

# Sally Beauty Holdings, Inc. Vendor Guide For Merchandise Vendors

Includes Compliance and Chargeback Policies

Effective:  
April 8, 2019

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## Overview

Sally Beauty Holdings, Inc. (“SBH” or “we”) is in the process of combining the merchandising operations of Sally Beauty Supply (“Sally”) and Beauty Systems Group (“BSG”, as used herein, includes our subsidiaries and affiliates, including but not limited to CosmoProf and Armstrong McCall).

For you, our vendors, this means we will handle all steps of our inventory process consistently, from forecasting demand, to writing Purchase Orders, to shipping, invoice processing, and chargebacks. These processes are outlined in this guide (this “Guide”), and will simplify the way we work together.

In this Guide, we detail certain guidelines and requirements we have for our vendors, and explain how we will measure our vendors’ compliance with those expectations. We also detail the consequences in the event of a vendor’s failure to comply with these guidelines. We will assess non-compliance fees on our vendors to compensate us for the disruption to our supply chain when a vendor does not follow the processes outlined in this Guide.

We want to be clear: we do not want to assess non-compliance fees! **Our goal is to have a smooth-running, reliable, fast supply chain and we are happiest when you meet our requirements for execution.** This helps us run a better business, drive sales, and exceed our customers’ expectations, which builds a stronger business for all of us.

## SBH Expectations for New Vendors

### New Vendor Set up Forms

*Please refer to Appendix A for Sally Beauty Supply*

*Please refer to Appendix B for Beauty Systems Group (CosmoProf or Armstrong McCall)*

## SBH Expectations for All Vendors

### New Item Set up Form

*Please refer to Appendix C for Sally Beauty Holdings (SBH) New Item Form*

Please note when submitting the New Item Form:

1. All fields shaded in coral must be completed at time of product submission. The merchants will return any forms that are not complete, which could delay item set up.
2. Tab 2, “multiple SKU information” can be used to list product lines (e.g., shades) for which the only product differentiation is the UPC.
3. Tabs 9 and beyond are category specific and support the attributes of each individual product. As an example, if your new item is an Appliance, you only need to fill the Appliance tab and not the other category-specific tabs. Out of the category-specific tabs, the only tab that needs to be completed is the one that pertains to the particular new product. All product attributes are drop down boxes. All the cells shaded in coral must be filled. **Please select only from the drop down options, as this will help us maintain the integrity of the data in our system.**

### Electronic Communication

- **Expectation:** All communication relating to shipments and transmission of documents relating to shipments between SBH and you, our vendor, will be facilitated electronically through a partnership with SPS Commerce. SPS Commerce is a third party communication service we have chosen to facilitate the EDI (Electronic Data Interchange) transactions between us, including the transactions and communications relating to the following forms: Purchase Order, Purchase Order Acknowledgement, Purchase Order Change, Purchase Order Change Acknowledgement, Advance Ship Notice, and Invoice.

Current SBH vendors were informed of our relationship with SPS Commerce on 11/27/2018 and are in the process of onboarding with SPS Commerce. For existing vendors, the onboarding process must be completed no later than April 30, 2019. After April 30, 2019, SBH will NO LONGER support manual mailing, faxing or emailing of any order information. If you have questions about the onboarding process, contact SPS at:

<http://community.spscommerce.com/sally-beauty-fulfillment>

New SBH Vendors will have 21 days from the initial contract date to complete the EDI setup and testing process. To initiate the EDI onboarding process, contact SPS at:

<http://community.spscommerce.com/sally-beauty-fulfillment>

- **Compliance Measurement:** You (our vendor) will begin sending and receiving all documents electronically, via EDI, no later than April 30, 2019.

What are the required EDI documents/transmissions for Sally Beauty?
➤ 850 (Purchase Order)
➤ 855 (Purchase Order Acknowledgement)
➤ 810 (Invoice)
➤ 856 (Ship Notice)
➤ 860 (Purchase Order Change)
➤ 865 (Purchase Order Change Acknowledgement)
➤ 128 (Bar Code Label) & Packing List

- **In the event of Non-Compliance:** You will no longer receive Purchase Orders from SBH.

## Purchase Order

Upon receipt of an SBH Purchase Order, you must electronically return a **Purchase Order Acknowledgement** through EDI. The Purchase Order Acknowledgement will verify that you accept the Purchase Order as it is written therein, and will comply with all terms and conditions contained in the Purchase Order. If you cannot accept the Purchase Order as written for any reason, you must *immediately* (no later than 24 hours) call the Merchandise Planning Inventory Planner you work with, and discuss the changes that need to be made to the Purchase Order. Upon our agreement that a Purchase Order should be revised, you will receive a **Purchase Order Change** communication from us, electronically through EDI, with the updated Purchase Order.

Again, we expect you to verify you received this communication and accept the change by returning a **Purchase Order Change Acknowledgement**.

### Advance Ship Notice

When you have picked and packed the order at your shipping location, you must submit an **Advance Ship Notice** via EDI with the details of what is actually loaded on the truck, and on its way to our receiving location. The Advance Ship Notice must be submitted within the 24 hours after the goods are shipped so that the document is available on EDI before the shipment arrives. The **Advance Ship Notice** allows us to schedule trailers and labor as necessary to ensure that we can receive products efficiently and expedite payment to Vendors.

### Invoice

You must also submit an electronic **Invoice** via EDI. The electronic Invoice must be submitted within the 24 hours after the goods are shipped so that the document is available on EDI before the shipment arrives. This will enable all of us to review, on EDI, what was ordered, what was shipped, and what was invoiced, ensuring that we are all working with the same data and any disputes can be resolved quickly.

# Shipping to Warehouse Requirements

## Overview

It is our policy to refuse any shipment not stacked, wrapped, identified, documented, and/or shipped in accordance with the instructions and specifications contained herein. In such cases, the cost of transporting the shipment back to the vendor and subsequent transportation charges on reshipment to our warehouses are to be borne by you as the vendor.

Authorization for deviation from the specifications in this Guide must be approved in writing via email by the Director of the Warehouse Facility at the relevant receiving facility prior to the delivery.

In an effort to control freight costs, please consolidate our orders before shipping our product. Our goal is to consolidate as much product into a single shipment, while maintaining our required ship dates. We appreciate your cooperation in adhering to this policy.

Keep in mind that shipping via parcel carriers (UPS, FEDEX, and DHL) may cost you more and is problematic for our warehouses, which may delay our receiving process for your shipments. In addition, we do not accept parcel carriers' "proof of deliveries" for short shipments.

Shipments to SBH should be palletized. Less than truckload (LTL) shipments should be shipped via our approved preferred carriers as per our published routing matrix (on page 5 of Appendix D). The matrix clearly shows the preferred carrier that should be used based on the origin and destination state of the shipment.

## General Transportation, Logistics and Shipping Requirements

Product may be delivered to our warehouses by four main routes: Truckload (TL), Preferred LTL, other LTL and Parcel.

### Truckload Freight (TL)

Upon receipt of a shipment via TL, pallets are unloaded on our receiving docks. The receiving personnel count the pallets or cartons (depending on what the freight bill calls for) and sign the freight bill, which allows the driver to leave. If the receiving

personnel are required to count cartons per the freight bill, they assume that all tiers on a pallet match the top complete tier. For shipments with delivery receipts or freight bills that indicate carton counts may be signed as “said to contain” or “STC”, the receiving personnel will count the cartons assuming the tiers are uniform, and the carton count will be so noted on the delivery receipt.

Note: a signed freight bill when a TL shipment is accepted does not confirm the quantities delivered are accurate. Shortages and overages are noted only when confirming the Purchase Order.

### Preferred LTL

Our preferred carriers are shown on page 5 of Appendix D. The routing matrix indicates which preferred carrier(s) should be used based on the origin and destination States of the shipment. These preferred carriers have standing appointments in our warehouses every week. Trailers of merchandise are brought to and dropped off at our warehouses along with the freight bills. After merchandise is unloaded, counted and received, the freight bills are signed. If shortages, overages, or damages are identified, they are noted on the freight bill.

### Other LTL

These LTL carriers (any carrier not shown on Appendix D, page 5) DO NOT have standing appointments and must contact the Director of the Warehouse Facility via e-mail (instructions on Appendix D) to schedule an appointment prior to delivery. Trailers are not dropped off at our facilities and the driver must wait while the shipment is unloaded and counted and the freight bills are signed.

Note: as with truckload carriers, an exact counting of all cartons does not take place prior to signing the freight bill and a signed freight bill when a shipment is accepted does not confirm quantities delivered are accurate. Shortages and overages are noted only when confirming the Purchase Order.

### Parcel

Based upon the high volume of daily Parcel deliveries, receiving personnel DO NOT verify each and every package that is unloaded. Receiving personnel verify that the total carton count matches the count on the packing list and sign the delivery receipt. Since receiving personnel do not verify each carton, we DO NOT recognize PODs (proof of deliveries) from parcel carriers.

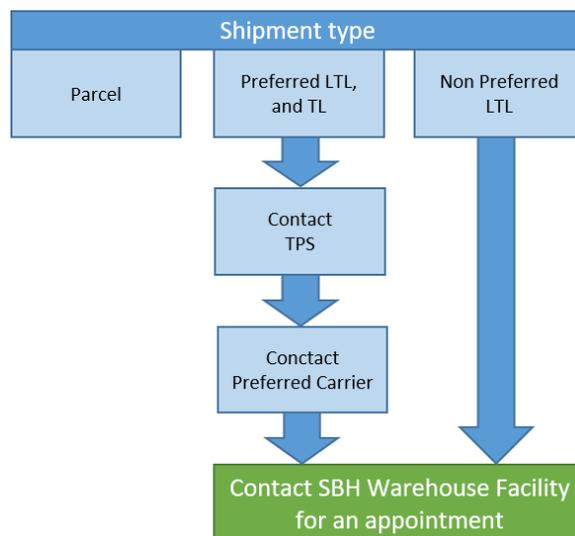
Note: a signed freight bill when a parcel delivery is accepted does not confirm quantities delivered are accurate. Shortages and overages are noted only when confirming the Purchase Order.

In the case of all shipments to our warehouses, if there is a shortage or overage when Purchase Orders are confirmed, a notification of a vendor shipment error (VSEN) will be sent to the vendor to indicate discrepancies, and we will ask you to reship or for a credit, depending on the discrepancy.

## Detailed Routing & Shipping Requirements to SBH Warehouses

All of our warehouses require delivery appointments for all shipments (other than Preferred LTL and Parcel shipments as described above). When using preferred carriers for LTL, follow instructions on Appendix D or contact TPS Logistics with any questions or concerns at (248) 731-4725 or [SBA@tpslogistics.com](mailto:SBA@tpslogistics.com).

We have preferred carriers for LTL. The routing matrix on page 5 of Appendix D indicates the preferred carrier that should be used based on the origin and destination State of the shipment. Please note that shipments transported by a carrier that is not the preferred carrier that is listed on the routing matrix will be debited at the vendor's expense unless the vendor obtained prior authorization from the Director of the Warehouse Facility in writing via email. We will deduct a flat \$100.00 fee per occurrence from the vendor's next invoice. Please refer to Appendix D for Routing Instructions. A list with each warehouse's email address for scheduling shipment appointments is on Appendix D.



Appointments are subject to availability and will be scheduled for the earliest available slot.

All Purchase Order numbers in the shipment must be included in the email request for an appointment.

*Less than Truckload (LTL) Shipments: (400-10,000 lbs. and less than 12 linear feet) by Preferred LTL Carriers:*

Please follow the routing matrix on Appendix D for selection of the Preferred LTL carrier.

- When shipping LTL, the vendor MUST list the classification on the bill of lading. Classification is found in the NMFC (National Freight Classification Manual) which is required by the Department of Transportation.
- When shipping to Canada, Alaska, Hawaii, Puerto Rico, and Mexico please use YRC Freight (<http://yrc.com/>).

*Truckload Shipments (10,001 lbs. and greater or more than 12 linear feet):*

Contact TPS Logistics (Email: [SBA@tpslogistics.com](mailto:SBA@tpslogistics.com) Phone: 248-731-4725) in advance of any shipments.

## Fee Details for Non-Compliance on Transportation and Shipping to Warehouse Requirements

Vendor non-compliance fees will be calculated based on labor, materials and administrative costs. See Appendix E for our fee calculation form.

### 1. Non-Compliant Shipments - General

- All shipments to any warehouse should comply with the requirements in this Guide. Any deviations from the requirements listed herein require the prior authorization of the Director of the Warehouse Facility in writing via email.
- Any shipments that do not comply with the requirements of this Guide will be considered a shipping deficiency subject to applicable non-compliance fees unless the Director of the Warehouse Facility authorized the non-compliance in writing via email.
- Vendors will receive a notification (a “Non-Compliance Notification”) in the event of non-compliance. Non-Compliance Notifications will include a description of how the shipment did not comply with our requirements, along

with photographic and/or supporting documentation evidencing the non-compliance, and the amount of the non-compliance fee.

- Vendors will have 10 days from receipt of the Non-Compliance Notification to contest any fees assessed. Any dispute about these fees must be submitted to the Director of the Warehouse Facility that sent the Non-Compliance Notification.
- Repeated failure to comply with the requirements of this Guide may result in fees being charged to the vendor to compensate SBH for all costs and expenses suffered and incurred as a result of a vendor's non-compliance.

## 2. Failure to Communicate All Purchase Orders during Scheduling of Appointment

- When scheduling an appointment, our vendors must communicate all the Purchase Orders they will deliver to enable our warehouses to appropriately plan and prepare for the receipt of the shipment.
- Failure to communicate one or more Purchase Orders while making the appointment will result in a non-compliance fee.
- Fee for Non-Compliance: See Appendix E – Violation #1

## 3. Missed Appointments or Late Arrival in excess of 30 Minutes

- Missed appointments and/or late arrivals in excess of 30 minutes may be rescheduled (at the discretion of the warehouse) to the next available time slot. Any cost incurred for storage or late delivery will be the responsibility of the vendor. SBH is not responsible for any cost incurred for this violation.
- **Fee for Non-Compliance:** See Appendix E- Violation #2

## 4. Receiving Window

**Purchase Order receiving window will show on the Purchase Order as a “*Delivery Week of*” window; you have Sunday – Friday to deliver.**

- Our Purchase Orders show a “*Delivery Week of*” window for delivery, and the vendor has from Sunday – Friday of that week to deliver. In the case that you want to deliver a shipment earlier than the five (5) day “*Delivery Week of*” window, you must contact your Merchandise Planning Inventory Planner or the Director of the Warehouse Facility asking for authorization via email (absent such prior written authorization via email, a non-compliance fee will be assessed). All Purchase Order Numbers in shipment must be shipped to the correct warehouse.

- This does not apply to receiving appointments scheduled by the warehouse outside the five (5) day “Delivery Week of” window.
- **Fee for Non-Compliance:** See Appendix E- Violation #3

## 5. Bill of Lading Requirements

- Two copies of the Bill of Lading (“BOL”) should be given to the carrier at the time of shipment.
- The BOL must include:
  - Full “ship to” address as listed on the Purchase Order.
  - All Purchase Order numbers for orders included in the shipment. If more than one Purchase Order is shipped on the same truck, each carton must have the proper Purchase Order number on it.
    - ✓ Name of Carrier
    - ✓ List carton count in quantity column of BOL if number of cartons is 50 or less.
    - ✓ List number of pallets in quantity column of BOL. If carton count is more than 50 total cartons, it should be noted in the body of the BOL.
    - ✓ Accurately note weight in appropriate column.
    - ✓ Date shipped.
    - ✓ Any applicable special handling or delivery instructions.
    - ✓ Email address and phone number of the receiving warehouse.
- **Fee for Non-Compliance:** See Appendix E- Violation #4

## 6. Packing List Requirements

- Vendor must provide a packing list containing the following information:
  - ✓ If the quantity for one Purchase Order is shipped across multiple trucks, the packing list must be specific to each shipment (truck).
  - ✓ Purchase Order number(s)
  - ✓ SKU specific information:
    - SKU number
    - Item description
    - Number of full pallets with the number of cartons per pallet and units per carton
  - ✓ Freight carrier and shipment date
  - ✓ Vendor name
- The SKUs and quantity delivered must be accurate per what is indicated on the packing list. Ship only products in quantities specified on the Purchase Order.

- New SKUs must include a Safety Data Sheet (“SDS”) as part of these documents. Additionally, any SKUs that have been reformulated and for which the SDS information has changed must have an SDS sheet as part of these documents for the next shipment. SDSs for any items that are regulated for transportation must include a completed section 14 of the SDS.
- The SKU specific information, as listed in the first bullet of this section above, must be listed for each pallet. If you are shipping the same SKU in different pallets, then you must provide the SKU specific information for each pallet.
- The packing list should be placed securely on the last pallet loaded on the trailer or attached to the BOL so that the receiving warehouse may review the list prior to unloading the shipment. The packing list for smaller shipments (i.e. LTL, UPS, etc.) should be placed in one clearly marked carton indicating “Packing List Enclosed”.
- Items must be shipped in shippable cartons and in master case packs only. Shipments should include only one SKU per carton. You may be able to place multiple cartons in a larger carton (though there should only be one Purchase Order per carton) for shipping purposes. This over pack carton would require all the markings required per this guide.
- Upon shipping, the packing list must be sent via EDI (EDI document #128) to the appropriate warehouse receiving department no later than 24 hours in advance of expected delivery.
- The use of this packing list is required. Shipments arriving without the properly completed packing lists are subject to refusal and chargebacks.
- The packing list must be complete with all information requested above or a non-compliance fee will be applied.
- **Fee for Non-Compliance:** See Appendix E- Violation #5

## 7. Item Not Shipped in Master Case/ Marked as Multiple SKU

- Units are to be packed in uniform quantities in cartons, per master case requirements. In the event that master case requirements change, resulting in a change to the number of units per master case, this change must be communicated to the Buyer at SBH, to enable us to update our systems accordingly.
- Each carton should have only one SKU.
- Each carton containing the same SKU should include the same number of units according to master case, and this information should be provided in the packing list.
- A shippable carton for promotional items will be defined as:

- ✓ 44 ECT or 200 Burst strength (minimum)
  - ✓ Packed with inserts and proper packing to ship in a parcel
- A shippable carton for other items will be defined as:
  - ✓ 32 ECT or 200 Burst strength (minimum)
  - ✓ Packed with inserts and proper packing to ship in a parcel
- **Fee for Non-Compliance:** See Appendix E- Violation #6

## 8. Cartons Not Shippable or Not Properly Packaged

- Shipping cartons are to be clearly marked with the following:
  - ✓ Sally SKU number
  - ✓ Item description
  - ✓ UPC (Bar-coded if available)
  - ✓ Serial number (if applicable)
  - ✓ Quantity per case
  - ✓ Vendor name
  - ✓ Accurate hazardous markings (if applicable)
  - ✓ Case containing packing list must be clearly identified
  - ✓ Purchase Order number
  - ✓ Partial carton indicator
- **Fee for Non-Compliance:** See Appendix E- Violation #7

## 9. Cartons Not Clearly Marked or Not Marked Correctly

- The shipper is responsible for classifying, packaging, marking, labeling and documenting a hazardous material shipment in full accordance with hazardous materials regulations. When freight is offered for shipment, the hazardous material must be labeled and properly described on the shipping paper. Make sure when packing small cases of ORM-D or Limited Quantity items in a large case for shipping purposes, you mark the cases with the same ORM-D or Limited Quantity labels.
- **Fee for Non-Compliance:** See Appendix E- Violation #8

## 10. Pallet Requirements

- Cartons must be palletized at a height not to exceed 55" and should fit within the parameters of the pallet without overhanging the edge of the pallet.
  - **Fee for Non-Compliance:** See Appendix E- Violation #9
- Use only class "A" or "B" 4 – way pallets, size 40" or 42" by 48". Pallets must be in good shipping condition with no broken or missing boards.
  - **Fee for Non-Compliance:** See Appendix E- Violation #10

- Cartons must be secured to the pallets so as not to shift in transit, by a means such as shrink wrapping or taping.
  - **Fee for Non-Compliance:** See Appendix E- Violation #11
- Cartons of the same product must be consolidated together on the same pallet. If there is less than a pallet of each item, then these cartons must be consolidated together in the same layer of the pallet. Pallets containing multiple items must be clearly marked **“MIXED ITEMS ON THIS PALLET”**.
  - **Fee for Non-Compliance:** See Appendix E- Violation #12

## 11. Product Mark/Label Requirements

- Cartons are to be stacked on pallets so that carton markings are facing outward and clearly visible through outer wrappings. A pallet label should be affixed to the top right hand corner of each pallet with the pallet loaded facing the rear of the trailer. The label must contain the following data:
  - ✓ Address of warehouse receiving the shipment
  - ✓ Purchase Order number(s) on pallet
  - ✓ SKUs on pallet and location within the pallet of SKUs on mixed pallet
  - ✓ Vendor name
  - ✓ Carton count
- The labels should contain all information listed in this section or a non-compliance fee will be applied.
- **Fee for Non-Compliance:** See Appendix E- Violation #13

## 12. Purchase Order Products and/or Quantities Not Accurate

- The correct SKU is to be shipped in the correct quantity as per the Purchase Order.
- Should we be unable to resolve a freight claim for damaged or lost goods due to improper packing or descriptions, the vendor will be liable for the value of the claim.
- **Fee for Non-Compliance:** See Appendix E- Violation #14

## 13. Shipping On-Time Policy

- We expect our Purchase Orders to **arrive** at the “Ship To” location (usually a warehouse) within the “Delivery Week of” window on the Purchase Order (Refer to #3 in this section for Fee Details for Non-Compliance.) We reserve the right to refuse any shipment that arrives after this date.

- **Compliance Measurement:** We will capture the receipt date of each Purchase Order at the receiving location, and compare it to the “Delivery Week of” window on the Purchase Order. If the receipt date is within the “Delivery Week of” window, it will count as “on-time”. If the receipt date is after the arrival window, it will be considered “late” or non-compliant.
- **Fee for Non-Compliance:** All orders received outside of the Purchase Order arrival window will be assessed a chargeback fee. Please see below fees below:

Week of Delivery window	Fee for non-compliance
In Window	No fee
1 week late	4% fee on units received late
2 weeks late	8% fee on units received late
3+ weeks late	12% fee on units received late
Non-shipment	12% fee on units ordered and not received

14. Shipping Complete Policy

- We expect you to fill our orders 100% complete, within the arrival window on the Purchase Order. **We will not accept substitutions, backorders or overages.** If you cannot fill the order in full within the arrival window, you should have notified the Merchandise Planning Inventory Planner at the time you received the Purchase Order, and amended the order.
- **Compliance Measurement:**  
 We will measure the units received against a Purchase Order based on “Delivery Week of” window.  
 We will divide the units received by the total number of units ordered on the final version of the Purchase Order. This will equal the “percent complete”. Our goal is 100% with VE (Vendor Excellence) vendors and 95% with non-VE vendors.
- **Fee for Non-Compliance:** Each unfilled unit (quantity of items on the orders) will be assessed a chargeback of 12% of the cost of goods (see table in section 13 above). You will receive a report with your Purchase Orders’ information:
  - ✓ Purchase Order number
  - ✓ Confirmation Date
  - ✓ Estimated Delivery Date (ETA)
  - ✓ Receipt Date
  - ✓ Units ordered
  - ✓ Units received
  - ✓ Fee % per Purchase Order line
  - ✓ Fee amount per Purchase Order line

## Reporting

We will provide monthly reporting on the measurements outlined in the prior section (the “Monthly Reports”). The Monthly Reports will be published on the SPS or FOM Portal (Fulfillment Order Management/Model) so you can monitor your performance over time and know what to expect.

The reports will be published in the next link:

<http://community.spscommerce.com/sally-beauty-fulfillment>

## Chargebacks

The chargeback fee amount will be deducted from our payable balance to you. Chargebacks will be deducted monthly, with a 30 day lag. (Example: fees/chargebacks incurred in the month of March will be due at the end of April and will be deducted from our payables due to you.)

## Chargeback Disputes

Any dispute about a chargeback must be submitted to SBH within 10 days of your receipt of the Monthly Report we will send via EDI. Any dispute must be documented on the form enclosed with the Monthly Report and sent to SBHVC@sallybeauty.com. You will be expected to provide proof that the order arrived at our warehouse on-time and/or complete and/or in line with the other requirements set forth in this Guide. The following does NOT constitute evidence that we will accept:

- A signed, stamped BOL does not provide evidence that specific items, or specific quantities of any items were received on time.
- A statement that there was an agreement with a Director of the Warehouse Facility or the Merchandise Planning Inventory Planner (as applicable) to deviate from the requirements in this Guide. As explained above, any such agreement with the Director of the Warehouse Facility or the Merchandise Planning Inventory Planner, as applicable, must be documented in writing via email.

I hereby acknowledge receipt of a copy of the Sally Beauty Holdings, Inc. Vendor Guide for Merchandise Vendors (April 8, 2019 edition) and understand, acknowledge, and agree that I am responsible for reading it and familiarizing myself with its contents and following the requirements set forth therein.

\_\_\_\_\_ ***(Name of Vendor if entity)***

\_\_\_\_\_ ***(Signature)***

\_\_\_\_\_ ***(Name of Signatory)***

\_\_\_\_\_ ***(Title, if applicable)***

## Appendix

**Appendix A:** Sally Beauty Supply (SBS) New Vendor Set Up Form

**Appendix B:** Beauty System Group (BSG) New Vendor Set-Up Form

**Appendix C:** Sally Beauty Holdings (SBH) New Item Set-Up Forms and Attributes (note there are 10 tabs to be completely filled out before submission.)

**Appendix D:** Routing Guide

**Appendix E:** Shipping and Receiving Non-Compliance Fee Form