

Corporate Responsibility and ESG – Environmental, Social, Governance

Our Board recognizes that environmental, social, governance and sustainability (“ESG”) issues are of increasing importance to our investors, as well as our employees and customers, and are essential to our Company’s long-term performance and value creation. Our Board is committed to corporate governance best practices and, as such, is committed to integrating responsible ESG initiatives into our operations and strategic business objectives.

BOARD COMMITTEE OVERSIGHT:

As an indication of our Board’s ongoing commitment to ESG issues, in 2019 the Board delegated to the Nominating, Governance and Corporate Responsibility Committee authority to oversee the Company’s corporate responsibility and ESG-related matters. In 2020, the Board adopted a revised charter for the newly-renamed “Compensation and Talent Committee” and delegated to it additional authority to oversee the Company’s philosophy, objectives and programs regarding diversity, inclusion and belonging, as well as talent. The charters for both Committees are available at <http://investor.sallybeautyholdings.com>.

ESG VALUES IN OUR CODE OF CONDUCT & ETHICS:

- **We are committed to** conducting business as a good corporate citizen, ethically and with integrity.
- **We believe in** conducting operations for protection of the environment and the general public, and with regard for the welfare – safety, respect and dignity – of our Employees.

CORE ESG VALUES REFLECTED IN OUR CODE OF CONDUCT AND ETHICS:

Our Company’s core values regarding ESG and corporate responsibility are reflected in our Code of Business Conduct and Ethics (the “Code”), which is the standard of conduct that applies to all of our employees, officers and directors. The Code reflects the Board’s beliefs about how we should conduct ourselves individually and as a company, and includes the following core values relating to corporate responsibility and ESG matters:

- **conducting our business as a good corporate citizen** in compliance with all laws, rules and regulations applicable to us and the conduct of our business;
- conducting operations **with regard to the welfare of our employees** and for the **protection of the environment** and the general public; and
- providing **equal opportunity to all employees** and job applicants.

The Code is available on our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations. We intend to disclose on our website any substantive amendment to, or waiver from, a provision of the Code that applies to our principal executive officer, our principal financial officer, our principal accounting officer or persons performing similar functions.

OUR ESG PROGRAM:

Our ESG strategy focuses primarily on the following areas where we believe we can have a material, meaningful impact: **Employees; Diversity and Inclusion; Energy and Environment; Product Development and Sourcing; and Data Protection and Security.**

Our Employees: The most immediate impact our Company can have in the world is how we treat, engage with and value our employees. At SBH, we deeply appreciate and care for our associates and believe they are a material and essential part of our global operations and strategy.

Priority of Safety, Health: SBH prioritizes the safety, health and wellbeing of our approximately 30,000 global associates who are the backbone of our global business. In the spring of 2020, due to the effects of the COVID-19 pandemic we implemented many changes to our operations. These changes included requiring store associates to wear masks and gloves, requiring associates to practice social distancing in store (and instructing and guiding customers on how to do the same), increasing cleaning frequency, implementing temperature checks at buildings with large employee populations, strongly encouraging workers to stay at home when sick by relaxing scheduling/attendance rules and allowing remote work where possible. We also asked our customers to mirror this behavior by wearing masks in store and maintaining social distancing from each other. In connection with the government mandated shutdowns we were forced to close our stores. In lieu of permanent layoffs, we elected to furlough 70% of our field staff and 60% of staff at our headquarters. In response to increased government regulation regarding store operations, we quickly re-purposed many of our stores to be shipping locations or to be open for curbside service only, which allowed us to keep our employees and customers safe while continuing to operate aspects of our business. We were determined to provide stability and support to our associates during a period of intense and potentially prolonged uncertainty, while assuring them that we would do everything we could to aggressively manage the business throughout the pandemic and to end furloughs as soon as possible. And that is exactly what we did. In order to facilitate a stable transition into this period of uncertainty for our workforce, we elected to provide two weeks of “disaster pay” plus two weeks of vacation pay for all furloughed employees. We also continued to pay the Company’s portion of health benefits and insurance for our furloughed employees enrolled in our benefit plans for the full term of their furloughs.

Network Restart; Bringing Our Workforce Back: Our shared goal was to bring the store network back online as soon as we could ensure that our employees and customers would be safe, and as allowed by state and local regulations. This goal reflected the high priority we place on the safety and wellbeing of our workforce and of our customers. As our U.S. and Canadian store staff returned from furlough beginning in May 2020, we expanded safety protocols: with improved social distancing signage and a request that our guests join us in wearing masks to help curb the spread of COVID-19.

During this unprecedented time of pandemic-related challenges in the last year, our associates have shown themselves to be resilient and creative, all with a great amount of grace and grit. Our teams proved that they are flexible and tenacious, with the agility to act rapidly and create cross-channel options for consumers.

While we hope to avoid further store shutdowns due to the effects of COVID-19, going forward we will continue to place the highest emphasis on keeping our employees and customers safe and healthy.

Diversity, Inclusion and Belonging: Diversity, Inclusion and Belonging (“DIB”) are at the heart of who we are as a Company — at the **Board level**, throughout our **global workforce**, and in our shared commitment to serving a **diverse customer base** and **their communities**.

Our Diversity, Inclusion & Belonging Mission Statement:

We find beauty in YOU!

Finding beauty in diversity is in our DNA because our differences are what make us beautiful. Our diversity, inclusivity, and self-expression are what fuel our innovation and growth.

At SBH, we come together to create a culture for **ONE & ALL**.

At the Board Level: Our Board’s composition leads the Company’s commitment to Diversity, Inclusion and Belonging. Having diverse voices on our Board enhances the Board’s expertise, broadens its viewpoint and sets the tone to encourage leaders at all levels of the Company to listen to the concerns of our associates and customers alike. Our Compensation & Talent Committee has taken the recent step of expressly adopting Talent into its charter, and will provide hands-on oversight of our Diversity, Inclusion and Belonging initiatives. Our Board believes that listening to and understanding diverse voices is crucial to the Company’s success and long-term sustainability.

In Our Workforce: Our SBH team in the U.S. and Canada is over 91% female and over 50% racially/ethnically diverse. In 2019 and 2020 Forbes named our Company one of America’s Best Employers for Diversity. We recognize and celebrate the bedrock values of workforce diversity, inclusion, belonging and engagement within our teams. For us these are key drivers of the success of the business, as our associates should – and do – reflect the various qualities of our customers and what they desire and expect from SBH.

Equality and Social Justice: In the spring of 2020, following the immense social outcry across our country due to racial injustice, we re-affirmed to our customers, associates and communities that SBH is committed to standing in solidarity with the Black community against all forms of racism and racial injustice. We are committed to listening and learning from our Black associates and customers as we work to better understand their pain and frustration. SBH is committed to playing a bigger role in the movement for social justice and equality – for our own team, our customers and the communities we serve.

Some of the major actions we have taken on Diversity, Inclusion & Belonging efforts focused on our associates are:

- During the summer of 2020, we updated and relaunched “**One & All**”, our Diversity, Inclusion and Belonging initiative. To address the urgent issue of racial injustice, we specifically designed some of our next steps to give our Black associates and their concerns a greater voice on issues of diversity, inclusion, and belonging and forums in which to be heard.
 - In addition, the Company’s **DIB Committee** continues to help ensure that all associates feel their views, cultures and beliefs are recognized, respected and included, and to provide our associates with internal advocacy and real action.
 - We implemented **DIB leadership training** (partnering with an external expert: the *NOVA Collective*) focused on building an understanding of issues such as prejudice, discrimination, privilege, social identity and unconscious bias.
 - We joined the **Time to Vote Coalition**, our commitment to providing associates time off to vote in the 2020 election.
- Time to Vote Coalition:**

 - We closed our doors early on Election Day to give our Associates paid time off to vote.
 - We encouraged Associates to vote
 - We provided voting Information and resources to answer questions and help better prepare them
- Our CEO signed the **Pledge for CEO Action on Diversity & Inclusion**, which states:
 - We will continue to make our workplaces trusting places to have complex, and sometimes difficult, conversations about diversity and inclusion
 - We will implement and expand unconscious bias education
 - We will share best – and unsuccessful – practices
 - We will create and share strategic inclusion and diversity plans with our Board of Directors. We will work with our Board of Directors through the development and evaluation of concrete, strategic action plans to prioritize and drive accountability around diversity and inclusion.
 - In 2020, we improved our anticipated score to 95 out of 100 on the **Human Rights Campaign’s annual Corporate Equality Index (CEI)**, which measures and rates workplaces based on LGBTQ equality with respect to policies and benefits.

In Our Customer Base: Our customers span the entire continuum of gender and ethnic diversity. We sell products to treat and style every kind of hair; we deliver a tailored assortment of beauty products that serve the local communities where our over 4,100 U.S. and Canadian stores are located. Serving the diverse demographics and needs of our customers drives a culture and workforce that embraces and reflects the communities we serve.

Some examples of customer-focused actions we have taken recently include:

- We established our **DIB Operations Leadership Team**, ensuring Diversity, Inclusion and Belonging have a “seat-at-the-table” for our strategic and operational decision-making with respect to customers, product assortment and vendor partners.
- We launched **Flawless**, a new hair care line by Gabrielle Union & celebrity stylist Larry Sims, which is our 27th partnership with Black-owned brands.
- Our Beauty Systems Group segment launched its “**MOVE Initiative**,” which is focused on outreach to textured hair-focused salons and stylists in order to build, establish and expand how we serve this customer through our professional channel.
- We concluded the second edition of **Cultivate**, an accelerator program that helps women beauty entrepreneurs grow their business and empowers female-owned beauty brands to bring their visions and business plan to life. A diverse group of women were announced as winners in 2020.

*“We recognize the ingenuity of female entrepreneurs, who are consistently finding creative ways to meet consumer demand during the ongoing pandemic. Our **Cultivate** program has brought us incredible innovative and on-trend products, particularly at a time when salons and consumers are seeking new solutions.”*

Pam Kohn
SVP, Chief Merchant

- We also launched **#SallyCrew**, an opportunity to partner with a varied group of beauty influencers as Sally Beauty brand ambassadors. Again, an amazing, diverse group of women were announced as the winners in 2020.

Energy/Environment: We continue to make progress toward reducing our environmental impact by reducing energy usage and increasing energy efficiency. We have implemented a number of initiatives designed in part to reduce our impact on the environment.

- In 2019, we rapidly consolidated our energy footprint, transitioning from two home office buildings into one, and closing four distribution centers.
- In 2019, we proactively replaced 400 of our most inefficient heating/air condition units in SBS and BSG stores with units having a higher SEER energy efficiency rating.
- Our new distribution center in Texas has energy saving features that should result in substantial energy reduction, such as high-flow air rotation units, motion sensor LED lights and R-19 value insulation in the roof.
- We installed centralized energy management systems for lighting and heating in 64 stores and, on average, realized 34% reduction in energy per store. Based on the successful pilot, we will be implementing the energy conservation program in 200 stores, targeting those with the historically highest energy usage.
- Last year, we launched “**SBH Going Green**”, our company-wide effort to be a better corporate citizen by reducing waste and conserving energy, thereby enhancing the sustainability of our planet and the communities in which we operate. This initiative includes:
 - removing plastic bags from SBH, CosmoProf and Armstrong McCall stores (will eliminate ~104 million plastic bags from landfills per year);
 - removing Styrofoam cups and lids from SBH Corporate Headquarters (will eliminate ~280,000 pieces of Styrofoam from landfills per year); and
 - launching a cardboard recycling program at SBH Corporate Headquarters (~5-7 tons of cardboard per year).

Product Development and Sourcing: We continue to make progress toward our long-term sustainability goals by using best practices in product development and sourcing. All finished formulas in our owned-brand products are cruelty-free, i.e., not tested on animals. Approximately 95% of our owned-brand products are vegan, meeting the target previously set in FY19. Our Company strives to avoid product formulations that contain parabens and phthalates.

In FY20, we launched **Inspired By Nature**, a line of hair color and care under our Ion brand, that utilizes strict sustainability guidelines as it relates to packaging:

- Hair Color is filled in 100% recycled aluminum tubes.
- Hair Color caps are made from PCR.
- The unit cartons for all hair color are produced with materials that are sourced from sustainably managed forests.
- The Hair Care packaging is fully recyclable.

Data Protection and CyberSecurity:

Our Audit Committee has primary responsibility for overseeing risks related to data protection and cybersecurity, although the full Board also exercises oversight over these risks. Our Chief Information Security Officer reports directly to the Chair of the Audit Committee. We believe this helps maintain the independence of the Chief Information Security Officer.

On a quarterly basis, the Chief Information Security Officer delivers a detailed report to the Audit Committee and/or the full Board on data protection and cybersecurity matters. The topics covered by these reports include risk identification and management strategies, consumer data protection, the Company's ongoing risk mitigation activities, learnings from data security incidents of peers, results of third-party assessments and testing, updates on annual associate training and other specific training initiatives, and cybersecurity strategy and governance structure.