

SALLY BEAUTY HOLDINGS, INC.
CODE OF BUSINESS CONDUCT AND ETHICS

General Policy and Procedures

Sally Beauty Holdings, Inc. and its subsidiaries (herein collectively referred to as the “Company”) are committed to the highest legal, moral and ethical standards of business conduct. The demonstration of these standards by the Company is essential to the attainment of our Company goals and future success. We value our reputation for honesty and integrity and are determined that it not be impaired by illegal or unethical behavior. Accordingly, we are issuing our Code of Business Conduct and Ethics (herein referred to as the “Code”) which is intended to reflect our past, present and future standard of conduct applicable to all employees of the Company, including officers and directors (herein collectively referred to as “Employees”). This Code is expanded upon and explained in many Company publications, including its Employee Handbooks and Management Policy Guides.

The Company conducts its business as a good corporate citizen and complies with all laws, rules and regulations applicable to it and the conduct of its business. This commitment and standard of conduct governs our relationships with customers, suppliers, shareholders, competitors, the communities in which we operate, and at every organizational level with each other as Employees.

The Code is an expression of our core values and represents a framework for decision-making. To this end, Employees are responsible for understanding the Code and acting in accordance with it. The Code cannot and is not intended to cover every applicable law, rule or regulation or provide answers to all questions that may arise; for that, we must ultimately rely on each Employee’s good sense of what is right, including a sense of when it is proper to seek guidance from others with respect to the appropriate course of conduct. Questions regarding any law, rule, regulation, or principle discussed in this Code which may govern business conduct should be directed to your supervisor or to the Company’s General Counsel. The General Counsel can be reached by dialing 1-800-777-5706, then dialing “0” and asking for the Legal Department.

The Code applies to all Company Employees and **must** be strictly observed. Failure to do so may result in disciplinary action, up to and including termination.

The Code does not in any way constitute an employment contract or an assurance of continued employment. It is for the sole and exclusive benefit of the Company and may not be used or relied upon by any other party. The Company may modify or repeal the provisions of the Code or adopt a new Code at any time it deems appropriate, with or without notice.

Compliance with Laws, Rules & Regulations

Employees are required to comply fully with all laws, rules and regulations affecting the Company's business. The Company conducts its business globally, in countries where applicable laws, rules, regulations, customs and social requirements may be different from those in the United States. It is the Company's policy to abide by the national and local laws of its host nations and communities. The fact that in some countries certain conduct may be legally prohibited, even if the prohibitions are not enforced or the prohibited conduct is not subject to public censure or criticism, will not excuse any illegal action by an Employee. In the case of any conflict between foreign and United States law, or in any situation where an Employee has a doubt as to the proper course of conduct, it is incumbent upon an Employee to immediately consult the General Counsel.

The Company conducts its operations with regard to the welfare of its Employees and for the protection of the environment and the general public. In particular, Employees should comply with the requirements of the Company's hazard communication program. Employees must assist the Company in making every effort to comply with the letter and spirit of all government laws and regulations relating to the workplace and product safety and the environment.

The Company provides equal opportunity to all employees and job applicants, without regard to race, skin color, religion, sex, sexual orientation, national origin, ancestry, age, marital status, disability unrelated to the employee's ability to perform the essential functions of the job with or without reasonable accommodations, Vietnam-era veteran status, unfavorable discharge from military services or any other characteristics protected by applicable law. All Employees must act in accordance with the Company's non-discrimination policy.

Beyond the strictly legal aspects involved, Employees at all times are expected to act honestly and maintain the highest standards of ethics and business conduct consistent with the professional image of the Company.

Confidential, Proprietary Information

One of the Company's most valuable assets is information. Employees should maintain the confidentiality of information (whether or not it is considered proprietary) entrusted to them not only by the Company, but also by suppliers, customers and others involved in a business relationship with the Company. Confidential information includes all non-public information that might be of use to competitors or be harmful to the

Company, or its customers or suppliers, if disclosed. Examples of confidential information include trade secrets, new product or marketing plans, customer lists, research and development ideas, manufacturing processes, or acquisition or divestiture prospects.

Employees should take steps to safeguard confidential information by keeping such information secure, by limiting access to such information to those Employees who have a “need to know” in order to do their job, and by avoiding discussion of confidential information in public areas such as elevators or airplanes. Employees should also use caution in discussing Company information on cellular telephones in public unless security is ensured.

Confidential information may be disclosed to others when disclosure is authorized by the Company or legally mandated. The obligation to preserve confidential information is ongoing, even after termination of employment.

Conflicts of Interest

Employees must base business decisions and actions on the best interest of the Company. Accordingly, Company policy prohibits conflicts of interest. A conflict of interest occurs when an individual’s personal interest interferes in any way—or even appears to interfere—with the interests of the Company as a whole. A conflict situation can arise when an Employee or a member of his or her family takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also arise when an Employee or a member of his or her family receives improper personal benefits as a result of his or her position in the Company. Such conflicts of interest can undermine an Employee’s business judgment and responsibility to the Company and so threaten the Company’s business and reputation. Accordingly, all apparent, potential, and actual conflicts of interest should be scrupulously avoided. Though it is not possible to list every activity or situation that might raise a conflict of interest issue, the list below is included to help you recognize some of the more significant examples of prohibited conflicts of interest:

- **Corporate Opportunities.** Employees are prohibited from converting for personal benefit any opportunities that are discovered through the use of corporate property, information or position, or from using corporate property, information or position for personal gain or to compete with the Company.
- **Gifts.** In the interest of avoiding even the appearance of unethical or illegal conduct, or a potential conflict of interest, Company employees cannot accept or offer entertainment, gifts, gratuities, special allowances, discounts or other benefits from or to any supplier, customer or competitor except as authorized by specific Company policies, i.e. policies on promotional monies, etc.

- **Loans.** The Company may not provide loans to, or guarantee the obligations of, Employees or their family members without the prior written approval of the Corporate Legal Department and, if appropriate, the Board of Directors or a committee of the Board. The Company will not extend, maintain or arrange for any personal loan to or for any director or executive officer (or the equivalent thereof).
- **Outside Activity.** Employees should not engage in any outside activity that materially detracts from or interferes with the performance of their services to the Company.
- **Outside Employment.** Employees should not serve as a director, representative, employee, partner, consultant or agent of, or provide services to, an enterprise that is a supplier, customer or competitor of the Company.
- **Personal Interests.** Employees should not have a direct or indirect personal interest in a transaction involving the Company.
- **Personal Investments.** Employees should not directly or indirectly own a material amount of stock in, become a creditor of, or have another financial interest in a supplier, customer or competitor.

All potential and actual conflicts of interest or material transactions or relationships that reasonably could be expected to give rise to such a conflict or the appearance of such a conflict must be promptly communicated to the General Counsel. However, Employees should take care to report conflicts to a person who they believe is not involved in the matter giving rise to the conflict. Accordingly, if they believe that the General Counsel is so involved, the matter should be reported to the President of the Company.

Any Employee who has a doubt about whether a conflict of interest exists after consulting this provision of the Code should contact the General Counsel for assistance in making that determination.

Fair Dealing

The Company's success depends on building productive relationships based on honesty, integrity, ethical behavior and mutual trust. Every Employee should endeavor to deal fairly with each of the Company's customers, suppliers, competitors and with other Employees. No Employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practices.

Insider Trading

Federal and state law prohibit the use of “material inside information” (defined below) when trading in or recommending Company securities. In accordance with applicable federal and state law, no Employee may engage in transactions in Company stock (whether for his or her own account, for the Company’s account or otherwise) while in possession of material inside information relating to Sally Beauty Holdings, Inc. or its subsidiaries or affiliates (commonly referred to as “Insider Trading”). Further, no Employee who is in possession of material inside information may communicate such information to third parties who may use such information in the decision to purchase or sell Company stock (commonly referred to as “Tipping”). These restrictions also apply to securities of other companies if an Employee learns of material inside information in the course of his or her duties for the Company. In addition to violating Company policy, Insider Trading and Tipping are illegal.

What constitutes “material inside information” is a complex legal question, but is generally considered to be information not available to the general public which a reasonable investor contemplating a purchase of Company stock would be substantially likely to take into account in making his or her investment decision. Such information includes information relating to a stock split and other actions relating to capital structure, major management changes, contemplated acquisitions or divestitures, and information concerning earnings or other financial information. Such information continues to be “inside” information until it is disclosed to the general public.

Any person who is in possession of material inside information is deemed to be an “insider.” This would include directors, officers, Employees (management and non-management), as well as spouses, friends or brokers who may have acquired such information directly or indirectly from an insider “tip.”

Substantial penalties may be assessed against people who trade while in possession of material inside information, and can also be imposed upon companies and so-called controlling persons such as officers and directors who fail to take appropriate steps to prevent or detect insider trading violations by their employees or subordinates. To avoid severe consequences, Employees should review this policy before trading in securities and consult with the General Counsel if any doubts exist as to what constitutes “material inside information.”

Quality of Disclosures

Federal and state securities laws impose continuing disclosure requirements on the Company, and require the Company to regularly file certain reports and make certain submissions (the “Reports”) with and to the Securities and Exchange Commission and the New York Stock Exchange and disseminate certain information contained therein to its shareholders. Such Reports must comply with all applicable legal and exchange requirements and may not contain material misstatements or omit material facts.

All Employees directly or indirectly involved in preparing such Reports, any Employees who regularly communicate with the press or with investors or analysts concerning the Company, and all representatives who assist the Company in preparing such Reports and communications, must ensure that such Reports and communications are (i) full, fair, timely, accurate and understandable and (ii) meet all legal requirements. This policy applies to all public disclosure of material information about the Company, including written disclosures, oral statements, visual presentations, press conferences and media calls.

Protection and Proper Use of Assets

Proper and efficient use of Company, supplier, customer and other third party assets, such as electronic communication systems, information (proprietary or otherwise), material, facilities and equipment, as well as intangible assets, is each Employee's responsibility. Employees must not use such assets for personal profit for themselves or others. In addition, Employees must act in a manner that will protect such assets from loss, damage, misuse, theft, removal and waste. Finally, Employees must ensure that such assets are used only for legitimate business purposes. In limited instances, however, Company assets may be used for other purposes approved by management.

Reporting of any Illegal or Unethical Behavior

Any Employee who is aware of any illegal or unethical behavior or who believes that an applicable law, rule or regulation or the Code has been violated must promptly report the matter to any Vice President or the President of the Company or, if that is unsatisfactory, to the General Counsel at 1-800-777-57-6 ext. 5594 (toll free). However, Employees should take care to report violations to a person who they believe is not involved in the matter giving rise to the violation. Accordingly, if the employee believes that any Vice President, the President or the General Counsel are involved in the violation, he or she should report the matter directly to a Compliance Officer or to the Audit Committee of the Board of Directors. All reports of violations will be promptly investigated and, if appropriate, remedied and, if legally required, immediately reported to the proper governmental authority.

Employees who believe that they know of any questionable accounting, internal accounting controls or auditing matters are encouraged to report these matters to the Company's Security Voice telephone line at 1-877-236-2881 (toll free). Any Employee wishing to make a report with respect to any of these matters anonymously may also call the SecurityVoice telephone line at 1-877-236-2881 (toll free). All reports should contain sufficient information for the Company to investigate the concerns raised.

Employees will be expected to cooperate in ensuring that violations of the Code are promptly addressed. The Company has a policy of protecting the confidentiality of those making reports of possible misconduct to the maximum extent possible, consistent with the requirements necessary to conduct an effective investigation, and with the law. **In no event will there be any retaliation against someone for reporting an activity that he or she in good faith believes to be a violation of any law, rule, regulation, or this Code.** Any supervisor or other Employee intimidating or imposing sanctions on an Employee for reporting a matter in good faith will be disciplined up to and including termination.

Employees should know that it is a crime to retaliate against any person (including retaliation through interference with that person's employment) for providing **truthful** information to a law enforcement officer relating to the possible commission of a federal offense. Employees who believe that they have been retaliated against by the Company, its Employees, contractors, subcontractors or agents for providing information to or assisting in an investigation conducted by a federal agency, by Congress or by a person with supervisory authority over the Employee (or another Employee who has the authority to investigate or terminate misconduct) in connection with conduct that the Employee reasonably believes constitutes a violation of federal criminal fraud statutes or any rule or regulation of the Securities and Exchange Commission may file a complaint with the Secretary of Labor, or in federal court if the Secretary of Labor does not take action in a timely manner.

Responding to Improper Conduct

This Code will be enforced on a uniform basis for everyone, without regard to an Employee's position within the Company. If an Employee violates the Company's Code, he or she will be subject to disciplinary action. Supervisors and managers of a disciplined Employee may also be subject to disciplinary action for their failure to properly oversee an Employee's conduct, or for retaliation against an Employee who reports a violation.

The Company's response to misconduct will depend upon a number of factors including whether the improper behavior involved illegal conduct. Disciplinary action may include, but is not limited to, reprimands and warnings, probation, suspension, demotion, reassignment, reduction in salary or immediate termination. Employees should be aware that certain actions and omissions prohibited by the Code might be crimes that could lead to individual criminal prosecution and, upon conviction, to fines and imprisonment.

Waivers

Employees should understand that waivers or exceptions to the Code will be granted only in advance and only under exceptional circumstances. A waiver of this

Code for any executive officer or director may be made only by the Board of Directors or a committee of the Board of Directors and must be promptly disclosed to shareholders in accordance with applicable law and exchange requirements.