to August 2004. Mr. Neu previously worked for KPMG. Mr. Neu received a B.B.A. from Eastern Michigan University with a major in accounting. Mr. Neu has extensive knowledge and experience handling complex financial and operational issues through his service as both a director and executive officer of a variety of public companies.

Scott L. Thompson, 58, has served as Chairman of Tempur Sealy International's Board of Directors and as its President and Chief Executive Officer since September 2015. He previously served as Chief Executive Officer and President of Dollar Thrifty Automotive Group, Inc. until it was purchased by Hertz Global Holdings, Inc. in 2012. Prior to serving as CEO and President, Mr. Thompson was a Senior Executive Vice President and Chief Financial Officer of Dollar Thrifty. Prior to joining Dollar Thrifty in 2008, Mr. Thompson was a consultant to private equity firms, and was a founder of Group 1 Automotive, Inc., a NYSE and Fortune 500 company, serving as its Senior Executive Vice President, Chief Financial Officer and Treasurer. Mr. Thompson presently serves as a member of the Board of Directors for Asbury Automotive Group, Inc., a public automotive retailer. Mr. Thompson earned a Bachelor of Business Administration degree from Stephen F. Austin State University in Nacogdoches, Texas, and began his career with a national accounting firm. Mr. Thompson brings extensive financial, operational and entrepreneurial experience to the Board in his roles as an executive officer and director of publicly traded companies.

Robert B. Trussell, Jr., 65, has served as a member of Tempur Sealy International’s Board of Directors or its predecessors since 2002. Mr. Trussell served as Chief Executive Officer of Tempur Sealy or its predecessor from November 2002 until his retirement in May 2006. From 1994 to December 2004, Mr. Trussell served as President of the Company and its predecessors. Prior to joining the Company's predecessor in 1994, Mr. Trussell was general partner of several racing limited partnerships that owned racehorses in England, France and the United States. He was also the owner of several start-up businesses in the equine lending and insurance business. Mr. Trussell received his B.S. degree from Marquette University. As former Chief Executive Officer and a principal founder of Tempur Sealy, Mr. Trussell brings significant management and mattress industry experience and an historical perspective to the Board.

Executive Officers

Name	Age	Position
Scott L. Thompson	58	Chairman of the Board, President and Chief Executive Officer
Barry A. Hytinen	42	Executive Vice President and Chief Financial Officer
Richard W. Anderson	57	Executive Vice President and President, North America
David Montgomery	56	Executive Vice President and President of International Operations
Bhaskar Rao	51	Chief Accounting Officer and Senior Vice President Finance

Barry A. Hytinen was appointed to serve as Executive Vice President and Chief Financial Officer of Tempur Sealy International in July 2015. Since joining the Company in June 2005, Mr. Hytinen has served in a range of finance, corporate development, financial planning and investor relations roles, most recently as Executive Vice President, Corporate Development and Finance. Prior to joining the Company, Mr. Hytinen served as Chief Financial Officer of a venture-backed software company. Earlier in his career, he held finance and corporate development positions at Vignette and General Electric. Mr. Hytinen earned an M.B.A. from Harvard Business School and holds a B.S. in Finance and Political Science from Syracuse University.

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

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

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

PRINCIPAL SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of March 15, 2017 regarding the beneficial ownership of our outstanding equity securities by:

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

Beneficial ownership of shares is determined under Rule 13d-3(d)(1) of the Exchange Act and generally includes any shares over which a person exercises sole or shared voting or investment power and the number of shares that can be acquired within sixty (60) days upon exercise of any option or the conversion of other types of securities. Common stock subject to these options, warrants and rights is deemed to be outstanding for the purpose of computing the ownership percentage of the person holding such options, but is not deemed to be outstanding for the purpose of computing the ownership percentage of any other person. As of the close of trading on March 15, 2017, there were 53,885,518 shares of common stock outstanding, which is used to calculate the percentages in the table below.

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

	Shares Beneficially Owned		
Name of Beneficial Owner:	Number of Shares	Percentage of Class	
5% Stockholders:			
Manulife Financial Corporation[1]	7,461,908	12.89	%
H Partners Management, LLC[2]	7,000,000	11.20	
T. Rowe Price Associates, Inc.[3]	4,470,343	7.70	
The Vanguard Group[4]	3,948,364	6.81	
Blackrock, Inc.[5]	3,818,153	6.60	
The London Company[6]	3,605,181	6.23	
Chieftain Capital Management, Inc.[7]	3,364,827	5.80	
State Street Corporation[8]	3,136,303	5.42	
Executive Officers and Directors:			
Scott L. Thompson[9][10]	284,619	*	
Barry A. Hytinen[10]	60,515	*	
Richard W. Anderson[10]	115,027	*	
David Montgomery[10]	431,461	*	
Jay G. Spenchian[10]	34,418	*	
W. Timothy Yaggi[10]	31,745	*	
Evelyn S. Dilsaver[10]	33,465	*	
John A. Heil[10]	33,599	*	
Jon L. Luther[10]	9,949	*	
Usman S. Nabi[2]	see Note[2]	see Note[2]	
Richard W. Neu[10]	23,848	*	
Robert B. Trussell, Jr.[10],[11]	58,874	*	
All Executive Officers and Directors as a group (13 persons[10]):	1,140,679	2.10	%

* Represents ownership of less than 1% of class.

(1) Amounts shown reflect the aggregate number of shares of common stock held by Manulife Financial Corporation's indirect, wholly-owned subsidiaries based on information set forth in a Schedule 13G filed with the SEC on February 9, 2017. Manulife Asset Management (US) LLC reported sole voting power and sole dispositive power over 7,387,950 shares. Manulife Asset Management (North America) Limited reported sole voting power and sole dispositive power over 32,006 shares. Manulife Asset Management Limited reported sole voting power and sole dispositive power over 41,952 of the shares. The address of Manulife Financial Corporation is 200 Bloor Street East, Toronto, Ontario, Canada, M4W 1E5.

(2) Amounts shown reflect the aggregate number of shares of common stock held by H Partners Management, LLC based on information set forth in a Schedule 13D/A filed with the SEC on February 9, 2016. H Partners Management, LLC reported shared voting and shared dispositive power over all 7,000,000 shares. The address of H Partners Management, LLC is 888 Seventh Avenue, 29th Floor, New York, NY 10019. Mr. Nabi, a senior partner at H Partners, may be deemed to have voting and dispositive power with respect to these shares. Mr. Nabi disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest.

(3) Amounts shown reflect the aggregate number of shares of common stock held by T. Rowe Price Associates, Inc. based on information set forth in a Schedule 13G filed with the SEC on February 7, 2017. T. Rowe Price Associates, Inc. reported sole voting power over 718,904 shares and sole dispositive power over all 4,470,343 shares. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, MD 21202.

(4) Amounts shown reflect the aggregate number of shares of common stock held by The Vanguard Group based on information set forth in a Schedule 13G/A filed with the SEC on February 10, 2017. The Vanguard Group reported sole voting power over 30,495 shares, shared voting power over 7,171 shares, sole dispositive power over 3,913,686 shares and shared dispositive power over 34,678 shares. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

(5) Amounts shown reflect the aggregate number of shares of common stock held by Blackrock, Inc. based on information set forth in a Schedule 13G/A filed with the SEC on January 27, 2017. Blackrock, Inc. reported sole voting power over 3,627,393 shares and sole dispositive power over all 3,818,153 shares. The address of Blackrock, Inc. is 55 East 52nd Street, New York, NY 10055.

(6) Amounts shown reflect the aggregate number of shares of common stock held by The London Company based on information set forth in a Schedule 13G/A filed with the SEC on February 14, 2017. The London Company reported sole voting power over 2,764,745 shares, sole dispositive power over 2,764,745 shares and shared dispositive power over 840,436 shares. The address of The London Company is 1800 Bayberry Court, Suite 301, Richmond, VA 23226.

(7) Amounts shown reflect the aggregate number of shares of common stock held by Chieftain Capital Management, Inc. based on information set forth in a Schedule 13G filed with the SEC on February 14, 2017. Chieftain reported sole voting power over 3,110,732 shares and sole dispositive power over all 3,364,827 shares. The address of Chieftain Capital Management, Inc. is 510 Madison Avenue, New York, NY 10022.

(8) Amounts shown reflect the aggregate number of shares of common stock held by State Street Corporation based on information set forth in a Schedule 13G filed with the SEC on February 9, 2017. State Street Corporation reported shared voting power and shared dispositive power over all 3,136,303 shares. The address of State Street Corporation is State Street Financial Center, One Lincoln Street, Boston, MA 02111.

(9) Includes 38,028 shares of common stock which are the result of the vesting of restricted stock units, however payout of the vested common shares is deferred until thirty days following termination of his employment.

(10) Includes the following number of shares of common stock which a director or executive officer has the right to acquire upon the exercise of stock options that were exercisable as of March 15, 2017, or that will become exercisable within 60 days after that date, or other equity instruments which are scheduled to vest and convert into common shares within 60 days after that date:

Name	Number of Shares	Name	Number of Shares
Scott L. Thompson	113,608	Evelyn S. Dilsaver	20,088
Barry A. Hytinen	25,189	John A. Heil	11,297
Richard W. Anderson	58,500	Jon L. Luther	1,669
David Montgomery	104,715	Usman S. Nabi	—
Jay G. Spenchian	10,972	Richard W. Neu	675
W. Timothy Yaggi	26,223	Robert B. Trussell, Jr.	24,897
All Executive Officers and Directors as a Group (13 persons):			411,075

(11) Includes 25,000 shares of common stock, owned by RBT Investments, LLC and Robert B. Trussell, Jr. and Martha O. Trussell, Tenants in Common.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

COMPENSATION DISCUSSION AND ANALYSIS

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

INTRODUCTION

This CD&A provides information about the material components of our executive compensation programs for our Named Executive Officers ("NEOs"), whose compensation is set forth in the 2016 Summary Compensation Table and other compensation tables contained in this Proxy Statement:

- Scott L. Thompson, Chairman, President and Chief Executive Officer ("CEO");
- Barry A. Hytinen, Executive Vice President and Chief Financial Officer ("CFO");
- Richard W. Anderson, Executive Vice President and President, North America;
- David Montgomery, Executive Vice President and President, International;
- Jay G. Spenchian, Former Executive Vice President and Chief Marketing Officer; and
- W. Timothy Yaggi, Former Chief Operating Officer.

2016 was the first full year with the Company's new senior leadership team in place. During 2015 Scott L. Thompson was appointed Chairman, Chief Executive Officer and President and Barry A. Hytinen was promoted to the position of Executive Vice President and Chief Financial Officer. As discussed later in this CD&A, Mr. Yaggi, our Chief Operating Officer, left the Company effective March 31, 2016. Although Mr. Yaggi is an NEO for 2016 for purposes of SEC rules, he is not subject to our current executive compensation program and did not participate in certain portions of the fiscal 2016 program. Accordingly, in order to preserve an accurate description of our executive compensation programs, references in this CD&A to "executives" or "NEOs" are intended to exclude Mr. Yaggi unless otherwise noted. For a discussion of the 2016 compensation for Mr. Yaggi, please refer the subsection of this CD&A titled "2016 Compensation for Former Named Executive Officer." In addition, Jay G. Spenchian, our Executive Vice President and Chief Marketing Officer, left the Company effective February 28, 2017. For a discussion of the terms relating to Mr. Spenchian's departure please refer to "Compensation Discussion and Analysis - 2017 Compensation Actions - Departure of Mr. Spenchian."

In response to direct shareholder feedback during a proxy contest in connection with our 2015 Annual Meeting, our Board of Directors effected several management and compensation changes. These changes included: (i) the recruitment of a highly experienced CEO with a strong record of shareholder value creation, (ii) a realignment of strategy to emphasize profit growth as opposed to sales growth and (iii) a more focused compensation structure that included an aspirational long-term earnings target that would reward management for delivering exceptional outcomes for shareholders. In addition, over the last year in order to create a more focused, efficient management structure we have streamlined the size of our Board of Directors and significantly reduced the size of our senior management team. Our executive compensation program resulting from these changes is designed to attract, motivate and retain the leaders of our business. By rewarding our executives for Company performance and execution of key business plans and strategies, our compensation program creates long-term value for our stockholders. This CD&A explains how the

Compensation Committee of the Board of Directors made compensation decisions in 2016 and in early 2017 for our NEOs.

BUSINESS SUMMARY

2016 Key Business Highlights

We are the world's largest bedding manufacturer. Our long-term strategy is to drive earnings growth. Our key initiatives for 2016 included developing the best bedding products, investing in our brands, expanding our North America business segment margins while maintaining market share, growing our market share in our International business segment and optimizing our worldwide distribution. In 2016, we focused on these key initiatives and delivered earnings growth and margin expansion as compared to 2015.
Key financial highlights in the table below include metrics for net sales, net income, earnings per share ("EPS"), adjusted EPS[(2)], earnings before interest, tax, depreciation and amortization ("EBITDA")[(2)] and adjusted EBITDA[(2)]:

(in millions, except percentages and per common share amounts)	Year Ended December 31, 2016	2015	% Change	% Change Constant Currency (3)
Net sales	$3,127.3	$3,151.2	(0.8)%	0.7 %
Net income (1)	$202.1	$73.5	175.0 %	184.4 %
EPS (1)	$3.38	$1.17	188.9 %	199.1 %
Adjusted EPS (2)	$4.05	$3.19	27.0 %	30.7 %
EBITDA(2)	$510.8	$388.9	31.3 %	34.1 %
Adjusted EBITDA(2)	$521.6	$455.8	14.4 %	16.8 %

(1) In 2015, the Company recorded a change in estimate of its uncertain tax position regarding the previously disclosed Danish tax matter of approximately $60.7 million. For a discussion of this issue please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

(2) These are not recognized terms under U.S. Generally Accepted Accounting Principles ("GAAP") and are non-GAAP financial measures. For more information about these non-GAAP financial measures, including reconciliations to GAAP information, please refer to Appendix A to this Proxy Statement.

(3) Amounts represent net sales, net income, EPS, Adjusted EPS, EBITDA, and Adjusted EBITDA for 2016 on a "constant currency basis", which is a non-GAAP financial measure. These references to constant currency basis do not include operational impacts that could result from fluctuations in foreign currency rates. To provide information on a constant currency basis, the applicable financial results are adjusted based on a simple mathematical model that translates current period results in local currency using the comparable prior corresponding period's currency conversion rate. This approach is used for countries where the functional currency is the local country currency. This information is provided so that certain financial results can be viewed without the impact of fluctuations in foreign currency rates, thereby facilitating period-to-period comparisons of business performance.

Our net sales decreased slightly as compared to 2015, driven primarily by a decrease in sales to our largest customer of approximately $80 million in our North America business segment, as well as unfavorable foreign exchange rates in our International business segment. However, our focus on profitability and improving our operations generated significant margin expansion and growth in profitability during 2016. Gross margin was 41.9% as compared to 39.6% in 2015. The increase in gross margin was primarily driven by operational improvements, pricing actions and favorable product mix. Adjusted gross margin, which is a non-GAAP financial measure, was 41.9% as compared to 40.1% in 2015. Operating income increased 34.4% to $415.5 million, as compared to $309.1 million in 2015. The increase in operating income was primarily driven by improved gross margin and improved operating expense leverage. Adjusted operating income, which is a non-GAAP financial measure, was $425.0 million, or 13.6% of net sales, as compared to $373.8 million, or 11.9% of net sales, in 2015.

In 2016, we also focused on improving our capital structure. We refinanced our senior credit facility and a portion of our indenture debt, which provided us a more flexible covenant package and a significantly longer maturity profile for our debt. We also returned value to our stockholders by repurchasing 8.7 million shares in 2016 under our share repurchase authorization for a total purchase price of approximately $533 million. Notwithstanding this significant use of cash to return value to stockholders, our net leverage ratio at December 31, 2016 was 3.60, within the covenant in our debt agreement which limits this ratio to 5.00 times for the year ended December 31, 2016.

Net leverage ratio is a non-GAAP financial measure. We provide information regarding net leverage ratio, adjusted EBITDA, adjusted EPS, adjusted gross margin and adjusted operating income, which are not recognized terms under GAAP and do not purport to be alternatives to total debt or to net income or GAAP EPS as a measure of operating performance. For more information about these non-GAAP financial measures, including reconciliations to GAAP information, please refer to Appendix A to this Proxy Statement.

2016 Say on Pay Vote Results and Stockholder Outreach

Our executive compensation program received stockholder support and was approved on an advisory basis by approximately 77% of the votes present or represented and entitled to vote at the 2016 Annual Meeting of Stockholders, which was comparable to the nearly 78% approval received at the 2015 meeting. Since our 2016 Annual Meeting, members of our management and Board of Directors have conducted outreach, either in person or by telephone, with stockholders owning more than a majority of our outstanding stock, and as part of this outreach received questions and feedback on compensation issues. The Compensation Committee will continue to consider future feedback from stockholders and other stakeholders while ensuring the executive compensation program continues to support our business and talent management objectives and strategic priorities.

OUR COMPENSATION PROGRAM

Compensation Best Practices

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

What We Do	What We Don't Do
• Emphasize incentive-based compensation to align pay with performance	• Permit stock option repricing without stockholder approval
• Place primary emphasis on equity-based compensation to align executive and stockholder interests	• Provide uncapped incentive award opportunities
• Tie performance-based incentives to metrics that drive the leadership team and other employees to accomplish our most important business goals	• Provide tax “gross-ups” on any form of compensation
• Subject executives to stock ownership guidelines and holding requirements, which were amended in 2016 to increase the ownership requirement for the CEO and members of the Board of Directors	• Permit stock hedging or stock pledging activities
• Maintain a Clawback Policy allowing for the recovery of excess compensation resulting from a material financial restatement and fraud, willful misconduct or gross negligence	• Provide for multi-year pay guarantees within employment agreements
• Use tally sheets and other analytical tools to assesses executive compensation	• Maintain single trigger vesting provisions in the event of a change of control for cash severance or equity award vesting acceleration
• Engage an independent compensation consultant to advise the Compensation Committee	• Other than the benefits described below, we do not provide additional perquisites or benefits to our NEOs that differ from those provided to other employees

CEO Annualized Compensation Values and Pay-for-Performance Alignment

As discussed above under “Introduction,” we have made significant changes in our compensation program since 2015 in response to shareholder feedback. Our compensation program is designed to align the interests of our NEOs, including our CEO, with our stockholders. Mr. Thompson’s compensation package, which was established as part of an extensive recruiting process in 2015, includes a number of one-time and special awards to attract, retain, and motivate a highly experienced CEO candidate with an exceptional record of shareholder value creation. Because amounts reported for 2016 in the Summary Compensation Table or the footnotes do not reflect the entire value of one-time and multi-year awards made in 2015, the amounts presented for 2016 are not indicative of annualized pay opportunities. The table below summarizes Mr. Thompson's annualized total compensation opportunity, recognizing that a number of awards made in 2015 were one-time only or special grants and that he did not receive any annual equity grants in 2016, as this was included in his 2015 compensation package. The total direct compensation for Mr. Thompson as reported in the Summary Compensation Table for 2016 is approximately 47% of the annualized target total direct compensation in the table set forth below. The table also shows total compensation values excluding one-time or special grants. Ongoing target total direct compensation for Mr. Thompson will be determined by the terms of his employment agreement and the Compensation Committee for fiscal years 2017 and beyond and is expected to be higher than values shown in this supplemental table and reported in the Summary Compensation Table for fiscal year 2016. However, as previously noted, the aspirational PRSU grants, which make up the majority of Mr. Thompson's compensation package, are tied to aspirational goals that the Compensation Committee believes are challenging performance hurdles and, if achieved, would likely result in significant stockholder value creation. In addition, the following table also includes two realizable pay comparisons based on results for 2016, with the first comparison including where applicable equity grant values based on $68.28, the closing price of the common stock on December 30, 2016 (the last trading day of the year) and the second comparison including where applicable equity grant values based on $47.22, the closing price of the common stock on March 1, 2017. The second comparison using March 1, 2017 information is being provided to better reflect the current value of Mr. Thompson's compensation package in light of recent events discussed below under "2017 Compensation Actions".

The fiscal year 2016 total direct compensation for Mr. Thompson as reported in the Summary Compensation Table equals approximately 47% of the annualized target total direct compensation. 2016 total realizable compensation using the December 30, 2016 date for equity grant values equals approximately 75% of the annualized target total direct compensation and 2016 total realizable compensation using the March 1, 2017 date equity grant values equals approximately 61% of the annualized target total direct compensation. Excluding one-time and special grants, (i) the fiscal year 2016 total direct compensation for Mr. Thompson as reported in the Summary Compensation Table equals 30% of the annualized target total direct compensation, (ii) 2016 total realizable compensation using the December 30, 2016 date for equity grant values equals approximately 68% of the annualized target total direct compensation and (iii) 2016 total realizable compensation using the March 1, 2017 date for equity grant values equals approximately 56% of the annualized target total direct compensation.

Supplemental Table of Pro-Forma

Annualized Target Total Direct Compensation Value and Realizable Pay Comparisons for Mr. Thompson

Compensation Element	FY 2016($)	Annualized Target($)	2016 Total Realizable Compensation (December 30, 2016 Closing Price)($)	2016 Total Realizable Compensation (March 1, 2017 Closing Price)($)
Base Salary[(1)]	$1,100,000	$1,100,000	$ 1,100,000	$ 1,100,000
Target Annual Incentive[(2)]	1,375,000	1,375,000	1,934,625	1,934,625
Stock Option Grants[(3)]	—	3,606,850	—	—
Restricted Stock Grants[(4)]	—	4,233,250	4,028,520	2,785,980
Sign-On Bonus (One-Time Hiring Award)[(5)]	—	686,695	686,695	686,695
Performance-Based Matching PRSU Grant (One-Time Hiring Award)[(6)]	—	1,717,063	1,586,056	1,096,859
Performance-Based Matching PRSU Grant (Special Grant)[(7)]	3,181,575	636,315	701,509	485,138
Aspirational PRSU Grant (Special Grant)[(8)]	— [(9)]	—	—	—
Total Direct[(10)]	$5,656,575	$13,355,173	$ 10,037,405	$ 8,089,297
Total Direct Compensation (Excluding One-Time and Special Grants)[(10)]	$2,475,000	$10,315,100	$ 7,063,145	$ 5,820,605

(1) 2016 base salary was $1,100,000. This reflected no increase from 2015.

(2) Target award opportunity equal to 125% of salary. For 2016 Mr. Thompson received an annual bonus, based on achievement against an Adjusted EBITDA goal of $1,934,625, or 140.7% of his target bonus of $1,375,000.

(3) In 2015 the Company granted stock options for 310,000 shares and an exercise price of $71.75 per share, and these stock options will only have value if our stock price appreciates between grant date and time of exercise. For the annualized value, the grant date value is averaged over 2 years, since no additional annual grants were made in 2016. For the 2016 total realizable compensation, no value is shown because the exercise price of $71.75 exceeded the closing price of the common stock on December 30, 2016 of $68.28 and the closing price of the common stock on March 1, 2017 of $47.22.

(4) In 2015 the Company granted restricted stock units for 118,000 shares. For the annualized value, the grant date value is averaged over 2 years, since no additional annual grants were made in 2016. For the 2016 total realizable compensation, the value is calculated by multiplying one-half of the grant, or 59,000 shares, by $68.28, the closing price of the common stock on December 30, 2016, or $47.22, the closing price of the common stock on March 1,

2017, as applicable.

(5) Reflects a $1.6 million one-time signing bonus paid in 2015. If Mr. Thompson voluntarily terminates his employment (other than for Good Reason) prior to December 31, 2017, he must repay a pro-rated portion of the signing bonus to the Company. Annualized over 2.33 years.

(6) In September 2015, Mr. Thompson purchased $5 million of Company stock and received a matching grant of 69,686 PRSUs which vest in 3 annual installments subject to meeting a requirement for positive pre-tax income for 2016, which was met. For the annualized value, the value at the date of grant is annualized over the vesting period. For the 2016 total realizable compensation, the value is calculated by multiplying one-third of the grant, or 23,228.7 shares, by $68.28, the closing price of the common stock on December 30, 2016, or $47.22, the closing price of the common stock on March 1, 2017, as applicable.

(7) In February 2016, the Compensation Committee approved a special incentive program for senior management pursuant to which the Company would issue PRSUs to match open market stock purchases made by the executives, up to a cap. These PRSUs vest over a 5 year period subject to meeting a requirement for positive profits for 2016, which was met. Mr. Thompson received 51,370 PRSUs to match the purchase of 51,370 shares in the open market for a total purchase price of $2,999,995. For the annualized value, the grant date value is annualized over the vesting period. For the 2016 total realizable compensation, the value is calculated based on one-fifth of the total shares, or 10,274, multiplied by $68.28, the closing price of the common stock on December 30, 2016, or $47.22, the closing price of the common stock on March 1, 2017, as applicable.

(8) This grant of 620,000 PRSUs runs through 2017 (or 2018 with a reduced award opportunity) and is tied to an aspirational performance goal of achieving more than $650 million in Adjusted EBITDA for 2017 or 2018. The Compensation Committee believes these are challenging performance hurdles and, if achieved, would likely result in significant stockholder value creation. This is a special grant and the Compensation Committee does not expect that it would grant any similar aspirational award for any performance period beginning prior to 2018. Because the performance requirement for vesting is so challenging, at the time of grant these shares were not expected to vest; therefore, no value attributable to these PRSUs is included in the Summary Compensation Table. In light of the revised business outlook for 2017 the Compensation Committee no longer believes that these aspirational PRSUs serve as a meaningful incentive tool. See "2017 Compensation Actions" below.

(9) Amount shown represents the grant date fair value, based on the probable outcome of the performance conditions as of the grant date computed in accordance with the stock-based compensation accounting rules (FASB ASC Topic 718). For a discussion of our accounting treatment for these aspirational PRSU grants, please refer to Note 10 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. For informational purposes, assuming that we achieve more than $650 million in Adjusted EBITDA for 2017, the grant date fair value would be $44,485,000, calculated by multiplying the maximum number of shares issuable under the PRSUs (620,000) by the price on the grant date ($71.75).

(10) Does not include value of aspirational PRSU grants, as described in Note 8.

Our Commitment to Aligning Pay with Performance

We set challenging performance goals and are committed to aligning pay with performance. The following table summarizes the range of annual incentive payouts and PRSUs earned, relative to target, for performance periods ending in 2014 through 2016.

AIP		PRSUs	
Performance Period	% of Target Award Earned (Varies by NEO for 2014 and 2015)	Performance Period	% of Target PRSUs Earned[(1)]
2014	59% - 78%	2012 - 2014	0%
2015	88% - 107%	2013 - 2014	0%
2016	140.7%	2014 - 2015	79.0%
		2014 - 2016	71.2%

(1) Mr. Thompson did not receive any of these grants as he joined the Company in September 2015.

We continue to set challenging performance hurdles, as demonstrated by the range of payouts in our annual incentive programs from 2014-2016 and in our LTIP payouts from 2014-2016 and the aspirational PRSU grants made in 2015 and 2016, which are tied to aspirational goals and described in more detail in the section titled "2016 Compensation Actions - Aspirational Grants" later in this CD&A.

Roles of the Committee, Compensation Consultant and Management

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

The Compensation Committee receives assistance during its evaluation process from: (1) Frederic W. Cook & Co., Inc. ("Cook"), the Compensation Committee's independent consultant; and (2) our CEO and internal compensation staff, led by our Senior Vice President, Human Resources. Cook has been retained by and reports directly to the Compensation Committee; it does not have any other consulting engagements with management. Cook, at the Compensation Committee's request, regularly provides independent advice on current trends in compensation design, and provides executive compensation data and compensation program proposals to assist in evaluating and setting the overall structure of our executive compensation program and the compensation levels of our NEOs.

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

Peer Group

Our Compensation Committee examines competitive peer group and survey information, compiled by Cook, as one of many factors to assist in determining base salary, annual incentive compensation and stock-based long-term equity awards. In addition to market data, the Compensation Committee considers factors such as individual performance, internal equity among executives, promotion potential and retention risk in determining total compensation for our NEOs. The Compensation Committee periodically benchmarks our executive compensation against the compensation paid to executives at a peer group of publicly-traded companies of similar size and in similar industries to the Company (the “Peer Group”) to obtain a general understanding of current compensation practices. The 23 companies currently comprising the Peer Group provide a useful comparison to the Company based, among other things, on their similarity in size, revenues, enterprise value, EBITDA, EBITDA margin, scope of operations and branded consumer product focus. The Compensation Committee periodically evaluates the appropriateness of the size and composition of the Peer Group, and makes changes to its membership in response to mergers and acquisitions and changes in organizational comparability. In 2016 the Peer Group was changed to delete Mattress Firm Holding Corp., which was acquired in 2016, and to delete Newell Rubbermaid and Jarden, which combined during 2016 and as a result no longer met the revenue criteria, and to add La-Z-Boy and lululemon athletica.

As noted above, we benchmark our compensation practices against the Peer Group. Prior to 2016, our overall philosophy had been to target base salary and annual cash incentive at the market median, and long term incentive opportunities between the 50th and 75th percentiles. For 2016, we kept the base salary and annual incentive target compensation at the 50th percentile and also determined that the annual long-term incentive compensation grants should transition over the next few years to the median or 50th percentile of the Peer Group. In addition, as discussed above under “Introduction,” over the last year in order to create a more focused, efficient management structure we have significantly reduced the size of our senior management team.

The Peer Group companies are listed below:

Peer Group		
Brunswick Corp.	Harman International Industries, Inc.	Polaris Industries Inc.
Carter's Inc.	Hasbro Inc.	Select Comfort Corp.
Columbia Sportswear Company	Herman Miller, Inc.	Steelcase Inc.
Deckers Outdoor Corporation	La-Z-Boy	Tupperware Brands Corporation
Dorel Industries Inc.	Leggett & Platt, Inc.	Under Armour, Inc.
Fossil Group Inc.	Lexmark International, Inc.	Williams-Sonoma Inc.
Gildan Activewear Inc.	lululemon athletica	Wolverine World Wide, Inc.
Hanesbrands Inc.	Mohawk Industries, Inc.	

Tally Sheets

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

Compensation Philosophy and Objectives

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

Compensation Components

The principal components of compensation for our NEOs include the following. In order to provide some context for the compensation decisions in 2016, we also provide below some information on LTIP awards made in 2015.

Pay Element	Purpose	Description	Link to Performance

Annual Base Salary	To attract and retain leadership talent and to provide a competitive base of compensation that recognizes the executive's skills, experience and responsibilities in the position.	Fixed, non-variable cash compensation.	Base salary levels are based on a number of factors and are significantly influenced by each individual's sustained performance over time, including promotion to higher positions. Base salary is targeted at a competitive level, generally near the market median for each executive.
Annual Incentive Plan (AIP) Awards	To provide executives with a clear financial incentive to achieve critical short-term financial and operating targets or strategic initiatives.	Variable annual cash incentive with payout based on Company and individual performance over the fiscal year.	Annual incentive opportunity is targeted at a competitive level, generally near the market median for each executive. The actual incentive award payout is based on the achievement of the performance criteria and can range from 0% to 200% of target payout. 100% of the FY 2016 AIP payout opportunity was based on the Company's Adjusted EBITDA for 2016. Using a Company-wide performance goal based on Adjusted EBITDA promotes collaboration and focuses the entire Company on a goal that strongly correlates with stockholder value creation.
Annual Long-Term Incentive Awards	To align a significant portion of executive compensation to the Company's long-term operational performance as well as share price appreciation and total stockholder return. This component serves to motivate and retain executive talent.	Annual grants of stock options, PRSUs, and/or restricted stock.	The Company has granted annual LTIP awards in the form of stock options, PRSUs and restricted stock units ("RSUs"). In 2016, the Compensation Committee determined that the size of the target annual long-term incentive grants should transition over time to the median or 50th percentile of the Peer Group from the prior practice of targeting the point between the median and the 75th percentile of the Peer Group. Stock options have value only if and to the extent our share price increases from the date of grant to the time of exercise. PRSUs are granted to reward participants for the successful achievement of multi-year performance objectives, using a currency (common stock) that is strongly aligned with stockholder interests. Target long-term incentive grant values in 2015 were allocated 67% to PRSUs and 33% to stock options. PRSUs awarded in 2015 under the annual grant (to all NEOs except Mr. Thompson) are tied to our three-year Adjusted EPS performance over the 2015 - 2017 periods. The annual LTIP grants for 2016 were in the form of RSUs vesting over 4 years. The Compensation Committee chose to use RSUs rather than PRSUs primarily to enhance retention and equity stakes. The RSUs awarded to our NEOs were also subject to satisfaction of a performance test for Section 162(m) purposes of "positive profits" for 2016,

which was met. In addition, the NEOs had a number of PRSU grants still outstanding and RSUs are less dilutive, in terms of overall share usage, than stock options, and may help manage potential stockholder dilution from equity plans.

Special Long-Term Incentive Awards

In addition to annual LTIP grants, the Company has also issued special or one-time grants, for several different purposes, including aspirational awards tied to very challenging performance goals and matching awards to incent our NEOs to make significant long term cash investments in our common stock.

In the latter part of 2015, NEOs and other senior executives received special aspirational PRSU grants tied to the goal of achieving more than $650 million in Adjusted EBITDA in 2017. If the aspirational goals are not met in 2017 but are achieved in 2018, participants can earn one-third of the total shares subject to the awards. The Compensation Committee believes these are challenging performance hurdles and, if achieved, would likely result in significant stockholder value creation. These PRSU grants are described elsewhere in this Proxy Statement.

In September 2015, Mr. Thompson purchased $5 million of Company stock and received a one-time matching grant of 69,686 PRSUs which vest in 3 annual installments, subject to a threshold performance goal of positive pre-tax income 2016, which was met.

In 2016 we approved a new matching PRSU program for senior executives, including the NEOs, under which the Company issued PRSUs to match purchases of shares in the open market, up to specified caps. These PRSUs vest over five years, subject to a threshold performance goal of positive pre-tax income for 2016, which was met.

Mr. Thompson's other equity awards are described above under "CEO Annualized Compensation Values and Pay-for-Performance Alignment" and include grants of stock options and RSUs intended to cover both 2015 and 2016 awards.

Overall, the Compensation Committee seeks to strike a balance among the three ongoing components of salary, annual cash bonus and annual equity awards, and also provide special equity grants from time to time that create additional significant incentives for exceptional performance, require management to make significant long-term cash investment in our common stock or address specific retention or incentive issues, with an emphasis on ensuring that a majority of the total potential compensation for the Company's executive officers is significantly at risk and tied to overall Company performance. Our Compensation Committee changed its overall philosophy on compensation starting in 2016. Prior to 2016, our overall philosophy had been to target base salary and annual cash incentive at the market median, and long term incentive opportunities between the 50th and 75th percentiles. For 2016, we kept the base salary and annual incentive target compensation at the 50th percentile and also determined that the annual long-term incentive compensation grants should transition over the next few years to the median or 50th percentile of the Peer Group.

Compensation Mix

The charts below show that most of our NEOs' target pay mix (or annualized pay mix based on the initial compensation package to our CEO, excluding one-time and special grants and sign-on bonus) is variable and at risk. For the CEO, 89% of the annualized initial pay package was provided in the form of annual and long-term incentives. For the other NEOs, annual and long-term incentives made up 76% of the total target pay mix. The proportions of each pay component shown below may change in the future based on market or performance considerations.

2016 Target Compensation Mix:

Due to the unique nature of the aspirational PRSU grants, and the probability at the grant date that the performance target will not be achieved, they are not included in the charts below.

(1) Mr. Thompson's chart excludes the performance-based Matching PRSU grants, his initial signing bonus and the special grant of aspirational PRSUs, as these are all viewed as special or one-time grants (see "CEO Annualized Compensation Values and Pay-for-Performance Alignment - Supplemental Table of Pro-Forma Annualized Target Total Direct Compensation Value for Mr. Thompson" for a description of the elements included in Mr. Thompson's compensation). In addition, the stock option and restricted stock grants to Mr. Thompson made in 2015 are annualized over 2 years since Mr. Thompson did not receive a regular annual long term incentive award in 2016.

(2) The chart for other NEOs excludes the aspirational PRSU grants in light of the nature of the grant and the probability that the performance target will not be achieved.

2016 COMPENSATION ACTIONS

Base Salary

Mr. Thompson's base salary was established pursuant to his employment agreement and Mr. Hytinen's ending 2015 salary reflects his promotion to EVP and CFO in July 2015. The table below summarizes the annualized salary changes during the year:

Named Executive Officer	2015 Annual Salary	2016 Annual Salary	Increase (%)
Scott L. Thompson	$ 1,100,000	$ 1,100,000	—
Barry A. Hytinen[1]	$ 430,000	$ 460,000	7%
Richard W. Anderson	$ 441,000	$ 441,000	—
David Montgomery	£ 298,576	£ 298,576	—
Jay G. Spenchian	$ 440,000	$ 440,000	—

(1) Mr. Hytinen was promoted to Chief Financial Officer during 2015. Amount shown represents his annualized salary at the end of 2015.

Mr. Hytinen received a 7% increase in base salary for 2016 as compared to his ending salary in 2015. This increase reflects his promotion to CFO during 2015 and an increase required to place him near the median for the Peer Group. No other NEO received an increase in salary for 2016.

2016 Annual Incentive Program

Our annual incentive program ("AIP") ensures that a significant portion of each NEO's annual compensation is at risk and dependent on overall Company performance. The program provides NEOs a clear financial incentive to achieve critical short-term financial and operating targets or strategic initiatives. The Compensation Committee is responsible for administering the AIP pursuant to the terms of our Second Amended and Restated Annual Incentive Bonus Plan for Senior Executives (the "2015 Annual Incentive Plan") which was approved by our stockholders in May 2015. The 2015 Annual Incentive Plan provides for cash-based performance awards, including awards intended to qualify as performance compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended ("Code").

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

The following table sets forth the targeted annual incentive levels for each NEO in 2016, shown as a percentage of his annual base salary at year-end, along with the maximum potential incentive opportunity:

Named Executive Officer	Target Award as a % of Salary	Target Award	Maximum Award as a % of Salary
Scott L. Thompson	125%	$1,375,000	250%
Barry A. Hytinen	70%	$322,000	140%
Richard W. Anderson	70%	$308,700	140%
David Montgomery	70%	£209,003	140%
Jay G. Spenchian	70%	$308,000	140%

Messrs. Anderson, Montgomery and Spenchian received the same target bonus for 2016 as in 2015. Mr. Thompson joined the Company in September 2015 and received a fixed bonus for 2015 of $458,000, pursuant to his employment agreement. Mr. Hytinen's target bonus for 2016 was increased to 70% to reflect his promotion to CFO during 2015. The Compensation Committee determined that our Adjusted EBITDA should be the sole performance metric for the 2016 AIP, to simplify the plan design by eliminating multiple goals and different goals for different groups, and to eliminate subjective goals, and promote collaboration. The Compensation Committee believes that Adjusted EBITDA strongly correlates with long-term stockholder value creation. Performance is measured with no adjustment for currency fluctuations, consistent with our financial statements, to further align executive and stockholder interests.
In order to ensure that our 2016 AIP complies with Section 162(m) of the Code, the Company had to meet a threshold goal of positive profits in order for any annual incentive to be earned for 2016 by our NEOs. If this threshold goal was achieved, then each NEO's potential annual incentive bonus became earned at the maximum bonus payable under the 2016 AIP, subject to the exercise by the Committee of its authority to reduce (but not increase) the actual amount of the annual incentive bonuses payable. The Committee determined that the Company had met the threshold goal of positive profits for 2016, and the Committee then used its discretion to finalize the amount of the incentive awards for each NEO based on the Company's Adjusted EBITDA and the performance matrix adopted by the Committee when it created the 2016 AIP, including discretion authorized under the 2016 AIP to make adjustments for extraordinary events not contemplated in the 2016 budget approved by the Board of Directors. After making a discretionary adjustment of $4.7 million to reflect extraordinary costs incurred in the fourth quarter of 2016 relating to the Mattress Firm relationship, our Adjusted EBITDA calculated for purposes of the 2016 AIP was $526.3 million, which under the goals set for the 2016 AIP represented a pay-out at 140.7% of the target bonus. The Compensation Committee believes that the Adjusted EBITDA targets for 2016 were challenging, with a minimum requirement of $470 million in Adjusted EBITDA for a 50% bonus payout, $510 million in Adjusted EBITDA for a 100% target bonus payout and $550 million in Adjusted EBITDA for a 200% bonus payout. These targets represented a 3.1%, 11.9% and 20.7% increase in Adjusted EBITDA over 2015, respectively. The $526.3 million in Adjusted EBITDA for 2016 represents a 15.5% increase over Adjusted EBITDA for 2015, reflecting the significant improvement in our profitability in 2016, driven by management's successful efforts to improve our operations and other factors discussed above under "Business Summary." Based on this performance, each of our NEOs received a bonus payment as set forth below:

Named Executive Officer	2016 Target	Percentage of Overall	2016 Actual

		Incentive Target		Payout
Scott L. Thompson	$1,375,000	140.7	%	$1,934,625
Barry A. Hytinen	$322,000	140.7	%	$453,054
Richard W. Anderson	$308,700	140.7	%	$434,341
David Montgomery	£209,003	140.7	%	£294,067
Jay G. Spenchian	$308,000	140.7	%	$433,356

Performance-Based Retention Bonus Program

On May 30, 2015, in connection with the termination of our previous CEO, and the commencement of the search for a new CEO, the Board of Directors approved a retention program for NEOs and other senior executives. This program was established to ensure stability in the senior management team and provide additional incentives to achieve performance targets for 2015. Awards were payable in cash, and contingent on the Company achieving an Adjusted EBITDA threshold for 2015 of $444 million, which represented the consensus analysts' estimate at the time the program was approved, and continued service through May 31, 2016 (with exceptions for termination by the Company without "Cause" or voluntary resignation for "Good Reason" as defined within employment agreements or our Severance and Retention Plan). The following retention bonus opportunities were approved for our NEOs:

Named Executive Officer	Position at Time of Grant	Value($)
Barry A. Hytinen	EVP, Corporate Development & Finance	$450,000
Richard W. Anderson	EVP and President, North America	500,000
David Montgomery	EVP and President, International	500,000
Jay G. Spenchian	EVP and Chief Marketing Officer	500,000

The Compensation Committee determined that the Company had met this Adjusted EBITDA threshold (as defined in the retention program) for 2015. In making this determination, the Committee noted that the Company's 2015 Adjusted EBITDA as reported in its earnings release for the fourth quarter and full year 2015 was $455.8 million, and used its discretion to take into account extraordinary items that positively or negatively impacted the Company's performance. For a description of these adjustments, refer to the calculation of Adjusted EBITDA in Appendix A to this Proxy Statement. As a result, each of the NEOs listed in the table above received the bonus listed above after satisfying the one year service period at May 31, 2016.

2016 Annual Long-Term Incentive Grants (Regular Annual Grants)

Members of senior management, including our NEOs, are eligible to receive equity compensation awards under our equity incentive plans. As previously discussed, we believe that providing equity awards as a component of compensation for senior managers aligns the interests of management with the interests of our stockholders and provides an additional method of compensation where the return is directly tied to stockholders' return on their investment.

The Compensation Committee approved targeted equity values for each of our NEOs, other than Mr. Thompson who did not receive a regular annual equity grant in 2016. Our practice in recent years prior to 2016 had been to grant multiple forms of long-term incentive awards, each intended to accomplish different objectives. Stock options are granted to reward stock price increases and alignment with stockholders' interests. PRSUs are granted to reward participants for the successful achievement of multi-year performance objectives, using a currency (Company common stock) that is strongly aligned with stockholders' interests.

For 2016, the Compensation Committee determined that awards would be provided in the form of RSUs to enhance retention and equity stakes. In moving to RSUs, the Compensation Committee decided that the RSUs should vest over 4 years, rather than the 3 year vesting typically used in the past for stock options. In addition, the Compensation Committee determined that the targeted equity value of annual grants for NEOs should transition over the next few years to the median or 50th percentile of the Peer Group rather than targeting between the 50th and 75th percentile. The Compensation Committee also determined that the RSUs to be granted to NEOs would contain a performance threshold sufficient to satisfy the requirements of Section 162(m) of the Code for tax deductibility. In choosing to provide 2016 grants in the form of RSUs, the Compensation Committee noted that NEOs had a number of outstanding performance-based awards still in effect, including annual PRSU grants made in 2014 and the aspirational PRSU grants. This was the first time service-based RSUs have been granted to NEOs (other than the CEO, who did not receive a regular annual grant in 2016) in a number of years. The Compensation Committee also noted that RSUs are less dilutive, in terms of overall share usage, than stock options, and may help manage potential stockholder dilution from equity plans. Assuming that the Section 162(m) performance threshold was achieved, which it was, the 2016 RSUs vest in four equal annual installments on each of the first four anniversaries of the grant date.

Set forth below are the principal changes made to our annual long-term incentive program for 2016, as compared to 2015:

	Long-Term Incentive Programs	
	2015 (Annual Grant)	2016 (Annual Grant)
Allocation	67% PRSUs 33% Stock Options (Mix excludes CEO)	100% RSUs with a Section 162(m) performance threshold for NEOs
Vesting Period	3 year ratable (for stock options)	4 year ratable
Performance Measurement Period	3 years (for PRSUs)	1 year (for RSUs awarded to NEOs)
PRSU Performance Goals	Adjusted EPS[(1)]	—
PRSU Maximum Payout (as % of Target)	300%	—

(1) Adjusted EPS is not a recognized term under GAAP and does not purport to be an alternative to EPS calculated in accordance with GAAP. For more information on this non-GAAP financial measure please refer to Appendix A.

Mr. Thompson did not receive annual equity grants in 2016. For Messrs. Anderson, Montgomery and Spenchian, the target value of the 2016 annual equity grants remained at the same level as the 2015 annual equity grants. For Mr. Hytinen, his target annual equity grant was increased for 2016 to $975,000 to reflect his promotion to CFO during 2015. The following table summarizes 2016 grants to the NEOs:

Named Executive Officer	Fair Value ($) 2016 LTIP Grant Date	# of RSUs
Scott L. Thompson	$	——
Barry A. Hytinen	975,000	18,262
Richard W. Anderson	975,000	18,262
David Montgomery	1,100,000	20,603
Jay G. Spenchian	975,000	18,262

The Committee reserves the right to adjust the target award mix from year to year, as deemed appropriate. As previously noted, Mr. Thompson, who joined the Company in September 2015, received various equity grants as part of his initial compensation package. As discussed later in this section, the NEOs, including Mr. Thompson, also received the aspirational PRSU grant in the latter part of 2015. During 2016, certain NEOs, EVPs and Senior Vice Presidents ("SVPs") were eligible for matching PRSU grants if they purchased shares of our common stock in the open market. These programs are described below.

Aspirational Grants

To further encourage significant increases in profitable growth and stockholder value creation, the Board of Directors established an aspirational objective for the Company to achieve more than $650 million in Adjusted EBITDA for 2017. To achieve this aspirational objective, the Company would need to increase its Adjusted EBITDA by nearly $200 million, or more than 40%, above the Company’s Adjusted EBITDA of $455 million for 2015. To further align executive and stockholder interests, Adjusted EBITDA is measured with no adjustment for currency fluctuations, consistent with the Company’s financial statements. To reinforce this objective and encourage “aspirational pay for aspirational performance,” the Compensation Committee approved special aspirational PRSU grants for a group of senior executives, including our NEOs.

In September 2015, the Compensation Committee established an initial compensation package for Mr. Thompson which places primary emphasis on the aspirational PRSUs. Other senior executives received aspirational PRSU grants in October and December 2015. Grant date values for this special award were set well above regular target long-term incentive award levels, given the plan's aspirational goals, which the Compensation Committee believes are challenging performance hurdles that, if achieved, would likely result in significant stockholder value creation. Because the performance requirement for vesting is so challenging, at the time of grant these shares were not expected to vest; therefore, no value attributable to these PRSUs is included in the Summary Compensation Table. To earn the full grant, the Company's Adjusted EBITDA must exceed $650 million in 2017. If this hurdle is not met in 2017 but is achieved in 2018, participants would earn 1/3 of the grant, with the remaining portion forfeited. No PRSUs will be earned if the hurdle is not met for 2017 or 2018. Participants must also remain employed with the Company through the entire performance period to earn the award. The aspirational PRSU grants to the NEOs are shown in the following table:

Named Executive Officer	# of Aspirational PRSUs Earned for Meeting Hurdle in 2017	# of Aspirational PRSUs Earned for Meeting Hurdle in 2018
Scott L. Thompson	620,000	206,667
Barry A. Hytinen	125,000	41,667
Richard W. Anderson	80,000	26,667
David Montgomery	125,000	41,667
Jay G. Spenchian	80,000	26,667

The Compensation Committee views these as special grants and does not expect it would make similar aspirational awards covering any performance period beginning prior to 2018. However, as discussed below under "2017 Compensation Actions", in light of the termination of contracts with Mattress Firm in January 2017 and the revised business outlook for 2017, the Compensation Committee believes that these aspirational PRSUs no longer serve as a meaningful incentive tool, and over the course of 2017 the Compensation Committee will review the Company's performance and business outlook to consider whether the Committee should take steps to ensure that the Company's equity incentive grants continue to support the Company's incentive compensation strategy and pay-for-performance philosophy.

2016 Special Matching PRSU Program

In February, 2016, the Compensation Committee and the Board of Directors added an additional incentive program for a group of senior executives in the Company including our CEO. This program provided an incentive for these executives to purchase Tempur Sealy International stock in the open market at market prices between February 25, 2016 and September 15, 2016, subject to compliance with our trading window guidelines and to hold the purchased stock for five years. Under the terms of the program, if an executive purchased Company shares according to the parameters of the program, including the applicable cap as described below, the Company committed to matching the executive's investment with a matching value of PRSUs, referred to as "matching PRSUs." These matching PRSUs will vest ratably over a five year period, and were subject to a performance threshold for Section 162(m) purposes of positive profits (as defined in the program) for 2016, which was met. Unvested matching PRSUs will expire should executives sell any of their purchased shares during the 5 year vesting period. The Compensation Committee and Board of Directors strongly believe that encouraging our senior executives to make and retain meaningful long term cash investments creates a strong performance incentive and further aligns our senior executives with our stockholders. The following table summarizes the maximum potential grants under this program for the NEOs (based on the total purchase price paid by the applicable NEO for shares purchased):

Named Executive Officer	2016 Stock Purchase Program Company Matching Limit - PRSUs ($)	Total Matchable Purchases Made by NEO($)	Number of Matching PRSUs Issued	Value of Matching PRSUs at Time of Grant($)
Scott L. Thompson	$3,000,000	$3,000,000	51,370	$3,181,573
Barry A. Hytinen	1,000,000	1,000,000	16,663	987,283
Richard W. Anderson	1,000,000	1,000,000	17,430	1,101,402
David Montgomery	1,000,000	—	—	—

Jay G. Spenchian(1)	1,000,000	900,000	15,800		919,342

(1) Mr. Spenchian left the Company effective February 28, 2017. As a result, Mr. Spenchian forfeited all of this grant of matching PRSUs in accordance with the terms of the award agreement and his separation agreement. For a discussion of the terms relating to Mr. Spenchian’s departure please refer to “2017 Compensation Actions - Departure of Mr. Spenchian."

Prior Year PRSU Grants with Performance Cycles Ending in 2016

In 2014, members of senior management, including several of our current NEOs, were granted PRSUs that vested based upon achievement of certain goals relating to 2016 Net sales and EBIT Margin objectives. Company results were between threshold and target performance levels, resulting in 71.2% of the target number of PRSUs being earned.

Departure of Mr. Spenchian

The Company announced on February 13, 2017 that Mr. Spenchian would be leaving the Company effective February 28, 2017. In connection with the foregoing, Mr. Spenchian and the Company entered into a letter agreement dated February 15, 2017 confirming the terms of his separation pursuant to his employment agreement, including the payment of his 2016 performance bonus, the payment of a pro rata portion of his performance bonus for 2017, subject to the attainment of the Company’s goals for 2017, payment of severance and maintenance of welfare benefits for 12 months, non-disparagement provisions and a general release and waiver by Mr. Spenchian of all claims. In addition, Mr. Spenchian has agreed to provide consulting services for six months and the Company will pay a consulting fee of $37,500 per month.

2017 COMPENSATION ACTIONS

Set forth below is a brief summary of the compensation decisions made by the Compensation Committee in late December 2016 and early 2017 relating to compensation for 2017. Many of these decisions were made prior to January 30, 2017, when we announced the termination of our contracts with Mattress Firm, our largest customer, and the wind down of our business with Mattress Firm over the first quarter of 2017. Although we strongly believe that this termination is in the best long-term interests of our stockholders, as discussed in our Form 10-K for the year ended December 31, 2016, it is expected to have a significant negative impact on our ability to achieve our original sales and profitability goals for 2017. In light of these events, the Compensation Committee, after careful review and feedback from stockholders, took certain actions to retain and focus the executive team and key employees during this transitional period as described below. In addition, in light of the termination of contracts with Mattress Firm in January 2017 and the revised business outlook for 2017, the Compensation Committee no longer believes it is likely that any portion of the PRSUs granted in 2014 and with a performance target based on Adjusted EPS for 2017 will vest. In addition, the Compensation Committee believes that the aspirational PRSUs no longer serve as a meaningful incentive tool, and accordingly over the course of 2017 the Compensation Committee will review the Company's performance and business outlook to consider whether the Committee should take steps to ensure that the Company's equity incentive grants continue to support the Company's incentive compensation strategy and pay-for-performance philosophy.

2017 Base Salary

No NEO received an increase in base salary for 2017.

2017 Annual Incentive Program (AIP)

Company-wide Adjusted EBITDA was selected as the sole performance metric for the 2017 AIP, consistent with the change made by the Compensation Committee in 2016 to simplify the program design by eliminating multiple goals and different goals for different groups, and to eliminate subjective goals, and promote collaboration. The Compensation Committee believes that Adjusted EBITDA strongly correlates with long-term stockholder value creation. Performance will be measured with no adjustment for currency fluctuations, consistent with the Company's financial statements, to further align executive and stockholder interests. In order to ensure that our AIP complies with Section 162(m) of the Code, the Company must meet a threshold goal of positive profits in order for any annual incentive to be earned for 2017 by our NEOs. If this threshold goal is achieved, then each NEO's potential annual incentive bonus will become earned at the maximum bonus payable, subject to the exercise by the Committee of its authority to reduce (but not increase) the actual amount of the incentive bonus payable. In addition, the Committee is authorized to make adjustments to reflect extraordinary events not contemplated by the budget approved by the Board in December 2016 (but no adjustment may be made with respect to the threshold goal adopted for Section 162(m) purposes).

The 2017 AIP was adopted by the Committee in December 2016 and the performance metrics were based on the budget for 2017 adopted by the Board in December 2016. As a result of the termination of the Mattress Firm relationship discussed above and the Company's revised expectations for 2017, the Committee determined that the recently-approved 2017 AIP no longer served as a meaningful performance incentive for the remainder of the year based on the original Adjusted EBITDA goals. In response, and at the request of the CEO that the Committee provide assurances to participants in the 2017 AIP other than the CEO, pursuant to the discretion reserved under the 2017 AIP to make adjustments for extraordinary events the Committee committed that the bonuses under the 2017 AIP would be paid at least at 100% of target (other than for the CEO) to retain and focus the executive team and key employees during this transitional period. This commitment for a payout at target does not affect the requirement for NEOs to meet the Section 162(m) threshold test described above and does not apply to the CEO, who will remain subject to the 2017 AIP as originally adopted, including the exercise by the Committee of its discretion as described above.

No adjustments were made to target annual incentive award opportunities for the NEOs for 2017.

2017 Annual Long-Term Incentive Grants (Regular Annual Grants)
The Compensation Committee approved targeted equity values for each of our NEOs. The Compensation Committee also determined that the regular annual awards for 2016 will be provided in the form of RSUs to enhance retention and equity stakes. The Compensation Committee decided that the RSUs should vest over 4 years, rather than the 3 year vesting typically used in the past for stock options. The Compensation Committee also determined that the RSUs to be granted to NEOs would contain a performance threshold sufficient to satisfy the requirements of Section 162(m) of the Code for tax deductibility. In choosing to provide the regular 2017 grants in the form of RSUs, the Compensation Committee noted that NEOs have a number of outstanding

performance-based awards still in effect, including annual PRSU grants made in 2014 with a performance period ending December 31, 2017 and the aspirational PRSU grants. The Compensation Committee also noted that RSUs are less dilutive, in terms of overall share usage, than stock options, and may help manage potential stockholder dilution from equity plans. The 2017 RSUs vest in four equal annual installments on each of the first four anniversaries of the grant date, assuming the Section 162(m) performance goal is achieved for 2017.

The following table summarizes the 2017 annual grants to the NEOs:

Named Executive Officer	2017 LTIP Grant Date Fair Value ($)[(1)]	# of RSUs
Scott L. Thompson	$7,000,000	100,719
Barry A. Hytinen	975,000	14,029
Richard W. Anderson	975,000	14,029
David Montgomery	1,100,000	15,827
Jay G. Spenchian[(2)]	975,000	14,029

(1) The grant date fair value is based on $69.50, the closing price of the Company's common stock on January 5, 2017, the grant date. On March 1, 2017, the closing price of the common stock was $47.22.

(2) Mr. Spenchian left the Company effective February 28, 2017. As a result, Mr. Spenchian forfeited a portion of this grant of RSUs in accordance with the terms of the award agreement and his separation agreement. For a discussion of the terms relating to Mr. Spenchian's departure please refer to "2017 Compensation Actions - Departure of Mr. Spenchian."

2017 Special Long-Term Incentive Grants

In addition to the annual 2017 long-term incentive grants described above, in early 2017 our Compensation Committee also approved a special grant for members of management. These special grants were awarded to recognize significant improvements in the Company's operations and profitability since September 2015 and the cost savings resulting from the smaller management team created as part of senior management's efforts to develop a more streamlined management structure. The special grant to the NEOs was in the form of stock options vesting over 4 years. The Committee chose to make these awards in the form of stock options because these special grants will only have value if and to the extent our stock price increases over time, and also to distinguish the grants from the regular annual grants made in the form of RSUs. In addition, in order to maximize the retentive effect of these grants, if the employee leaves for any reason before the end of four years, all of the unvested equity awards will terminate.

The following table summarizes the 2017 special grants to the NEOs:

Named Executive Officer	2017 LTIP Grant Date Fair Value ($)[(1)]	# of Stock Options	Exercise Price($)
Scott L. Thompson	$7,456,146	339,476	$ 69.50
Barry A. Hytinen	1,038,531	47,284	69.50
Richard W. Anderson	1,038,531	47,284	69.50
David Montgomery	1,171,675	53,346	69.50
Jay G. Spenchian[(2)]	1,038,531	47,284	69.50

(1) The grant date fair value is based on the Black-Scholes value determined as of January 5, 2017, the grant date. On March 1, 2017, the closing price of the common stock was $47.22.

(2) Mr. Spenchian left the Company effective February 28, 2017. As a result, Mr. Spenchian forfeited all of this grant of stock options in accordance with the terms of the award agreement and his separation agreement. For a

discussion of the terms relating to Mr. Spenchian's departure please refer to "2017 Compensation Actions - Departure of Mr. Spenchian."

The long-term incentive grant values determined by the Compensation Committee and the Board are consistent with our compensation philosophy as discussed above.

2016 COMPENSATION FOR FORMER NAMED EXECUTIVE OFFICER

Departure of Mr. Yaggi

The Company announced on March 10, 2016 that the Company and Mr. Yaggi had agreed that Mr. Yaggi would leave the Company effective March 31, 2016. Accordingly, this section contains a discussion of the 2016 compensation paid to Mr. Yaggi, as well as other information relevant to an understanding of how and why the Company paid this compensation.

In setting 2016 compensation for Mr. Yaggi, the Company adopted the same overall design, purposes, objective and other aspects of its pay for performance philosophy as it did in setting 2016 executive compensation for the other NEOs. A brief summary of each component of pay is outlined below.

- Base Salary: Mr. Yaggi, like the other NEOs other than Mr. Hytinen, did not receive a salary increase as part of the normal review process in 2016. At the time of his departure, Mr. Yaggi's annual salary was $690,000.

- Retention Bonus Award: Mr. Yaggi participated in the 2015 Retention Bonus Plan, with a target award value of $1,000,000. Since the Company achieved the 2015 performance hurdle associated with this incentive, and since Mr. Yaggi was terminated by the Company without Cause, he received this award in June 2016, per the terms of the Retention Bonus Plan. This value is included in the Summary Compensation Table.

- Annual Incentive: Mr. Yaggi's 2016 target annual incentive opportunity of 80% of salary was identical to his 2015 target opportunity. Per the terms of his employment agreement, Mr. Yaggi did not receive any annual incentive pay for 2016, but he did receive an additional severance payment in a lump sum payment in the amount of $137,622, equal to a prorated portion of his base salary based on the number of days of the calendar year prior to the effective date of termination, following his termination by the Company without Cause on March 31, 2016.

- Long-term Incentives: Under the regular annual grant process, on February 11, 2016, Mr. Yaggi received 35,587 RSUs with the same terms as grants to other NEOs as described above under the heading "2016 Annual Long-Term Incentive Grants (Regular Annual Grants)." Pursuant to the terms of the award agreement, following Mr. Yaggi's termination by the Company without Cause, the number of RSUs was reduced to 8,897 shares to reflect his partial year of service in 2016, with the remaining RSUs subject to the original performance conditions and vesting schedule.

Severance Compensation:

Name	Benefits and Payments	Termination By Company Without Cause($)
W. Timothy Yaggi	Cash Severance(1)	$ 1,900,891
	Annual Incentive Payment(2)	—
	Acceleration of Equity Awards(3)	—
	Health and Welfare Continuation(4)	15,912
	Reimbursement of Legal Fees and Outplacement Services	—

(1) For Mr. Yaggi, the amount presented under Cash Severance for Termination by Company without Cause includes consulting fees of $62,500 per month for 12 months, an additional lump sum amount equal to the pro-rata portion of base salary based on the number of days of the calendar year prior to the effective date of termination and payment of accrued but unused vacation.

(2) Mr. Yaggi's agreement did not provide for payment of a prorated portion of the 2016 annual incentive compensation. Rather, it provided for the additional lump sum amount described in footnote 1 above.

(3) None of Mr. Yaggi's equity awards accelerated as a result of his termination of employment. The number of shares of stock covered by certain of the outstanding awards was prorated downward as a result of the termination event, and these awards will continue to vest, subject to the original performance conditions where applicable and vesting schedule as described above under "2016 Annual Long-Term Incentive Grants (Regular Annual Grants)."

(4) Mr. Yaggi is eligible to continue to participate in welfare benefit plans offered by the Company for a period of one year following termination without Cause.

OTHER COMPENSATION-RELATED POLICIES

Executive Stock Ownership Guidelines

Our Board of Directors has adopted minimum stock ownership guidelines for our executive officers and directors. The principal objective of the guidelines is to enhance the linkage between the interests of stockholders and our executive officers and directors by requiring a meaningful, minimum level of stock ownership. The current guidelines provide that, within five years of becoming subject to the stock ownership guidelines, our CEO should own shares valued at an amount equal to six times his base salary, and that all other executive officers should own shares valued at an amount equal to three times the executive's base salary. Our directors also are required to own, within five years of becoming subject to the stock ownership guidelines, shares valued at an amount equal to five times the director's annual cash retainer (excluding any cash retainers paid for any committee or as Chair or Lead Director). Compliance will be determined based on the value of holdings of shares of stock and all vested restricted shares, restricted stock units, deferred stock units, performance units and other vested equity awards ("vested awards"), but do not include any unvested equity awards or vested stock options. The value of holdings of stock and vested awards is based on the average closing price of the Company's common stock on the NYSE for the most recent period from February 15 through May 14. The number of shares underlying vested awards that may be included in the value of the holdings is calculated net of the number of shares necessary to cover estimated taxes with respect to such vested awards that have not yet become payable. Until the guidelines are met, executive officers and directors are required to retain at least 50% of the "Net Profit Shares," as defined below, and will be deemed to be in compliance with the guidelines while they comply with this retention obligation. "Net Profit Shares" means all shares of common stock received on vesting or earn-out of vested awards and shares received on exercise of stock options, in each case net of shares of common stock sold or withheld for payment of the exercise price or to pay any taxes related to the equity awards.

If an executive officer or director achieves compliance with these guidelines and then falls out of compliance as of the end of the next measuring period due to changes in the market price of the common stock or an increase in base salary or cash retainer, that person will not be required to purchase shares in order to regain compliance, but will be deemed to be in compliance if going forward he or she retains at least 50% of his or her Net Profit Shares. In addition, if the person falls out of compliance for any other reason that person will be deemed to have remained in compliance if he or she retained at least 50% of his or her Net Profit Shares. The compliance of any director who is an employee of an institutional stockholder of the Company, and has waived any right to receive compensation as a Director, will be calculated based on the stock ownership of that institutional stockholder and the average annual cash retainer paid to other directors as of the end of the measurement period. For 2016, all of our executives and directors were on track to maintain compliance with the minimum stock ownership guidelines.

Anti-Hedging and Anti-Pledging Policy

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

Clawback Policy

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

Other Benefits / Perquisites

We offer a 401(k) plan to all of our eligible U.S. employees, including our senior management and our NEOs other than Mr. Montgomery, who is a citizen of the United Kingdom. The 401(k) plan is designed to allow employees to save for retirement as well as defer current earnings and recognize them later in accordance with statutory regulations when their individual income tax rates may be more beneficial. In 2016, in accordance with the terms of the plan, we matched 100% of the first three percent of each match-eligible participating employee's salary that is deferred and 50% of the fourth and fifth percent of salary deferred. We made the matching contribution in 2016 for all match-eligible participating employees, including the match-eligible participating NEOs. In addition, the 401(k) plan permits us to provide a discretionary contribution of up to 3% of eligible compensation to eligible participants. We do not expect we will provide a discretionary contribution to plan participants for the year ended December 31, 2017. The decision to make the discretionary contribution is at our sole discretion.

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

We provide reimbursement for financial planning expenses for NEOs of up to $10,000 per year. The new program is intended to cover some, if not most, of the expense associated with having a financial advisor and to allow executives more time to focus on business and personal matters.

We also offer various broad-based employee benefit plans. NEOs participate in these plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may apply. Our NEOs also receive certain other benefits that are discussed in Note 3 to the Summary Compensation Table.

Employment Agreements

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

Tax and Accounting Implications

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

Section 162(m) of the Code limits the Company's annual deduction for certain compensation paid to certain of our executive officers named in the Summary Compensation Table, other than our CFO, to $1 million each year unless certain requirements are met. Although the Compensation Committee plans to evaluate and limit the impact of Section 162(m), it believes that the tax deduction is only one of several relevant considerations in setting compensation. Accordingly, where it is deemed necessary and in our best interests to attract and retain executive talent to compete successfully and to motivate such executives to achieve the goals inherent in our business strategy, the Compensation Committee may approve compensation to Executive Officers which exceeds the limits of deductibility. In this regard, certain portions of the compensation paid to our NEOs for 2016 may not be deductible for federal income tax purposes under Section 162(m) of the Code.

Accounting for Stock-Based Compensation

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

OVERALL COMPENSATION APPROACH AND RISK INCENTIVES

The Compensation Committee considers, in establishing and reviewing compensation programs, whether the programs encourage unnecessary or excessive risk taking and has concluded that they do not. Base salaries are fixed in amount and thus do not encourage risk taking. In 2016, employees were also eligible to receive a portion of their total compensation in the form of "at risk" compensation opportunities, including the annual incentive and, for senior managers, the long-term incentive awards. The portion of "at risk" compensation increases as an employee's level of responsibility within the Company increases. While the annual incentive awards focus on achievement of annual goals, and annual goals may encourage the taking of short-term risks at the expense of long-term results, the Company's annual incentive program represents only a portion of eligible employees' total compensation opportunities. The Compensation Committee believes that the annual incentive program appropriately balances risk and the desire to focus eligible employees on specific short-term goals important to the Company's success, and that it does not encourage unnecessary or excessive risk taking.

The majority of "at risk" compensation provided to senior managers is in the form of long-term equity awards that help further align senior managers' interests with those of the Company's stockholders. The granting of these awards is generally on an annual and therefore overlapping basis, and these grants are subject to multi-year vesting schedules. As described above, a significant portion of long-term equity awards are provided in the form of stock options, RSUs and PRSUs. In addition, the Company also made one-time grants of aspirational PRSU awards in 2015 and 2016. The ultimate value of the stock option and RSU awards is tied to the Company's long-term stock price performance, while the value of the PRSU awards is dependent both on the Company's operating results over a multi-year period and the price performance of our stock. Based on this long-range focus, the Compensation Committee believes that these awards do not encourage unnecessary or excessive risk-taking.

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

COMPENSATION COMMITTEE REPORT

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

The Compensation Committee is comprised entirely of independent directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis section required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis section be included in this Proxy Statement and incorporated by reference into the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Submitted by,

COMPENSATION COMMITTEE
Jon L. Luther (Chair)
Usman S. Nabi
Richard W. Neu

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to Tempur Sealy International for the year ended December 31, 2016 of those persons who served as (i) our principal executive officer during the year ended December 31, 2016; (ii) our principal financial officer during the year ended December 31, 2016; and (iii) our other three most highly compensated Executive Officers for the year ended December 31, 2016. In this section of the Proxy Statement we refer to these persons collectively as our "NEOs."

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Stock Awards ($)[2]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)[4]	Total ($)
Scott L. Thompson Chairman, President and Chief Executive Officer	2016	$1,100,000	$ —	$3,181,573	$ —	$1,934,625	$ —	$ 20,976	$6,237,174
	2015	342,692	2,058,000	13,617,689	7,212,825	—	—	57,413	23,288,619
Barry A. Hytinen EVP and Chief Financial Officer	2016	460,000	450,000	1,962,283	—	453,054	—	16,605	3,341,942
	2015	387,281	—	402,000	198,000	273,126	—	14,555	1,274,962
Richard W. Anderson EVP and President, North America	2016	441,000	500,000	2,076,402	—	434,341	—	23,960	3,475,703
	2015	436,962	—	653,250	321,750	322,437	—	23,365	1,757,764
	2014	420,000	—	637,500	212,500	161,616	—	24,445	1,456,061
David Montgomery[5] EVP and President, International Operations	2016	365,756	500,000	1,100,000	—	360,233	—	76,705	2,402,694
	2015	439,927	—	737,000	363,000	273,323	—	90,097	1,903,347
	2014	453,099	—	693,750	231,250	201,403	—	91,812	1,671,314
Jay G. Spenchian[6] EVP and Chief Marketing Officer	2016	440,000	500,000	1,894,342	—	433,356	—	23,746	3,291,444
	2015	440,000	636,765	653,250	321,750	306,864	—	59,953	2,418,582
W. Timothy Yaggi[7] Chief Operating Officer	2016	183,115	1,000,000	1,900,000	—	—	—	933,199	4,016,314
	2015	686,154	—	1,273,000	627,000	592,269	—	308,208	3,486,631
	2014	670,000	—	1,125,000	375,000	344,648	—	24,445	2,539,093

(1) In May 2016, the Company paid out retention bonuses that were awarded in connection with the termination of our previous CEO and the commencement of the search for a new CEO, the Board of Directors approved a retention program for NEOs and other senior executives, as described in the Compensation Discussion and Analysis section, above, under the heading “Performance-Based Retention Bonus Program”. The performance target for calendar year 2015 was met. In 2015, Mr. Thompson joined the Company and pursuant to his employment agreement, received a

sign on bonus of $1,600,000 and a guaranteed bonus of $458,000 for 2015 calculated as 125% of his base salary for 2015 prorated to reflect the portion of the year in which he was employed. Mr. Spenchian earned a sign on bonus in 2015, once he successfully completed 90 days of employment.

No option awards were granted in 2016. For stock awards granted, the value set forth is the grant date fair value, in accordance with FASB ASC 718. See Note 10 "Stock-based Compensation" to the Company's Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for a complete description of the valuation. Stock awards include RSUs, which are subject to a performance threshold for Section 162(m) purposes, and matching PRSU grants, both of which are described in the Compensation Discussion and Analysis section and in the Grants of Plan Based Awards table elsewhere in this Proxy Statement.

(2) The grant date fair values of these grants represent the value at the grant date based upon the probable outcome of the performance conditions set forth in the awards. With respect to the RSUs granted on February 11, 2016, with a performance period that ended December 31, 2016, the maximum potential value of the awards is 100% of target, based on achievement of a target based on profit as defined in the award agreement. With respect to the matching PRSUs granted between October 2015 and June 2016, with a performance period that ended December 31, 2016, the maximum potential value of the matching PRSU is 100% of target, based on achievement of a target based on profit as defined in the applicable award agreements, and this performance test was met.

For the 2014 PRSUs with a performance period that ended on December 31, 2016, the Company achieved the Net Sales financial metric, as defined in the award agreement, of between threshold and target performance levels, and therefore 71.2% of the target number of PRSUs were determined to have been earned on February 24, 2017.

With respect to the aspirational PRSUs described in more detail under "Compensation Discussion and Analysis - 2016 Compensation Actions - Aspirational Grants", the value included in the "Stock Awards" column for each NEO is $0, because the likelihood of achieving the performance goal on the date of the grant was not probable. The grants of aspirational PRSUs run through 2017 (or 2018 with a reduced award opportunity) and are tied to an aspirational performance goal of achieving more than $650 million in Adjusted EBITDA for 2017 or 2018. The Compensation Committee believes these are challenging performance hurdles and, if achieved, would likely result in significant stockholder value creation. The maximum potential value of these aspirational PRSUs is 100% of the target shares. Assuming that the achievement of the performance goal as of December 31, 2017 had been probable on the grant date, the grant date fair value of the aspirational PRSUs would have been as set forth in the table below. However, in light of the revised business outlook for 2017, the Compensation Committee no longer views these aspirational grants as a meaningful incentive tool. See "Compensation Discussion and Analysis - 2017 Compensation Actions."

Named Executive Officer	Number of Shares at Target	Value based on Closing Price of Stock at Grant Date ($)
Scott L. Thompson	620,000	$44,485,000
Barry A. Hytinen	125,000	9,156,250
Richard W. Anderson	80,000	5,860,000
David Montgomery	125,000	9,156,250
Jay G. Spenchian	80,000	5,860,000
W. Timothy Yaggi	170,000	12,452,500

(3) Non-Equity Incentive Plan Compensation payouts were earned in 2016 and paid in 2017 pursuant to the Company's annual incentive bonus program for 2016. As described in the Compensation Discussion and Analysis section, above, for 2016 all amounts earned were subject to a threshold objective performance metric. Once that metric was met, the maximum amount was earned, subject to the discretion of the Compensation Committee to reduce (but not increase) the amounts payable.

(4)Represents amounts paid in 2016 on behalf of each of our NEOs for the following:

Named Executive Officer	Life and Disabilities Insurance Premiums ($)	Contributions to Qualified Defined Contribution Plans ($)	Car Allowance($)	Tax Preparation, Legal and Financial Planning Fees($)	Relocation($)	Severance Payments($)(a)
Scott L. Thompson	$ 3,360	$ 7,615	$ —	$ 10,000	$ —	$ —
Barry A. Hytinen	3,360	10,600	—	2,645	—	—
Richard W. Anderson	3,360	10,600	—	10,000	—	—
David Montgomery	21,078	36,576	18,375	676	—	—
Jay G. Spenchian	3,146	10,600	—	10,000	—	—
W. Timothy Yaggi	840	10,600	—	4,959	—	916,800

(a) For additional information regarding the elements included in the severance provided to Mr Yaggi, see “2016 Compensation for Former Named Executive Officer” in the Compensation Discussion and Analysis section in this Proxy Statement.

(5) Mr. Montgomery’s salary and Non-Equity Incentive Plan Compensation are paid in British Pounds (£) and are converted to United States Dollars ($) using the spot rate on December 30, 2016, the last business day of the year. The variation in Mr. Montgomery's salary reported in 2015 compared to 2016 is due to variation in the conversion rate.

(6) Mr. Spenchian left the Company effective February 28, 2017. For a discussion relating to the terms of Mr. Spenchian's departure please refer to "Compensation Discussion and Analysis - 2017 Compensation Actions - Departure of Mr. Spenchian."

(7) Timothy Yaggi, our Chief Operating Officer, left the Company effective March 31, 2016. For a discussion of the terms relating to Mr. Yaggi’s departure please refer to “Compensation Discussion and Analysis - 2016 Compensation for Former Named Executive Officer.”

Grants of Plan-Based Awards

The following table provides information about annual and long term incentive award opportunities granted to our NEOs during 2016. These incentive award opportunities are described in the Compensation Discussion and Analysis section of this Proxy Statement under "2016 Annual Incentive Program", "2016 Annual Long-Term Incentive Grants (Regular Annual Grants)", "Aspirational Grants" and "2016 Matching PRSU Program."

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards [2]			All Other Stock Awards: Number of Shares of Stock of Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)[3]
Name/Type of Award	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Scott L. Thompson											
Annual Incentive Bonus[1]	2/1/2016	$0	$1,375,000	$2,750,000							$
Stock Award (RSU)[4]											
Matching PRSU[5]	3/18/2016				—	35,000	35,000				2,211,650
Matching PRSU[5]	5/6/2016				—	16,370	16,370				969,925
Barry A. Hytinen											
Annual Incentive Bonus[1]	2/1/2016	0	322,000	644,000							
Stock Award (RSU)[4]	2/11/2016				—	18,262	18,262				975,000
Matching PRSU[5]	5/6/2016				—	16,663	16,663				987,283
Richard W. Anderson											
Annual Incentive Bonus[1]	2/1/2016	0	308,700	617,400							
Stock Award (RSU)[4]	2/11/2016				—	18,262	18,262				975,000
Matching PRSU[5]	3/18/2016				—	17,430	17,430				1,101,402
David Montgomery[6]											
	2/1/2016	0	313,506	627,011							

Annual Incentive Bonus(1)								
Stock Award (RSU)(4)	2/11/2016				—	20,603	20,603	1,100,000
Jay G. Spenchian(7)								
Annual Incentive Bonus(1)	2/1/2016	0	308,000	616,000				
Stock Award (RSU)(4)	2/11/2016				—	18,262	18,262	975,000
Matching PRSU(5)	5/20/2016				—	8,800	8,000	513,832
Matching PRSU(5)	6/17/2016				—	7,000	7,000	405,510
W. Timothy Yaggi(8)								
Annual Incentive Bonus(1)	2/1/2016	0	552,000	1,104,000				
Stock Award (RSU)(4)	2/11/2016				—	35,587	35,587	1,900,000

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(1) These columns show the 2016 annual award opportunities under the Company's annual incentive bonus program for 2016. They do not reflect the actual amounts paid out under the program, which are included in the Summary Compensation Table and discussed in the Compensation Discussion and Analysis section under "2016 Compensation Actions - 2016 Annual Incentive Program."

(2) This column shows the 2016 equity incentive awards, which include awards of RSUs subject to a performance threshold and matching PRSUs pursuant to a Matching PRSU Program adopted by the Board on February 25, 2016 that was open through September 15, 2016. The terms of these awards are described more fully in Notes (4) and (5), below.

(3) This column shows the grant date fair value of the RSU subject to a performance threshold and Matching PRSU awards computed in accordance with FASB ASC 718. See Note 10 "Stock-based Compensation" to the Company’s Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 for a complete description of the valuations.

• For the RSUs subject to the performance threshold, the grant date fair value displayed represents the value of the shares based on the closing price of the common stock on the NYSE on the grant date.

• For the Matching PRSUs granted under the Matching PRSU Program, described in detail in Note (5) below, the grant date fair value displayed represents the value of the shares based on the closing price of the common stock on the NYSE on the grant date. The maximum value of the award is 100% of target.

The amounts do not reflect the risk that the awards may be forfeited in certain circumstances or, in the case of performance awards, that there is no payout if the required performance measures are not met.

(4) On February 11, 2016, the Board approved the grant of RSUs, subject to a performance threshold that the Company have “positive profits” for calendar year 2016, as defined in the applicable award agreements. If the performance threshold is achieved, which it was, the RSUs will vest over the first four anniversaries of the grant dates. Mr. Thompson did not participate in this award in light of his joining the Company in September 2015 and receiving equity grants at that time.

(5) On February 25, 2016, the Board approved a Matching PRSU Program, pursuant to which the Company would grant Matching PRSUs to an eligible executive, including the NEOs, covering the number of shares of Common Stock purchased by the executive in open market purchases between February 25, 2016 and September 15, 2016 (the “Purchased Shares”). The Matching PRSUs are subject to a performance requirement that the Company have “positive profits” for calendar year 2016, as defined in the applicable award agreements. If the performance threshold is achieved, which it was, the Matching PRSUs will vest over the first five anniversaries of the grant dates. Under the terms of the Matching PRSU Agreements, in the event a participating executive sells any of the Purchased Shares at any time prior to the fifth anniversary of the grant date all remaining unvested Matching PRSUs are forfeited.

(6) Mr. Montgomery’s salary is paid in British Pounds (£). As a result, the Annual Incentive Bonus threshold, target and maximum opportunities were converted into United States Dollars ($) based on the exchange spot rate on December 31, 2016.

(7) Mr. Spenchian left the Company effective February 28, 2017. For a discussion relating to the terms of Mr. Spenchian's departure please refer to "Compensation Discussion and Analysis - 2017 Compensation Actions - Departure of Mr. Spenchian."

(8) Mr. Yaggi left the Company effective March 31, 2016. For a discussion of the terms relating to Mr. Yaggi’s departure please refer to “Compensation Discussion and Analysis - 2016 Compensation for Former Named Executive Officer.”

Outstanding Equity Awards at Fiscal Year-End

The table below sets forth the outstanding stock option awards classified as exercisable and unexercisable as of December 31, 2016 for each of our NEOs. The table also sets forth unvested stock awards assuming a market value of $68.28 per share, the closing market price of our common stock on December 30, 2016 (the last trading day of 2016).

	Option Awards				Stock Awards [1]			
Name	Number of Securities Underlying Options		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Yet Vested	Market Value of Shares or Units of Stock that Have Not Yet Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	(#) Exercisable	(#) Unexercisable	($)		(#)	($)	(#)	($)
Scott L. Thompson								
	103,334	206,666 [2]	$ 71.75	9/3/2025		$		$
							69,686 [3]	4,758,160
							35,000 [4]	2,389,800
							16,370 [4]	1,117,744
					78,666 [5]	5,371,314		—
Barry A. Hytinen								
	1,570	— [6]	46.68	2/21/2021				
	1,172	— [7]	71.50	2/8/2022				
	4,500	— [8]	24.89	11/18/2022				
	6,003	— [9]	37.05	2/21/2023				
	1,240	619 [10]	51.87	2/28/2024				
	3,376	6,752 [11]	57.51	2/26/2025				