TEMPUR PEDIC INTERNATIONAL INC
Form DEF 14A
April 12, 2013

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 x
Filed by a Party other than the Registrant o

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

TEMPUR-PEDIC 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):

No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

2013 PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS

The 2013 Annual Meeting of Stockholders of Tempur-Pedic International Inc.
will be held at the Grandover Resort
1000 Club Road, Greensboro, NC 27407
May 22, 2013 at 8:00 A.M.

PROXY VOTING OPTIONS

YOUR VOTE IS IMPORTANT!

Important Notice Regarding Availability of Proxy Materials:

The 2013 Proxy Statement and 2012 Annual Report are available at http://www.proxyvote.com.

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. Promptly voting your shares will save us the expense and extra work of additional solicitation. 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 can vote by mail by returning the enclosed proxy card in the addressed, prepaid envelope provided.

VOTE BY INTERNET	VOTE BY TELEPHONE	VOTE BY MAIL
http://www.proxyvote.com	1-800-690-6903	Sign and date the proxy card and return it in the enclosed postage-paid envelope.
24 hours a day/7 days a week	toll-free 24 hours a day/7 days a week	
Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.	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 can access, view and download this year's Annual Report on Form 10-K and Proxy Statement at http://www.proxyvote.com.

Table of Contents

April 12, 2013

To our Stockholders:

I am pleased to invite you to attend the Annual Meeting of Stockholders of Tempur-Pedic International Inc. to be held on Wednesday, May 22, 2013 at 8:00 a.m., local time, at the Grandover Resort, 1000 Club Road, Greensboro, NC 27407.

Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying notice of annual meeting and Proxy Statement.

We are mailing to many of our stockholders a Notice of Availability of Proxy Materials instead of a paper copy of this Proxy Statement, our 2012 Annual Report on Form 10-K and proxy card, as permitted by the rules of the Securities and Exchange Commission. The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how each stockholder can receive a paper copy of our proxy materials, including this Proxy Statement, our 2012 Annual Report on Form 10-K and a form of proxy card. All stockholders who do not receive this Notice will receive a paper copy of the proxy materials by mail. We believe that this process conserves natural resources and reduces the costs of printing and distributing our proxy materials.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You may vote by proxy over the Internet or by telephone, or, if you received paper copies of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card. 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.

Thank you for your ongoing support of and continued interest in Tempur-Pedic International.

Sincerely,

MARK SARVARY
President, Chief Executive Officer and Director

Table of Contents

2013 ANNUAL MEETING OF STOCKHOLDERS

WEDNESDAY, MAY 22, 2013
8:00 A.M.

NOTICE OF MEETING AND PROXY STATEMENT

YOUR VOTE IS IMPORTANT

Tempur-Pedic International Inc. (the "Company") will hold its 2013 Annual Meeting of Stockholders at the Grandover Resort, 1000 Club Road, Greensboro, NC 27407 on Wednesday, May 22, 2013, at 8:00 a.m. At the Annual Meeting, stockholders will: (1) elect ten directors to each serve for a one-year term and until the director's successor has been duly elected and qualified; (2) ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2013; (3) approve the adoption of the 2013 Equity Incentive Plan; (4) approve an amendment to the Company's Amended and Restated Certificate of Incorporation (the "Amendment") to change the Company's name to Tempur Sealy International, Inc.; (5) hold an advisory vote to approve the compensation of our Named Executive Officers; and (6) transact such other business as may properly come before the meeting or any adjournment thereof.

If you are a stockholder of record, you may vote in any one of four ways: in person by attending the Annual Meeting, by Internet, by telephone or by mail using the proxy card enclosed in the paper copy of your voting materials. Specific voting information is included under the caption "Voting Procedures" in this Proxy Statement. Only stockholders of record at the close of business on April 1, 2013, are entitled to vote. On April 1, 2013, 60,309,983 shares of the Company's common stock were outstanding. Each share entitles the holder to one vote.

Our Board of Directors asks you to vote in favor of the director nominees, the ratification of Ernst & Young LLP as the Company's independent auditors, the approval of the 2013 Equity Incentive Plan, approve the Amendment to change the Company's name to Tempur Sealy International, Inc., and the advisory vote to approve the compensation of our Named Executive Officers. This Proxy Statement provides you with detailed information about each of these matters. We encourage you to read this Proxy Statement carefully.

Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to be Held on May 22, 2013

The Proxy Statement and Annual Report on Form 10-K and the means to vote by Internet are available at http://www.proxyvote.com.

We have sent to you the notice of availability of proxy materials. If you would like to receive a paper copy or e-mail copy of the voting materials, you may elect to do so by following the instructions on the notice of availability. Instead of receiving paper copies of our annual reports and Proxy Statements in the mail, we encourage you to elect to receive an e-mail that will provide an electronic link to these documents.

All of our stockholders are cordially invited to attend the Annual Meeting.

By Order of the Board of Directors,

Lou H. Jones
Executive Vice President, General Counsel and Secretary

Lexington, Kentucky
April 12, 2013

Picture identification will be required to enter the Annual Meeting. Cameras and recording equipment will not be permitted at the Annual Meeting.

Table of Contents

TABLE OF CONTENTS

Table of Contents

TEMPUR-PEDIC INTERNATIONAL INC.
1000 Tempur Way
Lexington, Kentucky 40511

PROXY STATEMENT

Annual Meeting of Stockholders To Be Held on Wednesday, May 22, 2013

INFORMATION CONCERNING SOLICITATION AND VOTING

Our Board of Directors is soliciting proxies for the 2013 Annual Meeting of Stockholders of Tempur-Pedic International Inc. ("Annual Meeting"). The Annual Meeting will be held at 8:00 a.m., local time on May 22, 2013 at the Grandover Resort, 1000 Club Road, Greensboro, NC 27407. 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.

We have sent to you the Notice of Availability of Proxy Materials. If you would like to receive a paper copy or e-mail copy of the voting materials, you may elect to do so by following the instructions on the notice of availability. Instead of receiving paper copies of our annual reports and Proxy Statements in the mail, we encourage you to elect to receive an e-mail that will provide an electronic link to these documents. Choosing to receive your proxy materials online will save us the cost of producing and mailing documents to you as well as conserve natural resources. With electronic delivery, we will notify you by e-mail as soon as the annual report and Proxy Statement are available on the Internet, and you can easily submit your stockholder vote online. If you are a stockholder of record, you may enroll in the electronic delivery service at the time you vote by marking the appropriate box on your proxy card, by selecting electronic delivery if you vote on the Internet, or at any time in the future by going directly to http://www.proxyvote.com, selecting the "Investor Service Direct" option, and following the enrollment instructions. If you are a beneficial holder, you may also have the opportunity to receive annual meeting materials electronically. Please check the information provided in the proxy materials mailed to you by your brokerage firm, bank or trustee.

Notice of the Annual Meeting and Notice of Availability of Proxy Materials, which include this Proxy Statement and a proxy card, were mailed to stockholders beginning on or about April 12, 2013. 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," and "Company" refer to Tempur-Pedic International Inc.

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

A: Our Board set April 1, 2013 as the record date for the meeting. All stockholders who owned Tempur-Pedic International common stock of record at the close of business on April 1, 2013 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 April 1, 2013, 60,309,983 shares of Tempur-Pedic International common stock were 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 votes does Tempur-Pedic International need to be present at the meeting?

A: A majority of Tempur-Pedic 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.

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

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

- Election of ten (10) 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-Pedic International's independent auditors for the year ending December 31, 2013 (Proposal Two).
- Approval of the 2013 Equity Incentive Plan (Proposal Three).
- Approval of the Amendment to change the Company's name to Tempur Sealy International, Inc. (Proposal Four).
- Advisory vote to approve the compensation of our Named Executive Officers (Proposal Five).

Table of Contents

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 elect directors, to ratify the appointment of the independent auditors, to approve the 2013 Equity Incentive Plan, to approve the Amendment to change the name, and to approve the advisory vote on the compensation of Named Executive Officers described in this Proxy Statement:

- Each director shall be elected by the vote of a majority of the votes cast with respect to the director. For purposes of this vote, a 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 (excluding abstentions and broker non-votes).
- Ratification of the appointment of Ernst & Young LLP as independent auditors for the year ending December 31, 2013 requires the affirmative vote of the majority of shares present or represented and entitled to vote. 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.
- Approval of the 2013 Equity Incentive Plan requires the affirmative vote of the majority of shares present or represented and entitled to vote. 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.
- Approval of the Amendment to change the Company’s name to Tempur Sealy International, Inc. requires the affirmative vote of the majority of the shares outstanding. 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 have the same effect as votes "against" the proposal.
- 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 and entitled to vote. 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 and on other “discretionary” or “routine” items. In contrast, brokerage firms may not vote to elect directors or on stockholder or other proposals, including proposals three, four and five 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.” With respect to proposals two, three and five, broker non-votes are counted for purposes of determining whether a quorum is present, but will not be counted or deemed to be present, represented or voted for purpose of whether stockholders have approved that proposal. For proposal four, because approval of the Amendment to change the Company’s name requires the affirmative vote of a majority of the outstanding shares, broker non-votes have the same effect as votes “against” the proposal.

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 ten 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-Pedic International's independent auditors for the year ending December 31, 2013.
- Proposal Three: "FOR" the approval of the 2013 Equity Incentive Plan.
- Proposal Four: "FOR" the approval of the Amendment to change the Company's name to Tempur Sealy International, Inc.
- Proposal Five: "FOR" the advisory vote to approve the compensation of our Named Executive Officers.

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. 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.

Table of Contents

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 can 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 can 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 (if you have received a paper copy of the voting materials).

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. In most cases, you will be able to do this by mail. 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 can 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 signing and submitting a new proxy card with a later date via Internet, telephone or mail or by attending the meeting and voting in person. Attending the meeting will not revoke your proxy unless you specifically request it.

Q: What is Tempur-Pedic 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-Pedic International's independent auditors for the year ending December 31, 2013 ("Proposal Two"), "FOR" the approval of the 2013 Equity Incentive Plan ("Proposal Three"), "FOR" the approval of the Amendment to implement the name change ("Proposal Four"), and "FOR" the advisory vote to approve the compensation of Named Executive Officers ("Proposal Five").

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 days after the meeting date.

Table of Contents

PROPOSAL ONE

ELECTION OF DIRECTORS

Board of Directors

Tempur-Pedic International's Board of Directors ("Board") currently consists of ten members, each serving a one-year term. The nominees for this year's election of directors include: Evelyn S. Dilsaver, Frank Doyle, John A. Heil, Peter K. Hoffman, Sir Paul Judge, Nancy F. Koehn, Christopher A. Masto, P. Andrews McLane, Mark Sarvary and Robert B. Trussell, Jr. The nominees, if elected, will each serve a one-year term until Tempur-Pedic International's annual meeting of stockholders in 2014 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 vote of a majority of the votes cast. This means the number of votes cast "for" a director must exceed 50% of the votes with respect to that director (excluding abstentions and broker non-votes). Any director not elected by a majority of the votes cast at the annual meeting must offer to 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 A VOTE "FOR" THE ELECTION TO THE BOARD OF DIRECTORS OF EACH OF THE FOLLOWING NOMINEES:

Nominees to Board of Directors

Evelyn S. Dilsaver, 57, has served as a member of Tempur-Pedic 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., HighMark Funds as well as Blue Shield of California and other non-profit boards. In the past five years, Ms. Dilsaver has also served as a director of Longs Drugs and Tamalpais Bancorp. In September 2010, Tamalpais Bancorp filed a voluntary petition under Chapter 7 of the United States Bankruptcy Code. 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.

Frank Doyle, 64, has served as a member of Tempur-Pedic International's Board of Directors since April 2003. Mr. Doyle has served as President and Chief Executive Officer of Connell Limited Partnership, a global manufacturer of industrial products, since 2001. From 1972 to 2001, he was a partner at PricewaterhouseCoopers LLP, where he was Global Technology Industry Leader and a member of the firm's Global Leadership Team. He currently serves on the board of directors of Liberty Mutual Holding Company, Inc. where he is a member of the executive, nominating & governance and the investment committees and chairs the audit committee and Northeast Utilities where he is a member of the finance and corporate governance committees. In the past five years, Mr. Doyle has served as a director of Citizens Financial Group where he was a member of the executive committee and chaired the compensation committee, as a trustee of the Joslin Diabetes Center where he chaired the finance committee and as a trustee of Boston College. Mr. Doyle is a certified public accountant and holds a B.S. degree and an M.B.A. degree from Boston College. Mr. Doyle's board leadership roles, his experience as the President and Chief Executive Officer of a global manufacturer and his years of experience at PricewaterhouseCoopers allows him to lend considerable financial, accounting and business skills to the Board.

John A. Heil, 60, has served as a member of Tempur-Pedic International's Board of Directors since March 2008. Since February 2005, he has served as President of United Pet Group, Inc., a global manufacturer and marketer of pet food/supplies and 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.

Table of Contents

Peter K. Hoffman, 64, has served as a member of Tempur-Pedic International's Board of Directors since October 2006. From January 2000 until his retirement at the end of 2006, Mr. Hoffman served as President of Global Grooming for The Gillette Company and then The Procter & Gamble Company (following The Procter & Gamble Company's acquisition of The Gillette Company in October 2005). Mr. Hoffman spent over 34 years with The Gillette Company and Procter & Gamble in executive positions both in North America and Europe, including roles as President, Global Blades and Razors; President, Duracell North Atlantic; and President, Braun North America. Mr. Hoffman received an A.B. degree in Economics from Columbia University and an M.B.A. degree with distinction from the Tuck School of Business, Dartmouth College, where he was elected an Edward Tuck Scholar. Mr. Hoffman brings extensive experience with consumer products marketing and advertising, new product creation, strategy, and multi-national and global business to the Board.

Sir Paul Judge, 63, has served as a member of Tempur-Pedic International's Board of Directors since July 2004. Sir Paul Judge is chairman of the British-North American Committee and President of the United Kingdom Chartered Institute of Marketing and Association of MBAs. After thirteen years working for Cadbury Schweppes, Sir Paul led the buyout of that company's food operations to form Premier Brands, becoming its chairman. Sir Paul Judge was subsequently chairman of Food from Britain, director general of the Conservative Party and a ministerial adviser at the UK Cabinet Office. Sir Paul is Chairman of Schroder Income Fund and has served on the boards of Abradji Capital of Dubai since 2009 and of Eurasian Natural Resources Corporation PLC since December 2007. He has previously also served on the boards of Standard Bank Group Ltd of Johannesburg and WPP Group plc and as a member of the Advisory Board for Barclays Private Bank. In 1996, he became a Knight Bachelor in recognition of his public and political service. He was an Open Scholar at Trinity College, University of Cambridge, graduating in 1971, and received an M.B.A. in 1973 from the Wharton Business School. In addition to his broad business experience, Sir Paul Judge brings an international perspective to the Board and invaluable management operating experience in Europe and elsewhere outside of North America.

Nancy F. Koehn, 53, has served as a member of Tempur-Pedic International's Board of Directors since March 2004. Ms. Koehn is the James E. Robison Professor of Business Administration at the Harvard Business School. She has been a Professor of Business Administration at Harvard Business School since July 2001. From July 1997 through June 2001, Ms. Koehn was an Associate Professor at Harvard Business School. From July 1991 through June 1997, she was an Assistant Professor at Harvard Business School. She is the author of a number of books on various business topics, including her most recent book The Story of American Business: From the Pages of the New York Times, and has written and supervised numerous articles and case studies. Ms. Koehn consults with many companies and speaks frequently before business leaders on a range of subjects including leadership, connecting with customers in turbulent times, and strategic branding. Ms. Koehn writes regularly for the New York Times, the Washington Post, the Huffington Post and she is a frequent contributor to NPR. In the past five years, Ms. Koehn has also served as a director of ING North American Advisory Board and Seniorbridge Family Companies. Ms. Koehn holds a B.A. degree from Stanford University, an M.A. degree in Public Policy from the Harvard University Kennedy School of Government and an M.A. degree and a Ph.D. degree in European History from Harvard University. As a professor and academic, Ms. Koehn brings diverse business experience and a unique perspective to the Board.

Christopher A. Masto, 45, has served as a member of Tempur-Pedic International's Board of Directors since November 2002. Mr. Masto is a Senior Managing Director of Friedman Fleischer & Lowe, LLC, a private equity firm, which he co-founded in 1997. Prior to 1997, he worked as a management consultant with Bain & Company. Prior to that, Mr. Masto was employed at Morgan Stanley & Co., where he worked as an investment banker. He currently serves on the boards of Speedy Cash Holdings Corp and TriTech Software Systems. Mr. Masto graduated magna cum laude from Brown University with a Sc.B. in Electrical Engineering and received his M.B.A. degree from Harvard Business School. With considerable experience in private equity and investment banking, Mr. Masto brings to the Board in-depth experience in strategic planning and finance.

P. Andrews McLane, 65, has served as Chairman of Tempur-Pedic International's Board of Directors since November 2002. His career began in 1973 with the State Street Bank. Mr. McLane joined TA Associates, Inc. in 1979, became a Managing Director in 1982 and Senior Managing Director in 1997, and served on TA Associate's Executive Committee for 20 years. He became a Senior Advisor of the firm in 2008. Mr. McLane is a Director of Numeric Investors LLC, First Eagle Investment Management Inc. and the U.S. Ski and Snowboard Team Association, and is a Trustee of the Museum of Fine Arts, Boston. In the past five years Mr. McLane has also been on the Board of Advisory Research, Inc. Mr. McLane graduated from Dartmouth College with an A.B. degree and from the Tuck School of Business at Dartmouth with an M.B.A. degree. Mr. McLane brings invaluable significant strategic insight and business experience to the Board with his long career in private equity with a focus on financial services, business services and consumer industries.

Table of Contents

Mark Sarvary, 53, has served as a member of Tempur-Pedic International's Board of Directors since August 2008. Mr. Sarvary joined Tempur-Pedic International in June 2008 and serves as President and Chief Executive Officer of Tempur-Pedic International. Prior to joining Tempur-Pedic, from January 2008 until June 2008, Mr. Sarvary served as an Operating Partner with CVC Capital Partners, a global private equity firm. Prior to CVC, from March 2004 to October 2007, Mr. Sarvary was the Executive Vice President and President of Campbell Soup Company, North America division, responsible for $6 billion in business, including Campbell Soup, Pepperidge Farm, Pace, Prego and V8 as well as Godiva's global business. From 2002 until 2004, Mr. Sarvary was the President of Campbell's Pepperidge Farm division. Prior to joining Campbell's, from 1999 to 2002, Mr. Sarvary was the CEO of J. Crew Group, Inc., and from 1993 to 1999 he worked for Nestle, most recently as the President of the Stouffer's Frozen Food division. Earlier in his career, Mr. Sarvary worked as a strategy consultant with Bain & Company and in sales and marketing roles with IBM Corporation in Europe. Mr. Sarvary received his B.Sc. in Physics from Kent University in the United Kingdom and an M.B.A. from INSEAD Business School in France. Mr. Sarvary is an accomplished business leader, through his private equity experience coupled with his considerable experience as an executive for large global companies, who brings a great breadth of skills in sales, marketing, product innovation, strategy and operations to the Board.

Robert B. Trussell, Jr., 61, has served as a member of Tempur-Pedic International's Board of Directors or its predecessors since 1992, and has served as Vice Chairman of the Board of Directors since April 2006. Mr. Trussell served as Chief Executive Officer of Tempur-Pedic International until May 2006, and served in that capacity at Tempur-Pedic International or its predecessor since November 2002. From 1994 to December 2004, Mr. Trussell served as President of Tempur-Pedic International or one of the predecessors to Tempur-Pedic International. Prior to joining Tempur-Pedic International, 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 the Company, Mr. Trussell brings management experience and a historical perspective to the Board.

Executive Officers

Name	Age	Position
Mark Sarvary	53	President and Chief Executive Officer
Lawrence J. Rogers	64	Chief Executive Officer of Sealy Corporation
W. Timothy Yaggi	52	Chief Operating Officer
Dale E. Williams	50	Executive Vice President and Chief Financial Officer
Richard W. Anderson	53	Executive Vice President and President, North America
Matthew D. Clift	53	Executive Vice President of Global Operations
Lou H. Jones	62	Executive Vice President, General Counsel and Secretary
David Montgomery	52	Executive Vice President and President of International Operations
Brad Patrick	48	Executive Vice President and Chief Human Resources Officer
Bhaskar Rao	47	Chief Accounting Officer and Senior Vice President Finance

Lawrence J. Rogers joined Tempur-Pedic International Inc. in March 2013 through the Tempur-Pedic International and Sealy Corporation merger and serves as CEO of Sealy. From 2008 to March 2013, Mr. Rogers served as President and Chief Executive Officer of Sealy Corporation. From December 2006 to 2008, Mr. Rogers served as President, North America of Sealy and prior to that as President, Sealy International. Mr. Rogers joined Sealy in 1979 and has also served in numerous other capacities, including President of Sealy of Canada. Mr. Rogers received his undergraduate degree in Business Administration from Red River College, where he majored in Marketing and Economics.

W. Timothy Yaggi joined Tempur-Pedic International in February 2013 and serves as Chief Operating Officer.

From 2008 to June 2012, Mr. Yaggi served as Group President of the North America Builder Group at Masco Corporation. From 1994 to 2008, Mr. Yaggi was employed at Whirlpool Corporation, most recently as Executive Vice President, Market Operations, North America. Mr. Yaggi was also employed by Norelco (Philips) from 1988 to 1993, as well as at J. Crew, Inc. from 1986 to 1988. Mr. Yaggi received his A.B. degree from Princeton University and an M.B.A. degree from Michigan State University.

Dale E. Williams joined Tempur-Pedic International in July 2003 and serves as Executive Vice President and Chief Financial Officer. From November 2001 through 2002, Mr. Williams served as Vice President and Chief Financial Officer of Honeywell Control Products, a division of Honeywell International, Inc. From 2000 to 2001, Mr. Williams served as Vice President and Chief Financial Officer of Saga Systems, Inc./Software AG, Inc. Prior to that, Mr. Williams spent 15 years in various management positions at General Electric Company, most recently as Vice President and Chief Financial Officer of GE Information Services, Inc. Mr. Williams received his B.A. degree in finance from Indiana University.

Richard W. Anderson joined Tempur-Pedic 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 obtained B.S. and M.B.A. degrees from Virginia Tech.

Table of Contents

Matthew D. Clift joined Tempur-Pedic International in December 2004 and serves as Executive Vice President of Global Operations, with responsibilities including manufacturing and research and development. From 1991 to December 2004, Mr. Clift was employed by Lexmark International where he most recently served as Vice President and General Manager of the consumer printer division. From 1981 to 1991, Mr. Clift was employed by IBM Corporation and held several management positions in research and development and manufacturing. Mr. Clift obtained his B.S. degree in chemical engineering from the University of Kentucky. Mr. Clift announced that he plans to retire from the Company during the second quarter of 2013.

Lou H. Jones joined Tempur-Pedic International in June 2009 and serves as Executive Vice President, General Counsel and Secretary. From July 2007 to January 2009, Ms. Jones was employed by Papa John’s International, where she served as General Counsel. From March 1998 to July 2007, Ms. Jones was employed by Blockbuster Inc., serving as Senior Vice President, Corporate and International Law. From May 1984 to March 1998, Ms. Jones was a partner and shareholder at the law firm of Thompson & Knight. Ms. Jones earned a B.A. degree from the University of Texas, a B.G.S. degree from the University of Nebraska and a J.D. degree from Southern Methodist University.

David Montgomery joined Tempur-Pedic 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.

Brad Patrick joined Tempur-Pedic International in September 2010 and serves as Executive Vice President and Chief Human Resources Officer. From 2005 to September 2010, Mr. Patrick was employed by the Sara Lee Corporation where he served as Senior Vice President of Human Resources. Mr. Patrick was employed by The Gillette Company from 2004 to 2005, which later became part of The Procter & Gamble Company, Delta Air Lines from 2000 to 2004 and Frito Lay, Inc. from 1988 to 2000 where he held several senior human resources positions. Mr. Patrick received his B.A. from the University of Kentucky with an emphasis in Personnel and Industrial Relations.

Bhaskar Rao joined Tempur-Pedic International in January 2004 and since April 2011 has served as Senior Vice President Finance and Chief Accounting Officer. From February 2010 to April 2011, Mr. Rao served as Senior Vice President of Strategic Planning and Corporate Development and Chief Accounting Officer. From May 2006 to February 2010, Mr. Rao served as Vice President of Strategic Planning and Chief Accounting Officer. From October 2005 to May 2006, Mr. Rao served as Vice President of Strategic Planning. From January 2004 to October 2005, he served as Director of Financial Planning and Analysis. From 2002 until December 2003, Mr. Rao was employed by Ernst & Young as a Senior Manager in the assurance and business advisory group. Mr. Rao was employed by Arthur Andersen from 1994 until 2002. Mr. Rao graduated from Bellarmine University with B.A. degrees in Accounting and Economics. Mr. Rao is also a Certified Public Accountant.

Table of Contents

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 our corporate governance and related matters, including our Corporate Governance Guidelines and Code of Business Conduct and Ethics, are available on our website at: http://investor.tempurpedic.com/ under the caption "Corporate Governance":

- Fourth 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 of Accounting, Internal Accounting Controls and Auditing Matters
- Amended and Restated Certificate of Incorporation
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Governance Hotline Information
- Contact the Presiding Director

Copies of these materials may also be obtained, free of charge, by writing to: Tempur-Pedic 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-Pedic International's By-Laws provide that a director in an uncontested election will be elected by a majority of votes cast (excluding abstentions) at a stockholder meeting at which a quorum is present. For purposes of this vote, a 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 (excluding abstentions). If an incumbent director fails to receive the requisite vote, the director must tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. 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-Pedic International's Certificate of Incorporation nor its By-Laws provide for a classified Board of Directors.

Board of Directors' Meetings

The Board of Directors held eleven meetings in 2012. The Securities and Exchange Commission ("SEC") requires disclosure of the name of any director who, during the last full fiscal year (calendar year 2012), 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 of Directors and its committees held in 2012 during the period in which they served as Directors or committee members.

Directors' Independence

Our corporate governance guidelines provide that a majority of the Board of Directors shall consist of independent Directors within the meaning of the New York Stock Exchange Rules governing the composition of the Board of Directors and its committees ("NYSE Independence Rules"). The Board of Directors has determined that none of Evelyn S. Dilsaver, Frank Doyle, John A. Heil, Peter K. Hoffman, Sir Paul Judge, Nancy F. Koehn, Christopher A. Masto, P. Andrews McLane 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 of Directors has determined that Mark Sarvary does not qualify as an independent director under the NYSE Independence Rules because he serves as President and Chief Executive Officer of Tempur-Pedic International.

Table of Contents

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 the Chief Executive Officer. Currently, the Board believes that the separation of these positions is the most appropriate structure for the company and has had a separate Chairman and Chief Executive since before it became a public company. Since the formation of Tempur-Pedic International in 2002, P. Andrews McLane has served as the Chairman of the Board while Robert B. Trussell Jr., Thomas Bryant and Mark Sarvary have each served in the role of Chief Executive Officer and a member of the Board. By having a separate Chairman and Chief Executive Officer, the Board believes that the Chief Executive Officer may devote more of his attention to running the operations of the Company while the Chairman assumes the responsibility of running the Board. In addition, the Board believes it is beneficial to have an independent Chairman whose sole job is leading the Board, as the independent chairman may more effectively and objectively monitor the performance of the Company and the Chief Executive Officer. Having the Chief Executive Officer serve on the Board of Directors ensures that the Board contains the individual most familiar with the Company’s business and industry and most effective at identifying strategic priorities and implementation of the Company’s strategy, while also retaining an independent leader.

The Board believes that the structure of its leadership may vary from time to time, depending on the circumstances of the Company and its succession planning. Therefore, the Board periodically reviews its leadership structure.

Board of Director’s Role in Risk Oversight

The Board of Directors 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 of Directors 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-Pedic International’s accounting and financial reporting functions, internal and external audit functions and systems of internal controls over financial reporting and legal, ethical and regulatory compliance. The Audit Committee regularly reports to the Board of Directors with respect to its oversight of these important areas. The Compensation Committee has primary responsibility for oversight of risk related to compensation matters, as more fully described elsewhere in this Proxy Statement.

Committees of the Board

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

The Audit Committee

The members of the Audit Committee during 2012 were Frank Doyle (Chair), Evelyn S. Dilsaver, Peter K. Hoffman and Sir Paul Judge. 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 and 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 of the Board of Directors is responsible for providing independent, objective oversight with respect to Tempur-Pedic 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 Annual Report on Form 10-K;
- 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 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;
- 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.

Table of Contents

The Audit Committee has established whistle blower procedures, which provide for the (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-Pedic 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 thirteen times in 2012. A copy of the Audit Committee charter as adopted by our Board of Directors is available on Tempur-Pedic International's website at http://investor.tempurpedic.com/ under the caption "Corporate Governance."

The Compensation Committee

The members of the Compensation Committee are Peter K. Hoffman (Chair), Frank Doyle, John A. Heil and Sir Paul Judge. The Board of Directors has determined that each 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 and equity compensation;
- reviewing on an annual basis the Company's compensation structure for officers and employees other than the Chief Executive Officer and making recommendations to the Board regarding the compensation of these Officers and employees;
- overseeing the development of executive succession plans and the leadership development and training of the Company's executive team;
- 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 the Company's incentive compensation and stock-based plans and recommending changes in such plans to the Board as needed, having and exercising all the authority of the Board with respect to the administration of such plans;
- reviewing executive officer compensation for compliance with Section 16 of the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended (Code), and other applicable laws, rules and regulations;
- 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;
- reviewing with management the "Compensation Discussion and Analysis" section in the Company's Proxy Statement;
- preparing and publishing an annual executive compensation report in the Company's Proxy Statement;
- preparing an annual evaluation of the committee's performance;
- reporting regularly to the Board on the committee's activities;
- performing any other activities consistent with the committee's charter, the Company's By-Laws and governing law, as the committee or the Board deems appropriate; and
- with respect to any reference in the committee's charter to NYSE or SEC requirements, complying with these requirements when listed by the NYSE or subject to the requirements of the SEC.

The Compensation Committee, in its role as administrator under the Company's Amended and Restated 2003 Equity Incentive Plan, as amended (the 2003 Equity Incentive Plan), has delegated authority to the Company's President and Chief Executive Officer to grant equity awards within certain specified parameters.

In determining the incentive compensation of our executive officers (other than for our Chief Executive Officer), our President and 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 2012, 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 management 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 the consultant 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, the Company 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 Company considered the following enumerated factors, all of which were attested to or affirmed by Cook:

Table of Contents

- During fiscal 2012, 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 1, 2012;
- 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 is 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 2012. A copy of the Compensation Committee charter as adopted by our Board of Directors is available on Tempur-Pedic International's website at http://investor.tempurpedic.com/, under the caption "Corporate Governance."

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee during 2012 were Peter K. Hoffman, Frank Doyle, John A. Heil and Sir Paul Judge. None of these members is a current or former officer or employee of Tempur-Pedic International or, to our knowledge, has any interlocking relationships as set forth in applicable SEC rules that require disclosure as a Compensation Committee interlock.

The Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Christopher A. Masto (Chair), John A. Heil, Nancy F. Koehn and P. Andrews McLane. The Board of Directors has determined that each 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 and recommending to the Board members to each standing committee of the Board;
- preparing an annual evaluation of the committee's performance and reporting regularly to the Board concerning actions and recommendations of the committee;
- 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; and
- developing and recommending to the Board corporate governance guidelines for the Company.

The Nominating and Corporate Governance Committee met four times in 2012. A copy of the Nominating and Corporate Governance Committee charter as adopted by our Board of Directors is available on Tempur-Pedic International's website at http://investor.tempurpedic.com/ under the caption "Corporate Governance."

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 $100,000 in any calendar year end, involving the Company and its Directors, Executive Officers, beneficial owners of more than 5% of the Company's common stock, and their immediate family members or affiliates. In reviewing a transaction 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.

Table of Contents

Policies Governing Director Nominations

Director Qualifications and Review of Director Nominees

The Nominating and Corporate Governance Committee makes recommendations to the Board of Directors 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 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.

In evaluating a director candidate, the 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 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, nine of the ten nominees for re-election named above are considered independent under the NYSE rules. Mr. Sarvary is not considered independent because he is an employee of the Company. The Nominating and Corporate Governance Committee believes that all ten 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, private equity, finance, manufacturing, consumer product companies, sales, marketing and international business. Set forth below are the conclusions reached by the Board with regard to its nominees.

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

Mr. Doyle brings significant accounting and auditing skills based on his long experience as an accountant, and also brings significant manufacturing and international experience based on his experience as a chief executive 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. Hoffman brings significant experience in the branded consumer products industry as a result of his long career with The Gillette Company and The Procter & Gamble Company, including significant marketing and international experience.

Sir Paul Judge brings significant executive and financial experience in the food industry, and as a UK citizen brings an international perspective to the Board.

Ms. Koehn’s experience at Harvard Business School and as a leading consultant brings significant expertise in strategic branding and marketing.

Mr. Masto has significant experience in private equity, management consulting and investment banking, and brings deep financial and analytical skills.

Mr. McLane has significant experience as a private equity investor and brings significant financial and investment experience, as well as significant experience as a director of a large number of companies, both public and private, over the years.

Mr. Sarvary serves as our Chief Executive Officer and has significant experience in senior management positions with consumer businesses.

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

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for reviewing with the Board of Directors from time to time the appropriate qualities, skills and characteristics desired of members of the Board of Directors in the context of the needs of the business and the composition of the Board of Directors. 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 existing skills and experience of the Board of Directors, 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. 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

The Nominating and Corporate Governance Committee has established a process for identifying and evaluating nominees for director. Although the Nominating and Corporate Governance Committee will consider nominees recommended by stockholders, the 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. The Committee may identify nominees through the use of professional search firms that may utilize proprietary screening techniques to match candidates to the Committee's specified qualifications. The Committee may also receive recommendations from existing Directors, Executive Officers, stockholders, key business partners and trade or industry affiliations. The 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." The Board itself is ultimately responsible for recommending candidates for election to the stockholders or for appointing individuals to fulfill a vacancy.

In 2012, 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 evaluating candidates recommended by our stockholders, the Nominating and Corporate Governance Committee applies the same criteria set forth above under “Director Qualifications.” 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-Pedic International Inc., 1000 Tempur Way, Lexington, Kentucky 40511, Attention: Corporate Secretary. In addition, the Company’s By-Laws permit stockholders to nominate directors for consideration at an annual stockholder meeting in accordance with certain procedures described in this Proxy Statement under the heading “Stockholder Proposals for 2014 Proxy Statement.”

Table of Contents

Designation of, and Communication with, Tempur-Pedic International's Board of Directors through its Presiding Director

The Board of Directors has designated P. Andrews McLane as the "Presiding Director" as that term is defined in applicable NYSE Independence Rules. Stockholders or other interested parties wishing to communicate with our Board of Directors can contact the Presiding Director by e-mail at presidingdirector@tempurpedic.com or by going to Tempur-Pedic International's website at http://investor.tempurpedic.com/ under the caption "Corporate Governance — email the Presiding Director." Regardless of the method you use, the Presiding Director will be able to view your unedited message. The Presiding 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 2012, executive sessions were held after five regularly scheduled meetings of the Board of Directors. Executive sessions are led by P. Andrews McLane, the Presiding Director.

Charitable Contributions

Tempur-Pedic 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 Directors are generally expected to attend the annual meeting of stockholders. At our last annual meeting, which was held on April 25, 2012, all ten Directors standing for re-election on the Board attended.

Table of Contents

PRINCIPAL SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of April 1, 2013 regarding the beneficial ownership of our outstanding equity securities by:

- each person known to beneficially own more than 5% of Tempur-Pedic International's outstanding common stock;
- each of Tempur-Pedic International's Directors and Named Executive Officers (as defined below in "Executive Compensation and Related Information"); and
- all of Tempur-Pedic 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. 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 April 1, 2013, there were 60,309,983 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:		
FMR LLC (1)	9,242,067	15.3%
Chieftain Capital Management, Inc. (2)	7,539,801	12.5%
Senator Investment Group LP (3)	5,040,000	8.4%
Blackrock, Inc. (4)	4,274,419	7.1%
State Street Financial Center (5)	3,988,245	6.6%
H Partners Management, LLC (6)	3,023,600	5.0%
Executive Officers and Directors:		
Mark Sarvary (7)	864,539	*%
Dale E. Williams (7),(8)	423,729	*%
Richard W. Anderson (7)	265,683	*%
Matthew D. Clift (7)	29,503	*%
David Montgomery (7)	486,730	*%
Evelyn S. Dilsaver (7)	17,382	*%
Frank Doyle (7)	99,691	*%
John Heil (7)	17,516	*%
Peter K. Hoffman (7)	81,741	*%
Sir Paul Judge (7)	8,832	*%
Nancy F. Koehn (7)	89,741	*%
Christopher A. Masto (7),(9)	169,095	*%
P. Andrews McLane (7),(10)	484,648	*%
Robert B. Trussell, Jr. (7),(11)	75,791	*%

All Executive Officers and Directors as a group (18 persons):	3,208,326	5.3%

* Represents ownership of less than one percent

15

Table of Contents

(1) Amounts shown reflect the aggregate number of shares of common stock held by FMR LLC based on information set forth in a Schedule 13G/A filed with the SEC on February 14, 2013. FMR LLC reported sole voting power over 561,113 shares, shared voting power over none of the shares and sole dispositive power over all 9,242,067 shares. The address of FMR LLC is 82 Devonshire Street, Boston, MA, 02109.

(2) 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/A filed with the SEC on February 14, 2013. Chieftain Capital Management, Inc. reported sole voting power over 6,198,166 shares, shared voting power over none of the shares and sole dispositive power over all 7,539,801 shares. The address of Chieftain Capital Management, Inc. is 510 Madison Avenue, New York, NY 10022.

(3) Amounts shown reflect the aggregate number of shares of common stock held by Senator Investment Group LP, based on information set forth in a Schedule 13G filed with the SEC on March 8, 2013. Senator Investment Group LP reported sole voting and sole dispositive power over all 5,040,000 shares. The address of Senator Investment Group LP 510 Madison Avenue, 28th Floor, New York, NY, 10022.

(4) Amounts shown reflect the aggregate number of shares of common stock held by Blackrock, Inc. based on information set forth in a Schedule 13G filed with the SEC on January 30, 2013. Blackrock, Inc. reported sole voting and sole dispositive power over all 4,274,419 shares. The address of Blackrock, Inc. is 40 East 52nd Street, New York, NY, 10022.

(5) Amounts shown reflect the aggregate number of shares of common stock held by State Street Financial Center based on information set forth in a Schedule 13G filed with the SEC on February 12, 2013. State Street Financial Center reported shared voting and shared dispositive power over all 3,988,245 shares. The address of State Street Financial Center is One Lincoln Street, Boston, MA, 02211.

(6) 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 13G/A filed with the SEC on February 14, 2013. H Partners Management, LLC reported shared voting and shared dispositive power over all 3,023,600 shares. The address of H Partners Management, LLC is 888 Seventh Avenue, 29th Floor, New York, NY, 10019.

(7) 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 April 1, 2013, or that will become exercisable within 60 days after that date:

Name	Number of Shares	Name	Number of Shares
Mark Sarvary	744,740	John A. Heil	4,091
Dale E. Williams	149,582	Peter K. Hoffman	81,741
Richard W. Anderson	238,168	Sir Paul Judge	8,491
Matthew D. Clift	5,669	Nancy F. Koehn	89,741
David Montgomery	184,001	Christopher A. Masto	61,291
Evelyn S. Dilsaver	12,882	P. Andrews McLane	7,123
Frank Doyle	48,191	Robert B. Trussell, Jr.	25,691
		All Executive Officers and Directors as a group	1,730,798

(8) Includes 100,000 shares of common stock held in irrevocable trusts for the benefit of Mr. Williams' children.

(9) Includes 107,804 shares of common stock held in revocable trust for the benefit of Mr. Masto's children.

(10) Includes 254,943 shares of common stock which Mr. McLane may be deemed to have an indirect pecuniary interest as his spouse is the trustee of 10 trusts holding these shares in the aggregate for the benefit of his

children and grandchildren.

(11) Includes 50,000 shares of common stock, owned by RBT Investments, LLC and Robert B. Trussell, Jr. and Martha O. Trussell, Tenants in Common.

Table of Contents

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("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 2012 Summary Compensation Table and other compensation tables contained in this Proxy Statement:

Mark Sarvary, President and Chief Executive Officer ("CEO");
Dale Williams, Executive Vice President and Chief Financial Officer;
Rick Anderson, Executive Vice President and President, North America;
David Montgomery, Executive Vice President and President, International; and
Mathew Clift, Executive Vice President of Global Operations

Our executive compensation program 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 2012 and in early 2013 for our NEOs.

Executive Summary

2012 Business Performance Highlights

Fiscal year 2012 was a challenging year for the Company. Sales for our North American business were disappointing and below plan, primarily due to dramatic changes in the competitive landscape, including an unprecedented number of new competitive product introductions. These significant changes in the competitive market presented a new challenge for the Company, different than anything we had previously faced. We recognized the significance of this new challenge, revised our business plans in light of declining sales and responded with a number of key initiatives to better position the Company for future growth. These actions included not only the introduction of new products in the U.S., but the implementation and expansion of new and existing advertising programs and the implementation of price changes for certain products. Our International business increased in 2012, driven by new products and brand-building initiatives. However, International performance was below plan due to the difficult macro-economic environment, particularly in Europe. Overall, even though our total Company performance across key financial measures declined versus 2011, we believe the measures we took in 2012 to stabilize our business positioned us for stronger performance in 2013 and beyond.

Key Measures	2012 Results	2011 Results	% Change from Prior Year
Net Sales	$1,403 Million	$1,418 Million	-1%
Pro Forma Diluted EPS (1)	$2.61	$3.18	-18%
Operating Cash Flow	$190 Million	$249 Million	-24%

(1) Pro Forma Diluted EPS means GAAP diluted EPS adjusted for certain non-recurring items as set forth in the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

In September 2012, the Company announced a definitive agreement to acquire Sealy Corporation. This acquisition closed on March 18, 2013. Together, Tempur-Pedic and Sealy will have the strongest brand portfolio in the industry, the most comprehensive suite of bedding products available in the market, in-house expertise of most key bedding technologies, a world-class research and development team, and a highly complementary global footprint. The combination with Sealy Corporation is expected to drive significant stockholder value creation opportunities.

2012 and 2013 Compensation Actions for NEO's

At Tempur-Pedic International's last two annual stockholders meetings, stockholders entitled to vote and holding in excess of 99% of the shares present voted in favor of our policies and procedures. The Compensation Committee considered these results and continuing with past practice, the Compensation Committee made decisions consistent with our compensation philosophy and objectives over the past twelve months. These actions recognized the Company's outstanding 2011 performance and the challenges in 2012, and continued to align executive pay with Company performance results.

Table of Contents

2012 Actions

- No change to base salaries: 2012 base salaries for our NEOs remained at 2011 levels.
- Target bonus opportunities as a percentage of salary for our NEOs, excluding our CEO, increased from 55% to 60% consistent with comparable roles at other peer group companies. No increase or change was made to the CEO's target bonus of 100% of salary.
- Actual bonuses earned by our NEOs were significantly below-target due to our below-target business results for 2012.
- Consistent with our compensation philosophy, we granted long-term incentives to our NEOs at a level above peer group median. Each NEO received a mix of equity awards with grant-date fair value of approximately 25% stock options and 75% performance restricted stock units (PRSUs).

2013 Actions

- Base salaries for each of our NEOs were increased by 3% for 2013, after no increase to salaries in 2012.
- Target bonus opportunities as a percentage of salary were increased from 60% to 70% of base salary for Messrs. Montgomery and Williams. No changes were made to target bonus opportunities for our remaining NEOs, including our CEO.
- Target long-term incentive grant value was increased from $725,000 in 2012 to $800,000 in 2013 for Messrs. Montgomery and Williams. No changes to the 2012 target grant value were made in 2013 for Messrs. Anderson and Clift. Long-term incentive grants in 2013 were awarded with a mix of 50% stock options and 50% PRSUs for all NEOs.
- Target long-term incentive grant value for our CEO increased from $3.25 million in 2012 to $4.0 million in 2013, based on increases in competitive long-term incentive values among our peer group companies. The amount realized against the performance awards within long term incentive grants, as in the past, can be impacted by operational performance. Eventual payout can be higher or lower than target value at date of grant.
- PRSUs granted in 2011 and 2012 were formally terminated due to the Company's failure to meet the minimum 2012 EBIT requirement.

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:

- The vast majority of our executives' total compensation opportunity is in the form of incentive-based compensation, and of this incentive-based compensation, the majority is equity-based, tied to long-term performance objectives, and strongly aligned with stockholder interests.
- Requiring our executives to meet meaningful stock ownership requirements and to retain at least 50% of the total number of shares granted to them under the Company's compensation plans until the guidelines have been met. We also have stock ownership requirements for our non-employee directors, as discussed elsewhere in this Proxy Statement.
- Prohibiting the re-pricing or exchange of equity awards without stockholder approval.
- Engagement by the Compensation Committee of an independent compensation consultant with no other ties to the Company or its management.
- Providing minimal levels of executive perquisites, generally limited to a car allowance and, with respect to one NEO, tax preparation expenses. Other than this, we do not provide additional perquisites or benefits to our NEOs that differ from those provided to other employees.

Regularly reviewing tally sheets and other analytical tools to assess executive compensation.
Not providing tax “gross-ups” for any element of executive compensation.
Not offering our executives participation in supplement executive retirement plans that provide extra benefits to our NEOs.

CEO Pay-for-Performance Alignment

Our compensation program is designed to align the interests of our NEOs, including our CEO, with our stockholders. In fiscal 2012, because our financial performance results fell below target performance levels, realizable compensation for our CEO and NEOs was significantly below target and below the levels reported in the Summary Compensation Table.

The table below summarizes the compensation opportunity that was targeted for our CEO, Mr. Sarvary. Because our compensation programs are aligned with performance, the actual amount realizable is considerably below target. The realizable value shown for option awards represents a Black-Scholes valuation using a December 31, 2012 share price of $31.49 and the exercise price of $71.50. The realizable value shown for the stock awards represents the estimated portion of shares that are earned based on the attainment of performance goals. The 2012 PRSU grant will not be earned because the minimum EBIT margin objective was not achieved. This table is intended to supplement the data provided in the Summary Compensation Table.

Table of Contents

Supplemental Table of CEO Compensation in 2012

Compensation Element	Target Compensation	Realizable Compensation	Performance Results that Produced the Compensation
Base Salary	$ 787,500	$ 787,500	Base salary was not increased in 2012
Annual Incentive	$ 787,500	$ 197,000	Below target financial performance resulted in no payout earned under the Company performance components. Target payout earned for the Individual performance component based on pro forma EPS results
Total Cash	$ 1,575,000	$ 984,500	Below target pay earned for below target performance
Stock Awards	$ 2,437,500		2012 PRSU grant was forfeited due to failure of the Company to meet the minimum EBIT margin objective in 2012, as defined below
Option Awards	$ 812,500	$ 328,391	Stock options are deeply underwater with an exercise price of $71.50, but have some Black-Scholes value
Total	$ 4,825,000	$ 1,312,891	Below target pay earned for below target performance

The chart below demonstrates the differences between target and realizable compensation for our CEO for 2010, 2011 and 2012. The chart includes the same compensation elements and the same valuation methodology as the table above. The PRSUs awarded in 2011 and 2012 were forfeited due to the Company's failure to meet certain minimum EBIT margin thresholds for 2012. "EBIT" means earnings before interest and taxes and "EBIT Margin" means EBIT expressed as a percentage of net sales. The PRSUs awarded in 2010 were earned at near maximum levels (282% of target) due to achievement of three year net sales at levels well above target and above threshold EBIT margin targets.

Table of Contents

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 receives assistance during its evaluation process from: (1) Cook, the Compensation Committee's independent consultant; and (2) our CEO and internal compensation staff, led by our Executive Vice President, Chief Human Resources Officer.

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 approves our CEO's compensation annually and makes determinations regarding adjustments and other changes in salary, annual incentive and long-term incentive plans.

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. The Board, upon recommendation of the Compensation Committee, reviews and approves the compensation for our executive officers other than our CEO.

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 award guidelines. The Compensation Committee periodically benchmarks our executive compensation against the compensation paid to executives at a group of peer companies consisting of branded consumer product companies, with a focus on premium brands that had comparable annual revenues to the Company. Companies that meet these initial criteria are further screened by market capitalization, EBIT, EBIT margin, and price to earnings ratio, to ensure a focus on high-growth companies. In addition, 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 companies comprising the peer group for the study conducted in 2011 to determine 2012 compensation benchmarks for our NEOs are listed below.

2012 Peer Group

Aaron's, Inc.	Gildan Activewear Inc.	Steven Madden, Ltd.
Alberto-Culver Company	Guess?, Inc.	The Timberland Company
Carter's, Inc.	Lululemon Athletica Inc.	Tupperware Brands Corporation
Columbia Sportswear Company	Nu Skin Enterprises, Inc.	Under Armour, Inc.
Crocs, Inc.	Polaris Industries Inc.	The Warnaco Group, Inc.
Deckers Outdoor Corporation	Sealy Corporation	Wolverine World Wide, Inc.
Fossil, Inc.	Select Comfort Corporation	

In October 2012, the Compensation Committee reviewed the peer group and eliminated two companies which had been acquired during the prior year (Alberto-Culver Company and The Timberland Company). This revised peer group was used to assist in compensation decisions for 2013 for our NEOs.

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 the 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.

Table of Contents

Compensation Philosophy and Objectives

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:

Pay Element	Purpose	Description	Link to Performance
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 Awards	To provide executives with a clear financial incentive to achieve critical short-term financial and operating targets or strategic initiatives.	Annual cash payout based on Company and individual performance over the fiscal year.	75% of the incentive plan's target payout opportunity is based on the Company's annual performance, including net sales and EPS. Achievement of individual objectives and overall individual performance determine 25% of the incentive opportunity. However, in lieu of individual objectives, our CEO is evaluated against EPS results. Annual incentive opportunity is targeted near the market median for each executive.
Long-Term Incentive Awards (LTI)	To align a significant portion of executive compensation to the Company's long-term performance as measured by long-term revenue growth and earnings objectives. This component serves to motivate and retain executive	Annual grants of stock options and PRSUs.	The target LTI grant value is allocated as a mix of PRSUs and stock options. Long-term incentive opportunity is targeted above the market median for each executive, consistent with the Company's profile as a growth company.

talent.

Overall, the Compensation Committee seeks to strike a balance among these three components, 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.

Table of Contents

Compensation Mix

The charts below show that most of our executives' pay mix is variable and at risk (84% for our CEO and 72% for our other NEOs). The proportions of each pay component, shown below for 2012, may change in the future based on market or performance considerations.

2012 Compensation Mix

2012 Compensation Actions

Base Salary

We pay base salaries in order to attract and retain leadership talent and to provide a competitive base of compensation that recognizes the executive's skills and experience relative to his or her responsibilities in the position.

As noted in the table below, in 2012, the Compensation Committee provided no salary increases for our NEOs.

Table of Contents

2012 Annual Incentive Performance Achievement

Our annual incentive plan ensures that a significant portion of each NEO's annual compensation is at risk and dependent on overall Company and individual 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 annual incentive plan pursuant to the terms of the Company's Amended and Restated Annual Incentive Bonus Plan (Annual Incentive Plan) which was approved by our stockholders in May 2010. The Annual Incentive Plan provides for cash-based performance awards, including awards intended to qualify as performance compensation under Section 162(m) of the Code.

For all NEOs, the actual incentive award payout is based on the achievement of the performance criteria, potentially amounting to more or less than the target amount. Annual incentive payout can range from 0% to 200% of target payout. The following table sets forth the targeted annual incentive levels for each NEO in 2012, shown as a percentage of his base salary, along with the maximum potential incentive opportunity:

The annual incentive for our NEOs is comprised of several components established at the beginning of each year as determined by the Compensation Committee. The 2012 annual incentive components are described below:

(i) a Company goals component based on specific net sales and EPS targets;
(ii) a Company goals component based on segment or operating cash flow performance that aligns with the operational focus of each NEO; and
(iii) an Individual goals component based on the successful execution of individual objectives, except for the CEO where EPS achievement replaces Individual goals for this component.

The table below identifies the 2012 performance metrics and weightings:

Executive	Corporate Net Sales and EPS	Operating Cash Flow	Segment Performance	Individual Performance	Corporate EPS	Total Weight
Mark Sarvary	50%	25%	--	--	25%	100%
Dale E. Williams	50%	25%	--	25%	--	100%
Richard W. Anderson	50%	--	25%	25%	--	100%
Matthew D. Clift	50%	--	25%	25%	--	100%
David Montgomery	50%	--	25%	25%	--	100%

The Company net sales/EPS goal component of the annual incentive was established using a matrix to allow for payments between 0% and 200%. A failure to meet the minimum requirement may result in no incentive payment with respect to the net sales/EPS goal component. In calculating the net sales/EPS goal component payout, the Compensation Committee has the discretion to include or exclude extraordinary items, restructuring charges, accounting changes or any other unusual or nonrecurring item in its determination of whether the goal has been met. In the case of any incentive intended to qualify as performance compensation under Section 162(m) of the Code, the Compensation Committee must determine at the time of establishing the goal that it will make an adjustment for one or more of these items if it arises. After considering 2012 performance results, the Compensation Committee made adjustments to exclude the effects of the tax impact of the repatriation of foreign earnings, transaction and integration costs related to the Sealy acquisition, and certain restructuring costs. The Compensation Committee retains the ability to exercise discretion, but took no other discretionary action in 2012.

Table of Contents

The Company goal component based on segment performance creates stronger ties to specific operating performance. Specific targets are assigned based on each individual's area of responsibility. For 2012, the North American and International segment each had targets based on their segment's net sales and EBIT performance. Mr. Anderson's segment goals were based on North American net sales and EBIT, and Mr. Montgomery's segment goals were based on International net sales and EBIT. Operations-based individuals, including Mr. Clift, were incented for 2012 on achievements against their cost management targets and gross margin performance. In calculating the payout for the Company goal component based on segment performance, the Compensation Committee may exercise the discretion as described in the paragraph above. Overall company cash flow targets applied to Messrs. Sarvary and Williams. A matrix is used for each of these segment targets to determine payouts between 0% and 200%.

The Individual goals component of the annual incentive for the NEOs is heavily weighted toward the successful completion of individual objectives. The goals and objectives for all of the NEOs are initially approved by the CEO, subsequently reviewed by the Compensation Committee and, upon recommendation by the Compensation Committee, approved by the Board. The Individual goals component of the annual incentive targets 100% payout for the achievement of an executive's annual objectives. Payments can range from 0% to 200% of the targeted Individual goals component, based on individual performance. The determination of whether the Individual goals component of the incentive has been met and to what degree is based on the subjective determination of the Compensation Committee. In exercising this discretion the Compensation Committee looks broadly at each executive's performance against individual objectives and the overall performance of the applicable NEOs within their specific area of responsibility. The CEO does not have an Individual goals component to his annual incentive award. In lieu of individual objectives, the CEO was evaluated against Corporate EPS performance for 2012. However, the Compensation Committee evaluates Mr. Sarvary's performance against individual objectives in evaluating whether to exercise its negative discretion to reduce the compensation determined based on the EPS component. The Compensation Committee determined that Mr. Sarvary satisfactorily achieved his individual performance objectives and elected to not exercise negative discretion and reduce the compensation earned for EPS achievement.

The design and purpose of the Company goals components, represented by the net sales/EPS targets and the segment targets of the Company, and the purpose of the Individual goals component, represented by the achievement of individual targets or EPS, are to focus the NEOs on behaviors that support the overall performance and success of our Company. Individual and Company 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 likelihood of attaining these goals and objectives is not assured. Payouts in any year above 100% (target level) indicate significant accomplishment with performance above expectation.

Achievement of Company Goals for 2012

Due to challenging business conditions in 2012, actual performance results were below threshold for the net sales, pro forma diluted EPS, and operating cash flow objectives. As a result, each of our NEOs received a zero payout against the overall Company goals for net sales and EPS, and Messrs. Sarvary and Williams received a zero payment against their goals for operating cash flow.

Segment performance against the North American net sales/EBIT matrix was also below the threshold level of performance expectation, resulting in a zero payout for this component for Mr. Anderson. Segment performance against the International net sales/EBIT matrix was also below the threshold level of performance expectation, resulting in a zero payout for this component for Mr. Montgomery. Segment performance against the Operations cost management/gross margin matrix also was below threshold, resulting in a zero payout for this component for Mr. Clift.

The Compensation Committee sets each performance goal target at a level that is difficult but achievable and designed to drive industry leading results. The range around the target objectives reflects our strategic priorities. Goals at a threshold level are designed to be highly attainable, while goals at a maximum level are designed to reflect a stretch level of performance.

Achievement of Individual Goals for 2012

In evaluating the 2012 individual goals performance for each NEO, other than Mr. Sarvary, the Compensation Committee considered the recommendations of our CEO and evaluated each NEO's performance relative to his individual performance factors. The Compensation Committee evaluated our CEO's performance, and assessed his performance against the same factors in deciding whether to exercise negative discretion to reduce the amount determined based on the results of the EPS component.

The individual objectives for 2012 were based on business drivers and priorities to support the framework of the Company's five-year strategic business plan. This led to strong alignment and shared focus across the organization, in the following areas of priority:

Table of Contents

Deliver Financial Objectives

- Manage budget continuously and at line item level in a still uncertain environment
- Complete the 2012 strategic plan and develop a robust 2013 plan
- Optimize use of cash
- Grow U.S. share in mattresses and hold share in specialty mattresses

Strengthen Competitiveness

- Increase understanding of, and commitment to Tempur-Pedic's strategic goals and initiatives throughout the organization
- Strengthen organization caliber and level of engagement
- Defend and enhance Tempur-Pedic's differentiation to consumer and retailer
- Continue to upgrade our information technology systems, complete new headquarters and other capital expenditure initiates
- Acquire and successfully integrate additional subsidiaries
- Enhance standing with Industry/investment community

Implement the Strategic Growth

- Make sure everyone knows they would sleep better on Tempur-Pedic
- Make sure there is a Tempur-Pedic mattress and a pillow for everyone
- Make sure Tempur-Pedic is available to everyone
- Make sure Tempur-Pedic is recommended to everyone
- Make sure Tempur-Pedic continues to deliver the best sleep
- Optimize cost structure to enable marketing and product investments

The Compensation Committee determined that individual performance of our NEOs was near target relative to pre-established individual goals. Based on recommendations from our CEO, the Compensation Committee approved incentive awards for achievement of individual goals for our NEOs (excluding our CEO) in amounts ranging from 21.25% to 27.5% of bonus target. The Compensation Committee determined that our CEO, who is evaluated against Corporate EPS in lieu of individual performance goals, had achieved the target performance and was eligible to receive 25% of base salary. The CEO Corporate EPS target for individual performance was a range of at least $2.00 up to $3.20 which was achieved based on 2012 pro forma diluted EPS results of $2.61. The required performance established for our CEO was initially based on Corporate EPS, but was adjusted to reflect pro forma adjustments to exclude the effects of the tax impact of the repatriation of foreign earnings, transaction and integration costs related to the Sealy acquisition, and certain restructuring costs. The Compensation Committee determined that our CEO's individual performance was at target, and therefore elected to not apply negative discretion to reduce his annual incentive award.

Annual Incentive Plan Payments for 2012

Each NEO received a percentage payout of his overall incentive based on his performance for each component times the relative weight of each of the goal components: Company net sales/EPS (50%), the specifically designated segment goals (25%) and the Individual goals component or Pro Forma EPS (25%). Because the financial results were below threshold levels, our NEOs were only rewarded for completion of the Individual goals component (or Corporate EPS results for our CEO). The payouts for 2012 were as follows, as determined by the individual performance assessments described above:

Named Executive Officer	2012 Actual Payout	Percentage of Overall Incentive Bonus Target
Mark Sarvary	$197,000	25.0%
Dale E. Williams	$61,380	27.5%
Richard W. Anderson	$45,900	21.25%
Matthew D. Clift	$60,165	26.25%
David Montgomery	$59,356	23.75%

Long-Term Incentive Grants for 2012

Members of senior management, including our NEOs, are eligible to receive equity compensation awards under our equity incentive plans. 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 by focusing executives on the long-term growth of the Company, and not short-term individual performance. In addition, we believe that equity grants provide an additional method of compensation where the return for each senior manager is directly tied to stockholders' return on their investment.

Table of Contents

Our compensation philosophy for long-term incentives is to target grant-date award value above the median of the peer group at each level of the Company, unlike annual salary and annual incentive targets which are generally set at market median. The Compensation Committee and the Board of Directors view the Company as a growth company and seek to attract, retain and motivate growth-oriented executives and employees who focus on long-term value creation.

Our practice is to grant multiple forms of long-term incentive awards, each intended to accomplish different objectives. Stock options are granted to reward stock price increases. We also grant PRSUs, which are designed to reward participants for the successful achievement of multi-year sales growth and profit objectives, using a currency (Company common stock) that is strongly aligned with stockholders' interests. In 2012, similar to 2011, the Compensation Committee awarded equity grants to all NEOs based on a fixed dollar target of grant-date fair value, allocating 75% of the value as target PRSUs and 25% of the value as stock options. While the Compensation Committee reserves the right to adjust the mix from year to year, the Committee viewed this grant type mix still appropriate for 2012 since the relationship between the value of a stock option award to the recipient and the cost of the award to the Company was still less efficient than in prior years.

Named Executive Officer	2012 LTIP Grant Value	# of Stock Options	# of PRSUs
Mark Sarvary	$3,250,000	21,719	34,091
Dale E. Williams	$725,000	4,838	7,608
Richard W. Anderson	$725,000	4,838	7,608
Matthew D. Clift	$725,000	4,838	7,608
David Montgomery	$725,000	4,838	7,608

Each of the stock option awards granted in February 2012 has an exercise price of $71.50 and vests in three equal annual installments beginning on the first anniversary of the grant date and every year thereafter until all the shares are vested.

The PRSUs are earned if certain three-year sales growth and EBIT margin objectives are achieved. Based on these metrics, the award payout at the end of the performance period will range from no payout to up to three times the target number of PRSUs. Net sales and EBIT margin objectives were chosen to support the Company's aggressive 2014 long-term strategic goal. At the time the targets were established in February 2012, the Compensation Committee believed that these targets were directly linked to the long-term growth objectives of our business. Based on 2012 Company performance, because EBIT margin fell below the threshold the 2012 PRSU grants have been terminated with no payout.

2013 Compensation Actions

We anticipate changes to our NEO group for 2013 due to the hiring of W. Timothy Yaggi in February 2013 as our Chief Operating Officer, the retirement of Mr. Clift in June 2013 and addition of Mr. Rogers upon the acquisition of Sealy on March 18, 2013.

2013 Base Salary

In 2013, the Compensation Committee increased NEO salaries by 3.0% to keep salaries in the range of peer group median data.

2013 Annual Incentive Targets

Based on an assessment of peer group data provided by the Compensation Committee's independent consultant in October 2012, the Compensation Committee decided to maintain the targeted annual incentive percentage in relation to our CEO's base salary for 2012 at 100%, but to increase the target percentage for Messrs. Williams and Montgomery from 60% to 70% of salary. The target annual incentive percentage was not changed for Messrs. Anderson and Clift. The increased annual incentive target maintains peer group median proximity with total annual cash compensation.

2013 Long-Term Incentive Targets

In 2013, the Compensation Committee approved targeted equity values for each of our NEOs. The Compensation Committee approved an increase from $3,250,000 to $4,000,000 for our CEO and increases from $725,000 to $800,000 for Messrs. Williams and Montgomery. No other changes were made for the other NEOs. The Compensation Committee determined that 50% of the value of the grant would be in the form of stock options and 50% in the form of PRSUs. The Committee made this change in grant type mix due to the decrease in the Company's stock price and the relationship between the value of a stock option award to the recipient and the cost of the award to the Company. The 2013 PRSUs have a different structure compared with prior grants to ensure that compensation structures are aligned with operating strategies and business performance outcomes. The performance period is two years and is earned if certain two-year net debt to adjusted EBITDA objectives are achieved. By aligning our performance-based compensation objectives to our Company's need to maintain operating profits while reducing debt in light of the Sealy acquisition, we will ensure that our focus is appropriately placed on strengthening our Company for the next couple of years. The two-year performance period requirement should also provide better short-term retention. The award payout at the end of the performance period will range from 0% to 200% of the target number of PRSUs.

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

Table of Contents

Named Executive Officer	2013 LTIP Grant Value	# of Stock Options	# of PRSUs
Mark Sarvary	$4,000,000	134,318	53,981
Dale E. Williams	$800,000	26,864	10,796
Richard W. Anderson	$725,000	24,345	9,784
Matthew D. Clift	$725,000	24,345	9,784
David Montgomery	$800,000	26,864	10,796

Each of the stock option awards granted in February 2013 has an exercise price of $37.05 and vests in two equal annual installments on the first and second anniversary of the grant date.

2013 Special Restricted Stock Unit and Performance Restricted Stock Unit Grants

In February 2013, the Compensation Committee awarded a special RSU grant to certain of our NEOs in recognition of the significant work required for the Sealy acquisition, including analysis, due diligence, integration planning and post close integration implementation. The special RSU grants will vest in full on February 22, 2014, the first anniversary of the grant date, and were subject to completion of the Sealy acquisition, which occurred on March 18, 2013. The special RSU grant was made to the NEOs identified in the table below:

Named Executive Officer	2013 Special Grant Value	# of RSUs
Dale E. Williams	266,700	7,198
David Montgomery	266,700	7,198
Richard W. Anderson	241,600	6,521

The Compensation Committee also awarded a special PRSU grant to our CEO for 26,991 shares, valued at $1,117,697, also in recognition of the significant work required for the Sealy acquisition. The special PRSU grant was contingent on the Sealy transaction closing, which has occurred, and is also contingent on achieving an adjusted EBIT target for 2013. If the Company achieves this adjusted EBIT target, the Compensation Committee has the discretion to reduce the PRSU award amount downward (but not upward) based on the Compensation Committee's assessment of the Company's performance on net sales. The special CEO PRSU grant has a performance period from January 1, 2013 and ending December 31, 2013, and the Compensation Committee will determine whether or not it was earned within the first sixty (60) days after the end of the performance period.

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 through a minimum level of stock ownership. The current guidelines provide that, within five years, our CEO should own shares valued at an amount equal to five 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, shares valued at an amount equal to four times the director's annual cash retainer. The value of holdings of stock as well as vested options, restricted shares, restricted stock units, deferred stock units and performance units (for purposes of this paragraph "derivative securities") are 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 derivative securities that may be included in the value of the holdings is calculated net of the number of shares necessary to cover estimated taxes, and, if applicable, the exercise price. Until the guidelines are met, executive officers and directors are permitted to sell up to 50% of the total number of shares granted to them under the Company's compensation plans that have vested. The 50% limit includes shares sold or surrendered to pay taxes associated with the vested shares and shares sold or surrendered to pay the exercise price of stock options. A director or executive officer may exceed the 50% limit if necessary to pay taxes incurred due to vesting of deferred stock units or restricted stock units. In 2012, all of our executives and directors were on track to maintain compliance with the minimum stock ownership guidelines.

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 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 2012, the Company matched 100% of the first three percent of each participating employee's salary that is deferred and 50% of the fourth and fifth percent of salary deferred. The decision to make the match is at the sole discretion of the Company. The Company made the matching contribution in 2012 for all participating employees. The Company does not offer any other U.S. defined contribution or defined benefit pension plans. 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.

Table of Contents

The Company also offers 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. Executive officers, including our NEOs, receive an annual car allowance.

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 (in certain cases, prior to the Company's initial public offering in 2003). We believe that these agreements, including the severance provisions, are necessary to allow us to be competitive in recruiting and retaining top talent for executive officer positions. The Compensation Committee believes that the employment agreements in place for its executive officers are appropriate for the needs of the Company. 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 each of these arrangements for reasonableness and market competitiveness.

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 2012, 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 short-term or annual goals, and short-term 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, the long-term equity awards are comprised of stock options and PRSUs. The ultimate value of the stock option 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-Pedic 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.

Tax and Accounting Implications

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

Section 162(m) of the Code limits the Company's deduction for compensation paid to our Executive Officers named in the Summary Compensation Table, other than our Chief Financial Officer, to $1 million 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 the best interests of the Company 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 compensation paid to our NEOs may not be deductible for federal income tax purposes under Section 162(m) of the Code. In 2012, all salary and annual incentive compensation for our NEOs was tax-deductible.

Accounting for Stock-Based Compensation

The Company accounts for stock-based payments, including its 2002 Stock Option Plan and the 2003 Equity Incentive Plan, in accordance with FASB ASC 718, "Stock Compensation."

Table of Contents

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-Pedic 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, 2012.

Submitted by,

COMPENSATION COMMITTEE
Peter K. Hoffman (Chair)
Frank Doyle
John A. Heil
Sir Paul Judge

Table of Contents

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to Tempur-Pedic International for the year ended December 31, 2012 of those persons who served as (i) our principal executive officer during the year ended December 31, 2012, (ii) our principal financial officer during the year ended December 31, 2012 and (iii) our other three most highly compensated Executive Officers for the year ended December 31, 2012. We refer to our principal executive officer, principal financial officer and the other three most highly compensated Executive Officers 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 ($) (1)	All Other Compensation ($) (3)	Total ($)
Mark Sarvary – President and Chief Executive Officer	2012	$ 787,500	$ —	$ 2,437,500	$ 812,500	$ 197,000	$ 18,310	$ 4,252,810
	2011	778,846	—	1,250,000	—	1,401,750	17,969	3,448,565
	2010	750,000	330,000	1,000,000	—	1,125,000	17,898	3,222,898
Dale E. Williams – Executive Vice President and Chief Financial Officer	2012	$ 372,000	$ 61,380	$ 544,000	$ 181,000	$ —	$ 18,310	$ 1,176,690
	2011	364,615	69,053	450,000	150,000	291,555	17,969	1,343,192
	2010	340,000	84,150	205,000	—	280,500	17,898	927,548
Richard W. Anderson - Executive Vice President and President, North America	2012	$ 360,000	$ 45,900	$ 544,000	$ 181,000	$ —	$ 18,310	$ 1,149,210
	2011	352,615	66,330	450,000	150,000	297,000	17,969	1,333,914
	2010	328,000	86,592	205,000	—	270,600	17,898	908,090
Matthew D. Clift –	2012	$ 382,000	$ 60,165	$ 544,000	$ 181,000	$ —	$ 18,310	$1,185,475

Executive Vice President of Global Operations								
	2011	376,923	75,111	450,000	150,000	279,958	17,969	1,349,961
	2010	360,000	87,120	205,000	—	297,000	17,898	967,018
David Montgomery – Executive Vice President and President of International Operations (4)	2012	$ 395,708	$ 59,356	$ 544,000	$ 181,000	$ —	$ 81,542	$ 1,261,606
	2011	397,787	76,027	450,000	150,000	317,235	78,682	1,469,731
	2010	371,067	89,358	205,000	—	287,223	75,356	1,028,004

30

Table of Contents

(1) Bonus and Non-Equity Incentive Plan Compensation payouts were earned in 2012 and paid in 2013 pursuant to the 2012 Executive Incentive Bonus Plan. As described in the Compensation Discussion and Analysis, the amount paid upon the achievement of the Individual goals appear in the column "Bonus" and the amounts paid upon the achievement of the Company goals and segment goals appear in the column "Non-equity Incentive Plan Compensation."

(2) For stock awards and stock options 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, 2012 for a complete description of the valuations. Stock awards include PRSUs, as described in the "Compensation Discussion and Analysis." The grant date fair value displayed represents the target value at the grant date based upon the probable outcome of the performance conditions set forth in the PRSU award. The maximum value of the awards for each NEO could be 300% of target, based on achievement of net sales and EBIT margin objectives. The 2010 PRSUs granted to each NEO vested on December 31, 2012 and were distributed on February 14, 2013 at 282% of target. For the 2012 and 2011 PRSUs granted to each NEO, minimum EBIT margin objectives were not met for certain years, therefore the grants were terminated.

(3) Represents amounts paid in 2012 on behalf of each of our NEOs for the following:

Named Executive Officer	Insurance Premiums and Disability	Contributions to Defined Contribution Plans	Car Allowance	Tax Preparation Fees
Mark Sarvary	$ 1,110	$ 10,000	$ 7,200	$ —
Dale E. Williams	$ 1,110	$ 10,000	$ 7,200	$ —
Richard W. Anderson	$ 1,110	$ 10,000	$ 7,200	$ —
Matthew D. Clift	$ 1,110	$ 10,000	$ 7,200	$ —
David Montgomery	$ 15,507	$ 41,464	$ 23,781	$ 790

(4) Mr. Montgomery's salary is paid in British Pounds ( ) and is converted to United States Dollars ($) using the monthly payments translated at the monthly average rate for each month in the year ended December 31, 2012. Mr. Montgomery's Non-Equity Incentive Plan Compensation is denominated in British Pounds and has been converted to United States Dollar using the spot conversion rate for the date paid to Mr. Montgomery.

Table of Contents

Grants of Plan-Based Awards

The following table provides information about annual and long term incentive award opportunities granted to our NEOs during 2012. These incentive award opportunities are described in the Compensation Discussion and Analysis section of this Proxy Statement under “Long-Term Incentive Grants for 2012.”

Name/Type of Award	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Option Awards: Number of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards ($/Sh)	
Mark Sarvary										
Annual Incentive Bonus	1/12/12	—	$ 787,500	$ 1,575,000						
Stock Award (PRSUs)	2/9/12				17,045	34,091	102,273			$
Stock Option	2/9/12							21,719	$ 71.50	$
Dale E. Williams										
Annual Incentive Bonus	1/12/12	—	$ 223,200	$ 446,440						
Stock Award (PRSUs)	2/9/12				3,804	7,608	22,824			$
Stock Option	2/9/12							4,838	$ 71.50	$
Richard W. Anderson										
Annual Incentive Bonus	1/12/12	—	$ 216,000	$ 432,000						
Stock Award (PRSUs)	2/9/12				3,804	7,608	22,824			$
Stock Option	2/9/12							4,838	$ 71.50	$

Matthew D. Clift										
Annual Incentive Bonus	1/12/12	—	$ 229,200	$ 458,400						
Stock Award (PRSUs)	2/9/12				3,804	7,608	22,824			$
Stock Option	2/9/12							4,838	$ 71.50	$
David Montgomery										
Annual Incentive Bonus (5)	1/12/12	—	$ 230,930	$ 461,860						
Stock Award (PRSUs)	2/9/12				3,804	7,608	22,824			$
Stock Option	2/9/12							4,838	$ 71.50	$

(1) These columns show the 2012 annual award opportunities under the Annual Incentive Bonus Plan. They do not reflect the actual amounts paid out under the program which are included in the Summary Compensation Table and discussed in detail in the Compensation Discussion and Analysis Section under "2012 and 2013 Compensation Actions."

(2) These columns show the 2012 stock awards which include PRSUs under the 2003 Equity Incentive Plan. These awards are discussed in detail in the "Compensation Discussion and Analysis Section under "2012 and 2013 Compensation Actions." Due to the Company not meeting the performance conditions for 2012, the PRSUs were terminated on February 14, 2013.

(3) This column shows the stock options granted in 2012 under the 2003 Equity Incentive Plan. The stock options vest over a three year period as follows: 33 1/3% vesting on each of the first three anniversaries of the grant date, subject to our NEO's continued employment with the Company.

(4) This column shows the grant date fair value of the PRSU and stock option awards 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, 2012 for a complete description of the valuations. For the PRSU awards, the grant date fair value displayed represents the target value at the grant date based upon the outcome of the performance conditions.

(5) Mr. Montgomery's salary is paid in British Pounds ( ). As a result, the Annual Incentive Bonus threshold, target and maximum opportunities were converted to United States Dollars ($) based on the exchange spot rate on the date the award was granted (January 12, 2012).

Table of Contents

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, 2012 for each of our NEOs. The table also sets forth unvested stock awards assuming a market value of $31.49, the closing market price of our common stock on December 31, 2012.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised options (#) Exercisable	Number of Securities Underlying Unexercised options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date ($)	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 ($)
Mark Sarvary	737,500	— (1)	$ 7.81	6/30/18		
		21,719 (9)	$ 71.50	2/8/22	99,332 (10)	$ 3,127,955
Dale E. Williams	40,000	— (2)	$ 13.47	6/28/16		
	50,000	— (3)	$ 11.76	5/15/18		
	8,914	— (4)	$ 6.14	2/27/19		
	2,028	4,054 (5)	$ 46.68	2/21/21		
	—	4,838 (9)	$ 71.50	2/8/22		