

**Charter of the Compensation Committee
of the Board of Directors of
Sally Beauty Holdings, Inc.**

As Adopted by the Board of Directors
August 27, 2012

This Charter sets forth, among other things, the purpose, membership and duties and responsibilities of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Sally Beauty Holdings, Inc. (the “Corporation”).

1. Purpose

The purpose of the Committee is: (a) to discharge the Board’s responsibilities relating to compensation of the Corporation’s executives; and (b) to prepare any report on executive compensation required by the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for inclusion in the Corporation’s annual proxy statement.

2. Membership

The Committee shall consist of four members appointed by the Board. Members of the Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine. If any vacancy shall occur in the Committee, by reason of disqualification, death, resignation, removal or otherwise, the remaining members (and any alternate members) of the Committee shall continue to act, and any such vacancy may be filled by the Board.

Each member of the Committee shall satisfy the director and compensation committee independence requirements of the New York Stock Exchange. Each Committee member shall be a “Non-Employee Director” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and an “outside director” for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

3. Structure and Operations

The chairperson of the Committee may be any Committee member designated by the Board. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution. In the event the number of Committee members voting in favor of a proposal and the number of Committee members voting against such proposal are equal, the proposal shall be submitted to a vote of the Board. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this Charter, at such times and places as shall be determined by the Committee chairperson. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications arrangements by means of which all persons participating in the meeting can hear each other. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions.

4. Duties and Responsibilities

The Committee's duties and responsibilities shall include each of the items enumerated in this Section 4 and such other matters as may from time to time be delegated to the Committee by the Board.

(a) The Committee shall establish the Corporation's general compensation philosophy, and, in consultation with senior management, oversee the development and implementation of compensation programs.

(b) The Committee shall, at least annually, (i) review and approve corporate goals and objectives relevant to the compensation of the Corporation's Chief Executive Officer (the "CEO"), (ii) evaluate the performance of the CEO in light of those goals and objectives, (iii) report the results of such evaluation to the Board and (iv) have the sole authority to determine the CEO's compensation level based on this evaluation.

(c) The Committee shall, at least annually, review and approve all compensation arrangements with the CEO and the other senior executives of the Corporation, including, without limitation: (i) the annual base salary level; (ii) the annual incentive opportunity level; (iii) the long-term incentive opportunity level; (iv) employment agreements, severance arrangements and change-in-control agreements/provisions, in each case as, when and if appropriate; and (v) any special or supplemental benefits.

(d) The Committee shall review and make recommendations to the Board with respect to the Corporation's non-CEO compensation, incentive compensation plans with respect to senior management and all equity-based plans and oversee the administration of these plans and discharge any responsibilities imposed on the Committee by any of these plans.

(e) The Committee shall periodically review and approve the compensation of the Corporation's directors and make a report to the Board with respect thereto.

(f) The Committee shall oversee the Corporation's regulatory compliance with respect to compensation matters, including the Corporation's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been obtained for purposes of Section 162(m) of the Internal Revenue Code.

(g) Periodically, but no less than annually, assess the Corporation's various compensation programs, including those in which non-executive officers participate, to determine whether the programs encourage employees to engage in unnecessary or excessive risk taking that could have a material adverse effect on the Corporation.

(h) The Committee shall report to the Board periodically on all matters for which the Committee has responsibility.

(h) The Committee shall provide an annual Compensation Committee Report to stockholders communicating that the Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on its review and discussions with management, recommends that the Compensation Discussion and Analysis be included in the Corporation's annual proxy statement in accordance with applicable SEC rules and regulations.

(i) The Committee shall undertake and review with the Board an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The Committee shall conduct such performance evaluation in such manner as the Committee deems appropriate, and may report the results of its performance evaluation through an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

(j) The Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board for approval such changes as the Committee believes are appropriate.

(k) The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.

5. Authority and Resources

The Committee shall have the sole authority, without further approval by the Board, to select, retain and terminate a compensation consultant to assist in the evaluation of director, CEO or senior executive compensation and to approve any compensation payable by the Corporation to such consultant, including the fees, terms and other conditions for the performance of such services. In addition, the Committee may, without further approval by the Board, obtain such advice and assistance from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any accounting, legal or other advisor retained by the Committee may, but need not, be in the case of an outside accountant, the same accounting firm employed by the Corporation for the purpose of rendering or issuing an audit report on the Corporation's annual financial statements, or in the case of outside counsel or other advisor, otherwise engaged by the Corporation for any other purpose, subject to any independence assessment required by law, the rules of the New York Stock Exchange, or otherwise.

The Corporation shall pay to any compensation consultant or outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee.