
ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

ESG – PURPOSE AND VALUES Every aspect of our ESG program is integrally tied to and reflects our company purpose and values. Our purpose and values reflect and emphasize our commitment to being a good corporate citizen and inspiring a more sustainable world. We are committed to reflecting our purpose and core values in everything we do, especially in our Diversity, Inclusion and Belonging (DIB), ESG and sustainability initiatives.

Our DIB initiatives are our commitments to strive to create a world that is more colorful (diverse) and welcoming (inclusive), where people can be themselves and where diversity is beautiful. Our ESG initiatives are our commitments to being part of something bigger, and caring for our people, customers, communities, and planet.

ESG – GOVERNANCE Our **Board of Directors** believes that ESG and sustainability issues are essential to our Company's long-term performance and value creation. The Board is committed to corporate governance best practices and to integrating responsible ESG initiatives into our operations and strategic business objectives.

The **Board** and the **Nominating, Governance and Corporate Responsibility Committee** have oversight of the Company's ESG plan. On a quarterly basis, this committee receives updates on management's execution against ESG initiatives. On an annual basis, this committee advises on the long-term design of the Company's ESG program. In 2020, the **Compensation and Talent Committee** was delegated oversight authority over the Company's diversity and inclusion programs and goals. The charters for both Committees are available at <http://investor.sallybeautyholdings.com>. We have not incorporated by reference into this Proxy Statement the information included on or linked from our website, and you should not consider it to be part of this Proxy Statement.

Management of ESG-related projects is jointly led by our **General Counsel**, our **CIO & Chief Transformation Officer** and our **Chief Human Resources Officer**. Together they coordinate a **cross-functional team of subject matter experts** to drive progress towards ESG goals. Management reports quarterly to and engages with the Board and its Committees regarding progress against our ESG goals.

ESG – ETHICS CODE Our Company's core values regarding ESG and corporate responsibility are reflected in our **Code of Business Conduct and Ethics** ("Ethics Code"), which is the standard of conduct that applies to all of our employees, officers and directors. The Ethics Code reflects the Board's beliefs about how we should conduct ourselves individually and as a company, and includes the following core principles relating to corporate responsibility and ESG matters: we intend to operate our business as a good corporate citizen, conduct operations with regard to the welfare of our employees and for the protection of the environment; and provide equal opportunity to all employees.

Our Ethics 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 Ethics Code that applies to our principal executive officer, our principal financial officer, our principal accounting officer or persons performing similar functions.



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.**

Our ESG and sustainability strategy is informed by the SASB standards for specialty retailers and focuses primarily on the following five areas where we believe we can continue to have a material, meaningful impact: **Human Capital; Diversity, Inclusion and Belonging; Philanthropy and Community Impact; Environmental Sustainability and Responsible Sourcing; and Data Protection and CyberSecurity.**

HUMAN CAPITAL

OUR PEOPLE AND PURPOSE Our Company's purpose is "To inspire a more colorful, confident, and welcoming world." Our purpose represents the impact that we intend to have in the world. We believe that the most immediate impact our Company can have is how we support, 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.

OUR CULTURE AND VALUES Our Company values are the beating heart of our Company, and they embody how we intend to live up to and achieve our purpose. Our five core values form the bedrock of our culture, and are reflected in our greatest asset – our people. Very simply, our values underscore SBH's commitment to building a diverse, inclusive company by helping each associate experience a genuine sense of belonging. They embody a culture where each associate can bring their full selves to work, and where everyone contributes to the conversation. Where each employee inspires their team and their customers with their passion and knowledge. Where employees are empowered to make decisions, to deliver for our customers, and to take ownership of their growth and development through education, training, and leadership opportunities. Where we take care of each other, our communities, and the planet.



BE YOURSELF.

Come as you are—everyone is welcome here.



BE AN INSPIRATION.

Share your passion and knowledge with your team, your customers, the world.



BE BOLD.

Dive in. Move fast. Say yes.



BE AN OWNER.

Drive growth. Create your future.



BE PART OF SOMETHING BIGGER.

Take care of each other, our community, and our planet.



TALENT OVERSIGHT/GOVERNANCE Our Board has made oversight of talent and culture a priority through its **Compensation and Talent Committee**, which oversees the Company's human resource strategies and initiatives on compensation and benefits, diversity and inclusion, and associate engagement and well-being. The **Compensation and Talent Committee** regularly receives updates from SBH senior management regarding diversity and inclusion, talent development, retention and turnover, employee engagement and succession planning.

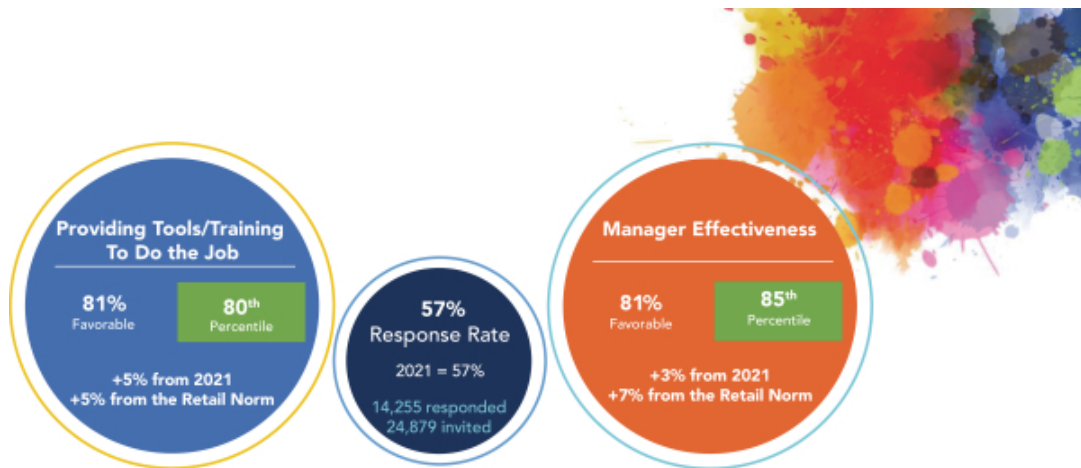
Our key **human capital management objectives** are to retain, develop and recruit a diverse group of highly qualified and dynamic employees and leaders throughout the Company. At SBH, we intend that our talent oversight policies and programs will create an inclusive environment and empower everyone at SBH to contribute to and share responsibility for our Company's success.

TALENT AND CAREER DEVELOPMENT SBH is committed to encouraging growth, well-being and career development of our associates through continuous learning opportunities online, independent development plans, and education financial assistance.

- We offer employees a **streamlined learning and development platform** ("Thrive"), which is designed to onboard, upskill and communicate with our employees by connecting them with relevant content. Thrive helps our employees facilitate their role, career and personal growth.
- We also have a variety of **Leadership Development** programs and trainings available to leaders (and potential leaders) at various levels throughout our field, supply chain and corporate teams.
- We have a comprehensive **Performance Management process**, which includes opportunities for employees to receive feedback and to design for themselves an **Individual Development Plan**, which is a tool designed to help each employee grow as an individual and as a professional, and strengthen leadership competencies and succession pipelines.
- Through our **Education Assistance Program** we offer financial assistance either for professional certification programs or courses in pursuit of an associates, bachelor's or graduate degree through an accredited institution.
- We have designed and launched various Academies within SBH to help support career growth and grow key job skills and competencies to ensure that we can train and retain talent in a competitive labor market.

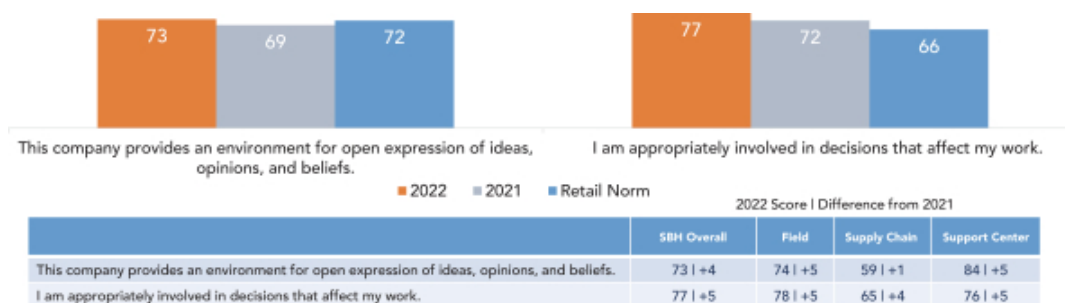
COMMUNICATION AND ENGAGEMENT SBH's senior leadership team strives to maintain consistent communication and an open-door policy with our associates. We encourage dialogue and transparency on a regular basis. Ways in which we communicate with and hear back from our teams include:

- Town Hall Meetings. These are held at least 4 times per year. Each Town Hall consists of business updates from our CEO and other senior leaders, followed by open-ended Q&A in an "Ask Me Anything" format.
- Live Streams and Virtual Meetings. Our leaders engage with our dispersed field and supply chain teams through both formal updates and more informal live sessions using tools such as WebEx, Zoom and Facebook Live.
- Summits. Our Sally and Beauty Systems Group teams have conducted summits with field leadership teams every fall for a number of years, usually at the beginning of our fiscal year. These summits include everything from leadership development to systems training to product knowledge showcases, and everything in between. More recently, we have had more cross-functional summits in our Corporate Support Center focused on marketing, social media, technology and E-Commerce.
- Associate Engagement Survey. We conduct an annual engagement survey open to all our associates in the U.S. and Canada. From this, we identify key themes, needs and actions to be taken across our different departments and groups. The survey is conducted anonymously by an independent third party and is structured to allow associates to voice any concerns, questions and expectations. Results of the survey (which are entirely anonymized) are pushed upwards through managers, allowing transparency to the views of both direct and indirect reports, as well as to other departments. Each department holds meetings to address and respond to questions or concerns and to set action plans/priorities for making improvements.



- Engagement on Diversity Issues.** We actively seek to engage with our employees on issues of diversity and inclusion. We want our employees to tell us how we are doing and where and how we can improve. We are committed to listening to our associates about their experiences and concerns in this important area, and to responding with empathy and action in a responsible, proactive way. Over the last few years, we have conducted substantive, thoughtful training of SBH leaders and teams, focusing on building empathy and understanding of issues such as prejudice, discrimination, privilege, social identity, unconscious bias and mental wellness. Over the past two years we provided a comprehensive set of **e-learning training sessions** and we also began a **series of open dialogues** between leaders and their teams about issues of **Diversity, Inclusion and Belonging (DIB)**. We also began a **DIB Ambassador Program** with people from across SBH dedicated to learning more, and helping to facilitate and elevate our discussions across the Company. Both our company-wide **Engagement Survey** and dedicated **DIB-focused Survey** provide all associates a voice on issues of diversity, inclusion and belonging, with questions specifically focused on those issues. Our separate DIB-focused survey allows us to dive deeper into these matters while giving associates an opportunity to be heard. We then share the key findings from this survey and hold focused town halls with our teams to continue the dialogue on how we are doing, what our priorities should be.
- Based on what we heard from our team in our FY21 DIB Survey results, we launched the first of four **Employee Resource Groups (ERGs) in FY22**. Our initial ERGs are for Women, LGBTQ+, Black and Hispanic employees. Each ERG has an Executive sponsor, Lead and co-lead as well as a group of self-elected employees. The ERGs are engaging with employees throughout the organization, connecting with departmental leaders to share the voice of their ERGs to help shape business strategies, and seeking ways to connect within our communities.

- DIB/Inclusion Improvement: Our FY22 Engagement Survey showed meaningful improvement from FY21:



HEALTH, SAFETY, WELL-BEING SBH places a high value on the health, safety and well-being of our associates and this is reflected in our values and culture. As a company we evidence this commitment in many ways, including: our continuing, agile and empathetic treatment of associates throughout the pandemic; our compensation and benefits package; and our provision of safe, healthy working conditions.

- COVID-19 Update. In FY22 SBH has continued to prioritize the health, safety and well-being of our approximately 29,000 global associates who are the backbone of our global business. Over the course of FY22, we continued to adapt and respond to the various impacts of COVID-19 across our business. Our associates continued to show themselves to be resilient and creative, all with a great amount of grace and grit. The health and safety of our associates remains a priority. Such efforts included various safety protocols such as detailed cleaning protocols, personal protective equipment requirements, and visual cues regarding social distancing, mask-wearing, etc. At times of peak case counts or the emergence of the new variants, we instituted rolling, rapid testing for COVID-19 at a number of our distribution centers. We continued to maintain and update these protocols, monitor for compliance and make improvements and adjustments where needed throughout FY22. We have also managed through closures and capacity restrictions where required by local law, and sought to provide as much notice and support to our teams as reasonably possible. While the need for many of these COVID-related measures subsided later in FY22, we stand ready to respond quickly and effectively should the need arise.
- Compensation. Wage, Holiday, Leave Programs, Parental Leave: Our full-time employees receive vacation, sick time, 6 holidays and 3 floating holidays annually. SBH also provides medical leave for up to 6 weeks for all associates that do not otherwise qualify for leave under the U.S. Family and Medical Leave Act. In addition, we provide personal leave (up to 30 days) for employees who have been with SBH for at least 6 months with an average of 30 work hours per week. We recently added a paid parental leave program providing 6 weeks of fully paid leave for the birth, adoption or placement of a child. **Bonuses and incentives**: Our **Annual Incentive Plan (AIP)** provides annual incentive awards to participating associates based on company-wide sales and performance metrics established periodically by the Board. The AIP is designed to attract and retain key employees and motivate participants to achieve profitability and growth for our Company. We also provide a **quarterly bonus program for field management teams** – District Managers, Area Managers, Store Managers and Distribution Center Warehouse Managers and Supervisors.
- Benefits. Healthcare and pension: SBH offers medical coverage, pharmacy coverage, telehealth coverage for minor medical needs, and preventive in-network care is covered 100% on all plans. Three medical plans are offered and the Company makes monthly contributions to each plan. We offer access to **health and well-being resources** through an employee assistance program and other resources. Beginning in 2022, many of these benefits – including fundamental medical benefits – were made available to our part-time associates. SBH also offers a 401(k) Retirement Savings Plan that gives employees an opportunity to save for retirement on a tax-advantaged basis, with company-funded match. **Flexible working hours**: we instituted a **Flex Work Week Program** at our Corporate Support Center and offer flexible scheduling in our distribution centers. Our stores

also do their best to accommodate scheduling needs as much as possible. In our Corporate Support Center, we have instituted **hybrid work arrangements** for most positions, and expanded **remote work opportunities** based on the type of work performed. We will monitor and continue to evolve how this works over time.

- Safe Working Conditions: Supplier Vendor Code of Conduct. We believe that every associate has the **right to safe and humane working conditions** and we require all our suppliers to understand and comply with our **Supplier Code of Conduct**. SBH values our partnerships with suppliers and vendors and understands the impact they can have on our associates. Thus, SBH has included rules governing their conduct, both with respect to expectations while interacting with our associates, and, with our foreign suppliers, assurances that they too are providing a safe and healthy working environment for their associates. **Whistleblower Policy:** We have an **Employee Concern Line** – operated by an independent company – which allows for complaints to be made securely and anonymously. To further strengthen the integrity and protections of this confidential reporting mechanism, complaints about any Vice President or above are reported to an independent ombudsperson. The Employee Concern Line is only one part of our broad-scope effort to provide employees with resources to safely deal with and report any harassment, discrimination, bullying, retaliation, etc. We have formalized these procedures in our **Freedom from Discrimination and Harassment Policy** and our **SBH Cares Policy**, each of which reflects our core values and is made available to all employees. Our **Supplier Code of Conduct** reflects our whistleblower policy; we require vendors and suppliers to provide their employees with whistleblower protection without fear of retaliation for calling attention to legal or ethical issues. Our commitment to the safety of our associates is also evidenced by our background check policy for new hires, training and policy communications related to handling both associate and customer incidents, partnerships to maintain the stores and make necessary repairs, as well as ongoing support in the field and at the Corporate Support Center.

DIVERSITY, INCLUSION AND BELONGING

OUR VALUES At Sally Beauty we celebrate differences, inclusivity and self-expression. This fundamental aspect of SBH is rooted in our belief that beauty is for everyone and everyone should find their own path to beauty.

Our associates and our customers care about celebrating diversity and self-expression. We want our company and our stores to be places where all of our associates and customers feel valued for who they are, and experience a sense of belonging. We want to lead on this issue – both internally with our people, and externally with customers and investors – and that is how we want to be viewed and perceived going forward. We believe we should take action when appropriate and stand up for the right things.

Diversity, Inclusion and Belonging are core to our brand values and 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 BOARD 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 and Talent Committee provides regular 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.

OUR WORKFORCE One of our core values is “Be Yourself”, which to us means simply “Come as you are – everyone is welcome here.” Throughout our global workforce, this is something we take to heart and live out every day.

We are committed to fostering a diverse and inclusive workforce where everyone is welcome and each person can be authentic about who they are at work. We believe our culture of inclusion and acceptance fosters and directly enhances the diversity within our global workforce.

Our SBH team in the U.S. and Canada is over **90% women** and over **48% 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. To that end, we are committed to including a diverse slate of candidates for our job openings.

OUR CUSTOMERS We have an incredibly diverse customer base that we serve in almost every community in the US, and we have an obligation to be accepting and inclusive of them and to serve them to our best ability. SBH 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 4,080 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 in the past few years 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.
- Our Beauty Systems Group segment launched its **“MOVE Initiative,”** which is focused on strengthening connections with textured hair-focused salons and stylists and the Black entrepreneurs that own those salons.
- For the last two years, we have hosted our **“World of Texture Summit”** with 8,200 stylists attending virtually.
- We have seen continued success with our accelerator program, **Cultivate**, which helps beauty entrepreneurs grow their business and has empowered female-owned beauty brands to bring their visions and business plans to life. Our most recent winners were **Luxxi** (founded by Jasmine Shamberger) – an **innovative and modern press-on nail line** – and **Juices & Botanics** (Whitney Eaddy, CEO), a **luxury hair care line**. More information is available at www.sallybeauty.com/cultivate.
- April Holt, Group Vice President of Stores for Beauty Systems Group, was recently named **“Corporate Ally of the Year”** by Sadiia Black Beauty Room & Awards! This award “recognizes an executive in the beauty, fashion and retail industries who has impacted beauty diversity, equity, and inclusion by providing groundbreaking education, resources, and marketing support. April was recognized “for the efforts she has led to bring more focus to textured hair and other relevant issues in the world of professional beauty.”



MINORITY AND WOMEN-OWNED BRANDS SBH has a long history of partnering with women and minority-owned beauty brands, with SBH often providing their first major distribution point with a national or even international footprint. In the past two years 22 minority-owned brands have launched new products that SBH distributes. As of the end of FY22, our assortment includes:

- **57** Female Owned or Founded Brands
- **59** Black Owned or Founded Brands
- **17** Hispanic Owned or Founded Brands
- **14** Asian Owned or Founded Brands
- **3** LGBTQ+ Owned or Founded Brands

SBH intends to actively build off this legacy of success by maintaining and growing our assortment of minority and women owned or founded brands.

FY22 ACCOMPLISHMENTS In FY22, in addition to continuing many of the initiatives and programs already in place, we made progress on Diversity, Inclusion and Belonging in the following ways:

- We continued our multi-phase, year-round **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, unconscious bias and mental and emotional well-being, which were followed by leaders having open dialogues with their teams about these important issues.
- We continued SBH's Diversity, Inclusion and Belonging initiative, "**One & All**". To help address issues of racial injustice, part of this initiative is designed 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.
- We established our first **Employee Resource Groups (ERGs)**, which are associate-led groups organized around a common identity or passion. Our first four ERGs are Women, LGBTQ+, and Black and Hispanic associates. As we learn from our ERGs' continuing work and interaction with the business, we plan to expand ERGs across resource groups, as well as geographically.
- Launched our public-facing DIB website at www.sallybeautyholdings.com/our-company/diversity-inclusion-and-belonging to share our vision, progress, associate stories and initiatives.
- Updated our Careers websites with focus on DIB, our Purpose & Values and ESG.
- Launched our DIB initiatives and strategies within our global LATAM and Sally Europe business units, adapting plans to accommodate local differences.
- The Company's DIB leaders and ambassadors continue 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.
- In FY22, we improved our 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.

We will continue to develop and evolve how we enhance Diversity, Inclusion & Belonging throughout SBH. We recognize the value these initiatives bring to our Company, our associates, our customers and the communities we serve.

PHILANTHROPY AND COMMUNITY IMPACT

OUR VALUES We are guided in our philanthropy and volunteering strategy by our purpose and core values. To us this means we place a high value on sharing our passion with, and taking care of, our community and the planet. We are committed to positively impacting the growth and well-being of our associates, customers and the communities in which we live and work by supporting causes that reflect the passion of our associates and customers. We want



our associates and customers to realize the power of taking action – as an individual and as a team – and how much change we can drive in the world from small actions that we chose to take together.

OUR PEOPLE SBH encourages employees to be aware of and involved in charitable works in their community. Our primary mechanism for accomplishing this has been our long-standing partnership with the **United Way of Denton County** in Denton, Texas where our Corporate Support Center is located. Our company has two senior leaders who sit on the local United Way Board of Directors, and three of our associates from our Corporate Support Center are involved in the United Way's leadership development program. Each year we organize a pledge drive for employees and allow payroll deductions to be applied to the United Way or to another 501(c)(3)-qualified charity of their choice. And we organize other fundraising events to raise awareness and funds for the United Way.

OUR FOUNDATION In FY22, we established **SBH Inspires Foundation** to implement our charitable initiatives and facilitate ESG-related goals consistent with the company's purpose, values and long-term vision. In FY23, we will be working towards identifying core causes to support, and we expect that these will be rooted in our commitment to engage and inspire associates and customers and to contribute positively to the communities where our employees work and live. Going forward we plan to leverage the Foundation both to reflect and bring life to our purpose and values.

ACTIONS During FY22 and through fall 2022, we took the following steps to inspire our associates and customers, and to drive positive change through philanthropy:

- Continued developing infrastructure and governance for our strategic non-profit organization, **SBH Inspires Foundation**.
- Established disaster relief fund and raised over \$31,000 to assist Company employees impacted by hurricanes in Florida and Puerto Rico during 2022.
- Raised over \$8,000 for the National Breast Cancer Foundation during Breast Cancer Awareness Month.

ENVIRONMENTAL SUSTAINABILITY

PURPOSE AND VALUES In FY22 we continued to build on the strong progress we have made to responsibly manage our environmental impact. This progress is consistent with our desire to inspire a more colorful, confident and welcoming world, and to ultimately be part of something bigger than ourselves. We believe we have a duty to take care of the communities in which we operate, and to take care of our planet. We will continue to focus on improving our long-term sustainability and reducing our environmental impact across our global footprint.

GOVERNANCE The Board and the **Nominating, Governance and Corporate Responsibility Committee** have strategic oversight over ESG matters and initiatives. Management of ESG-related projects is jointly led by our **General Counsel**, our **CIO & Chief Transformation Officer** and our **Chief Human Resources Officer**. Together they coordinate a **cross-functional team of subject matter experts** to drive progress towards ESG goals. Management reports quarterly to and engages with the Board and its Committees regarding progress against our ESG goals.

ACCOMPLISHMENTS In FY22, we continued to evolve our focus on our global sustainability efforts. This year we partnered with Slalom, a global business and technology consulting company, who is a leader in partnering with companies to build out and advance their ESG framework. With the help of Slalom and our cross-functional **ESG Working Group**, Sally aligned to focus on two key areas: **sustainable packaging** and **responsible supply chain**. Within our two key focus areas, we will continue our journey with an explicit focus on **energy management** and **sustainable packaging for our own brand products**.

Some of our Energy Management Accomplishments in FY22:

- In North America, we are partnering with Engie a company that provides visibility to all gas and electric across our DC and store networks.
- We reduced working hours in our Corporate Support Center and stores along with installation of LED lighting in all new, relocated and remodeled stores contributing to a reduction in energy usage companywide.
- In North America, new and replacement exterior store signage is now universally LED lighted.
- In our Corporate Support Center (Texas), we upgraded area lighting to motion sensors and upgraded all parking lot and exterior lighting with LED lights.
- Since 2018, we have installed over 1000 new energy efficient HVAC units in stores (over 200 in FY22). All new equipment are equipped with economizers and analog thermostats have been replaced with set-back digital models.
- In Europe, we installed solar panels on warehouses, LED lighting and smart meters in stores and changed our fleet policy to use only hybrid and electrical cars. And we are testing additional energy monitoring options for stores that would allow us to centrally monitor energy and light consumption.
- In LATAM, we are focused on reducing energy usage by migrating to LED lighting and energy saving HVAC equipment. Since FY18, we have replaced incandescent bulbs in 59% (165) of our stores and we will replace the remainder in FY23. All new stores are fitted with LED lighting.
- In North America, all new and relocation store projects since 2019, as well as any maintenance replacement requests, are fulfilled with low flow toilets and faucets. Low flow equipment has also been installed in the restrooms at our Corporate Support Center.
- Over the past few years we converted our store delivery system to a more efficient pool distribution model, reducing truck miles required for store delivery. We are transitioning parts of the fleet to off-hours deliveries, thereby increasing more efficient night time driving.
- Our store and distribution center optimization efforts during late 2021 and 2022 have reduced our overall footprint and impact – by over 400 stores and 2 distribution centers – while still allowing us to best serve our customers where, when and how they prefer to shop with us – whether that is in-person or online.

Going forward we will continue to align environmental and sustainable initiatives with our purpose, values and core business strategies to create a more sustainable company across our global footprint. In FY23 we are planning to:

- Assess and better understand the data relating to our carbon footprint and to build out and refine our ESG strategy with a focus on sustainability; and
- Identify sustainability opportunities and baseline measurements to inform our carbon neutrality commitments.

RESPONSIBLE SOURCING

At SBH we believe that we are part of something bigger, and have a responsibility to take care of our community and our planet; we want to look outside our company and seek out ways to contribute positively in the world. We believe that one way we can achieve our purpose and reflect core values in our global operations is to accelerate sustainability in product development, packaging and sourcing, and we are committed to doing that. We continue to make progress toward our long-term sustainability goals.

Our Merchandising and Sourcing teams are regularly in contact with our vendors and suppliers about using more sustainable, cleaner and greener products and packaging. We seek to lock arms with vendors on the approach to sustainability issues and products. All finished formulas in our owned-brand products are cruelty-free, i.e., not tested on animals. In addition, 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; unit cartons for all hair color are produced with materials that are sourced from sustainably-managed forests; and hair care packaging is fully recyclable.

In Europe, we adopted new policies around eco-friendly owned brands development, and have (1) consistently altered packaging to sustainable solutions, and (2) offered products with eco-friendly ingredients and eco-friendly certification. We have also issued a "Green Magazine" to share our initiatives with outside stakeholders.

In Europe, we launched WUNDERBAR, a fully re-shaped Care and Styling range that includes sustainable packaging (plastic from the ocean), eco-friendly ingredients and eco-friendly certification.

Our commitment to sustained responsible sourcing and ethical practices throughout our supply chain is also reflected in our **Supplier Code of Conduct** and **Code of Business Conduct and Ethics**.

Our **Supplier Code of Conduct (Supplier Code)** applies to our vendors' and suppliers' business activities, including work performed through subcontractors. The Supplier Code requires suppliers to comply with our standards regarding "Ethical Sourcing" (e.g., forced labor, child labor, human trafficking, conflict minerals, land rights), "Employment Practices" (e.g., fair treatment, non-discrimination, wages and benefits, and freedom of association), and "Health and Safety" (e.g., occupational safety, occupational injury and illness, sanitation and housing).

In addition, we expect all suppliers to comply fully with all laws and regulations applicable to their business. Under our Supplier Code we may conduct an investigation or audit to confirm compliance and in some cases may terminate a business relationship due to non-compliance.

Our commitment to responsible sourcing and ethical business practices is also reflected in our **Code of Business Conduct and Ethics (Ethics Code)**, which applies to all SBH employees. The Ethics Code makes clear that we intend to operate "**with regard to the welfare of SBH employees and for the protection of the environment and the general public.**" Our Ethics Code requires employees to comply with our hazard communications program and to comply fully with all laws, rules and regulations affecting our business, including the national and local environmental and labor laws of our host nations and communities.

DATA PROTECTION AND CYBERSECURITY

Our Board of Directors understands the critical importance of managing evolving risks associated with cybersecurity threats. Our Company is committed to protecting the privacy and security of customer information and the integrity of our information technology systems.

The Audit Committee of the Board has primary responsibility for overseeing risks related to the cybersecurity threat landscape, including data protection and security breach readiness, although the **full Board** also exercises oversight over these risks. Our **Chief Information Security Officer (CISO)** reports directly to the **Chair of the Audit Committee**. We believe this accountability structure helps maintain the independence of the CISO while giving the Board direct and meaningful line-of-sight governance. The Audit Committee Chair regularly reports on cybersecurity discussions to the full Board.

On a quarterly basis, the CISO 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, cybersecurity strategy and governance structure, consumer data protection, the Company's ongoing risk mitigation activities, learnings from data security incidents of peer companies, results of third-party assessments and testing, updates on annual associate training and other specific training initiatives.