

# **Regis Corporation**

## **Corporate Governance Guidelines**

### **Introduction**

The Nominating and Corporate Governance Committee (the “Committee”) of the Board of Directors (the “Board”) of Regis Corporation (the “Company”) has developed, and the Board has adopted, the following Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its responsibilities and to serve best the interests of the Company and its stockholders. The Guidelines should be interpreted in the context of all applicable laws and the Company’s Articles of Incorporation (as restated and amended), bylaws and other corporate governance documents. The Guidelines are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Board may modify the Guidelines from time to time.

### **Composition of the Board**

#### **1. Classification and Definition of Directors.**

The principal classifications of Directors are "Independent", "Management", and “Non- Management”. The Board has delegated to the Committee the responsibility for determining how a Director should be classified. The term "Independent Director" describes Directors who (1) receive no direct or indirect compensation from the Company other than compensation for service as a director, and (2) meet the “independence” definitions of the Securities and Exchange Commission “SEC”) and the New York Stock Exchange. The term "Management Director" includes both present and former officers of the Company who serve on the Board, if such persons, at any time as officers, are or were compensated for devoting at least twenty-five percent (25%) of their time to the Company. The term “Non-Management Director” describes Directors who are not present or former Company officers but are not Independent because of a material relationship, former status of family membership, or for any other reason. The Board believes that, as of the date of these Guidelines, there does not exist any relationship between an Independent Director and the Company that adversely affects the independent judgment or actions of the Director.

#### **2. Board Size, Composition and Membership Criteria.**

The Board believes that approximately 7 to 9 members is an appropriate size for the Board. The Board must include a majority of Independent Directors. The Board expects to have among its members a limited number of Management Directors, including at least the Chief Executive Officer. The Committee annually reviews the appropriate skills and characteristics required of Board members in light of the current composition of the Board. This assessment includes issues of diversity, age and skills such as understanding of the retail industry, the hair care market, finance, accounting, marketing, technology, the international arena and other knowledge needed on the Board. The principal qualification of a Director is the ability to act effectively on behalf of all of the stockholders.

#### **3. Selection of New Director Candidates and Extending the Invitation to a New Potential Director to Join the Board.**

The Board and stockholders who comply with the relevant provisions of the Company’s bylaws are responsible for nominating candidates to become Directors. The Board has delegated to the

Committee the responsibility for preparing a slate of Directors to be elected by the stockholders. It is expected that the Committee will have direct input from the Chairperson of the Board/Chief Executive Officer.<sup>1</sup> Input will also be solicited from the other members of the Board. Management and other external sources may also identify prospective Director nominees. The Committee's recommendations shall be submitted to the full Board for consideration and approval. The invitation to be a candidate to join the Board should be extended by the Committee Chairperson, who may choose to have the Chairperson of the Board/Chief Executive Officer participate in the invitation as well.

#### **4. Tender of Resignation if Not Elected by Shareholders.**

If a nominee for director who is an incumbent Director is not elected at a meeting of shareholders, the incumbent Director shall promptly offer to tender his or her resignation to the Board. The Nominating and Corporation Governance Committee shall make a recommendation to the Board on whether to accept or reject the offer. The Board shall act on whether to accept the Director's offer, taking into account the Nominating and Corporate Governance Committee's recommendation, and publicly disclose (by press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision and the rationale behind it within 90 days after the date of the election. The Governance Committee, in making its recommendation, and the Board, in making its decision, may each consider any factors or other recommendations that it considers relevant and appropriate. The incumbent Director who offers to tender his or her resignation shall not participate in the Board's decision with respect to that Director. If such incumbent Director's offer to tender his or her resignation is not accepted by the Board, such Director shall continue to serve the term for which such Director was elected and until his or her successor is duly elected, or his or her earlier death, resignation, retirement, disqualification or removal.

#### **5. Director Orientation and Continuing Education.**

**Director Orientation.** The Board and the Company's management shall conduct a mandatory orientation program for new Directors. The orientation program shall include presentations by management to familiarize new Directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, its internal and independent auditors and its General Counsel and outside legal advisors. In addition, the orientation program shall include a review of the Company's expectations of its Directors in terms of time and effort, a review of the Directors' fiduciary duties and visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities. All other Directors are also invited to attend the orientation program.

**Continuing Education.** Each Director is encouraged to be involved in continuing director education on an ongoing basis to enable him or her to perform better his or her duties and to recognize and deal appropriately with issues that arise. Specifically, each Director is encouraged to attend at least one director education program every year. In addition, each Director is expected to comply with all applicable New York Stock Exchange

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<sup>1</sup> The Chairperson of the Board and the Chief Executive Officer may be the same individual or separate individuals (See #17 below).

continuing education requirements. The Company shall pay all reasonable expenses related to continuing Director education.

#### **6. Directors Who Change Their Present Responsibility.**

The Board believes that individual Directors whose responsibilities outside of their involvement with the Company change from those held when they were last elected to the Board (except for internal promotions within their organization or other changes that do not compromise the individual Directors' qualifications for serving on the Board) should volunteer to resign from the Board, effective as of the next regularly scheduled meeting. It is not the Board's view that Directors who retire or change from the positions they held when they were last elected to the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, with the assistance of the Committee, to review the continued appropriateness of Board membership under the changed circumstances.

#### **7. Retirement Age; Term Limits.**

No non-management director may be nominated to serve a new term if he or she would be age seventy-two (72) or older or if he or she has already served ten (10) years at the time of election. Exceptions to this policy may be considered by the Nominating and Corporate Governance Committee and approved by the Board from time to time. These limitations reflect the recognition that the Company should continually refresh the Board with new ideas and viewpoints. In addition, the Nominating and Corporate Governance Committee shall review each Director's continuation on the Board every year. This will allow each Director the opportunity to conveniently confirm his or her desire to continue as a member of the Board and allow the Company to conveniently replace Directors who are no longer interested or effective.

#### **8. Other Public Board Memberships.**

Directors shall not serve on the boards of more than three other public corporations in addition to the Company's Board. Directors shall consult with the Committee in advance of accepting an invitation to serve on the board of another public corporation to ensure that service on such other board does not interfere with the Director's service on the Company's Board or create a conflict of interest. Additionally, the Committee shall continue to take into account the nature of and time involved in a Director's service on other boards in evaluating the suitability of individual Directors and making its recommendations to the Board.

#### **9. Conflicts of Interest.**

All Directors must comply with the applicable provisions of the Conflicts of Interest section of the Company's Code of Business Conduct and Ethics. If an actual or potential conflict of interest develops for any reason, including, without limitation, because of a change in the business operations of the Company or a subsidiary, or in a Director's circumstances, the Director should immediately report such matter to the General Counsel of the Company for evaluation. The General Counsel should report all such actual or potential conflicts of interest to the Committee for review and determination. A significant conflict must be resolved or the Director should resign. If a Director has a personal interest in a matter before the Board, the Director shall disclose the interest to the Board, excuse himself or herself from participation in the discussion and shall not vote on the matter.

## **Operation of the Board**

### **10. Directors' Responsibilities.**

The principal responsibilities of the Directors are to oversee the management of the Company and to exercise their business judgment in a manner that they reasonably believe will serve the best interests of the Company's stockholders and the Company. Directors have an obligation to become and remain informed about the Company and its business. Directors should regularly attend meetings of the Board of Directors and all Board committees on which they serve. Each Director is expected to prepare for meetings, by reviewing in advance the materials that are sent to them prior to the meetings.

Directors are also expected to promote the best interests of the Company's stockholders in terms of corporate governance, fiduciary responsibilities, compliance with applicable laws and regulations, and maintenance of accounting, financial and other controls.

### **11. Assessing the Board's and Its Committees' Performance.**

With the goal of increasing the effectiveness of the Board and its relationship to management, the Committee is responsible for conducting an annual evaluation of the Board's performance as a whole. This assessment should include such items as the frequency of Board and committee meetings and the contribution of the Board as a whole. Since the goal of the assessment is to increase the effectiveness of the Board, the Committee should review areas in which the Board and management believe the Board could make a greater contribution, and the assessment should be discussed with the full Board. The purpose of this process is to improve the effectiveness of the Board, not to focus on any individual Board members. The Committee, however, is empowered to review the performance and contribution of individual Directors and recommend the replacement of any Director who is not properly performing his or her duties.

### **12. Board Committees.**

The Company has three Board committees: audit, nominating and corporate governance, and compensation. Each of these committees has a charter that has been approved by the Board. The need for changes in the number, charters, or titles of Board committees will be reviewed annually by the Committee and then discussed with the Board. The Board has the flexibility to form a committee or to disband a current committee, as it deems appropriate. Subject to Board approval, the Committee is responsible, after consultation with the Chairperson of the Board/Chief Executive Officer, and with consideration of the desires of individual Board members, for the assignment of Board members to various committees and the selection of the committee Chairpersons. Only Independent Directors may serve on the audit, compensation, and nominating and corporate governance committees. Only Independent Directors may serve as the Chairperson of any committee. The Board believes that it is desirable that committee assignments be rotated from time to time, but not on a fixed schedule. In certain instances it may be appropriate to maintain a Director's committee membership for a longer period of time than in other instances. The Chairperson of each committee should report to the Board, whenever appropriate, with respect to those matters considered and acted upon by his or her committee.

### **13. Frequency and Length of Committee Meetings.**

Each committee Chairperson, in consultation with committee members and with input from management, will determine the frequency and length of committee meetings.

#### **14. Committee Agendas.**

The Chairperson of each committee, in consultation with committee members and appropriate members of management and staff, will develop the committee's agenda. At the beginning of each fiscal year, each committee will, to the best of its ability, issue a schedule of agenda subjects to be discussed in the ensuing year (to the extent that these can be foreseen). These agendas will be shared with the Board.

#### **15. Selection of Agenda Items for Board Meetings; Annual Board Calendar.**

The Chairperson of the Board/Chief Executive Officer, in consultation with the other Board members, will propose the agenda for each Board meeting. The Chairperson of the Board/Chief Executive Officer will consider (a) the items to be included; (b) the sequence of those items; (c) the approximate time to be devoted to each item; and (d) the materials to be provided to Directors regarding certain items, including what materials are to be sent in advance. Each Board member is free to suggest the inclusion of item(s) on the agenda. The Chairperson of the Committee shall, at the beginning of each fiscal year, consult with the Chairperson of the Board/Chief Executive Officer about the routine corporate governance matters to be included in the "Board Calendar" for the year.

#### **16. Board Materials Distributed in Advance.**

Information and data that are important to the Board's understanding of the business of the meeting should, when practical, be distributed in writing to the Board before the Board meets. Management will make every effort to see that this material is as brief as possible while still providing the desired information. When advisable because of confidentiality concerns, management may elect not to provide sensitive material to the Board in advance of a meeting.

#### **17. Selection of the Chairperson of the Board and the Chief Executive Officer.**

The Board will remain free to select the Chairperson of the Board and Chief Executive Officer in any way it deems best for the Company at any point in time. The Board does not have a predetermined policy as to whether or not the roles of Chairperson of the Board and the Chief Executive Officer should be separate and, if the roles are to be separate, whether the Chairperson of the Board should be a Non-Management Director or a Management Director. The Committee shall make recommendations to the Board on these issues from time to time.

#### **18. Executive Sessions of Non-Management Directors.**

The Non-Management Directors will meet in executive session at least twice a year to discuss, among other matters, the performance of the Chief Executive Officer. Absent unusual circumstances, these sessions will be held in conjunction with regular Board meetings. Executive sessions will be scheduled by the Chairpersons of the three standing committees. The Non-Management Directors may meet with the Chief Executive Officer at any time.

#### **19. Board Compensation.**

The form and amount of Director compensation shall be determined by the Board. The Compensation Committee shall conduct an annual review of Director compensation. The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate Directors at least competitively relative to comparable companies. The Compensation Committee shall consider that questions as to Directors' independence may be raised if Director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions

to organizations with which a Director is affiliated or if the Company enters into consulting contracts or business arrangements with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

## **20. Stock Ownership.**

In order to further align the interests of the Company's Directors and executive officers with the Company's stockholders, the Board has adopted stock ownership thresholds for the Company's Directors and executive officers. Each Director is required to own all common stock of the Company received as part of the Director's compensation for serving as a Director until he or she ceases to be a member of the Board. Each executive officer is required to own common stock of the Company having a market value equal to or greater than a multiple of his or her annual base salary, determined in accordance with the table below:

Chief Executive Officer – 3x

Executive Vice Presidents – 2x

Senior Vice Presidents – 1x

Shares to be counted for purposes of the ownership thresholds will be outstanding shares of which the executive officer is deemed to be the "beneficial owner" for purposes of Section 16 under the Securities Exchange Act; provided, however, that the following shares will not be counted toward satisfaction of these ownership thresholds: (i) shares subject to a compensatory equity-based award with a performance-based vesting condition that has not been satisfied; and (ii) shares subject to an option or stock appreciation right that has not yet been exercised. The value of the shareholdings of an executive officer is based on the greater of (1) the average closing price of a share of the Company's common stock during the most recent fiscal year and (2) the closing price on the last day of the most recent fiscal year. Once an executive officer has satisfied the stock ownership threshold, he or she shall not be deemed to be in breach of these thresholds merely due to a decrease in the company's stock price or increased base salary, subject, in the case of an increased base salary, to compliance with the above stock holding requirement until the higher ownership threshold is attained. There is no specific deadline for achieving the stock ownership thresholds following their adoption, or upon appointment or promotion to a covered officer position or increase in base salary; however, the executive officer must retain 75% of the "net shares" resulting from the exercise, vesting or settlement of any equity-based compensation award until the executive has satisfied the applicable threshold. For these purposes, "net shares" refers to that portion of the number of shares subject to the exercise, vesting or settlement of an award that the executive officer would receive had he or she authorized the Company to withhold shares otherwise deliverable in order to satisfy any applicable exercise price or withholding taxes. The Compensation Committee of the Board shall be responsible for monitoring the application of these stock ownership thresholds. The Compensation Committee has the discretion to make such adjustments to the amount or form of future awards of equity-based compensation to any executive officer who fails to comply with the ownership thresholds and retention requirements described above. At its discretion, the Committee may evaluate, for any one individual or for all persons subject to such ownership thresholds, whether such ownership thresholds should be modified or waived because of personal circumstances, market circumstances or any other factors the Committee deems relevant to its determination.

## **Board Interaction with Management**

### **21. Presentations.**

It is the sense of the Board that presentations by senior management help provide information to the Board and give Board members an opportunity to evaluate these persons.

### **22. Attendance of Non-Directors at Board Meetings.**

The Board specifically encourages management, from time to time, to bring into Board (or into separate committee) meetings managers who: a. can provide additional insight into the items being discussed because of personal involvement in these areas; and/or b. appear to management to be persons with future potential who should be given exposure to the Board. Such non-Directors may attend part or all of a Board meeting.

### **23. Formal Evaluation of the Chief Executive Officer.**

The Compensation Committee should annually evaluate the Chief Executive Officer. The evaluation of the Chief Executive Officer should be communicated to him or her by the Chairperson of the Nominating and Corporate Governance Committee. The evaluation is to be used by the Compensation Committee in determining the compensation of the Chief Executive Officer. The evaluation should be based on objective criteria to include the performance of the business, accomplishment of reported goals and long term strategic objectives and the development of management.

### **24. Succession Planning.**

The Chief Executive Officer is responsible for developing and maintaining a process for advising the Board on succession planning for himself or herself and other key senior leadership positions. The Chief Executive Officer shall prepare an annual report on such matters for the Board. There shall also be available, on a continuing basis, recommendations from the Chief Executive Officer and the Chairperson of the Board regarding his or her (if the same individual) or their (if separate individuals) successors should he, she or either of them be disabled unexpectedly. Should a succession of the Chief Executive Officer occur, the Board shall manage the process of identifying and selecting the new Chief Executive Officer.

### **25. Management Development.**

There shall be an annual report to the Board by the Chief Executive Officer on the Company's program of management development. This report should be given to the Board at the same time as the succession planning report.

### **26. Board Access to Senior Management and Independent Advisors.**

Board members should have complete access to the Company's senior management and are encouraged to make regular contact. Board members are normally expected to inform the Chief Executive Officer prior to contacting other members of management on any substantive matter, if the contact could be perceived as infringing on the responsibilities of the Chief Executive Officer. Members, however, are not expected to inform the Chief Executive Officer that they are contacting other members of management regarding the normal activities of their Board committees. The Board and each of the Board's Committees shall have the authority to, as necessary and appropriate, retain independent advisors and consultants at the expense of the Company.

**27. Board Communications.**

The Board believes that the Chief Executive Officer and his or her designees speak for the Company. Directors should not speak for the Company unless requested to do so by the CEO or the CEO has approved of the communication. Individual Board members, may from time to time meet or otherwise communicate with various constituencies that are involved with the Company. It is, however, expected that Board members would do this with the knowledge of management and, in most instances, at the request of management.