

# ULTA BEAUTY, INC.

## Corporate Governance Guidelines

The Board of Directors (the “**Board**”) of Ulta Beauty, Inc. (the “**Company**”) has adopted the following Corporate Governance Guidelines (the “**Guidelines**”) to assist the Board in the exercise of its responsibilities. The Board intends that these Guidelines serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations, and should be interpreted in the context of all applicable laws and the Company’s Certificate of Incorporation (as may be amended from time to time, the “**Certificate of Incorporation**”), By-Laws (as may be amended from time to time, the “**By-Laws**”) and other corporate governance documents. These Guidelines are subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company and its stockholders or as required by applicable laws and regulations.

These Guidelines are available on the Company’s website at “<http://ir.ulta.com>” and to any stockholder who otherwise requests a copy. The Company’s Proxy Statement on Schedule 14A will state the foregoing.

### **1. Role of Board and Management**

The Company’s business is conducted by its employees and officers, under the direction of the President and Chief Executive Officer (“**CEO**”) and the oversight of the Board to enhance the long-term value of the Company for its stockholders. The Board is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. The Board recognizes that the long-term interests of stockholders are advanced by taking into consideration, as appropriate, the concerns of other stakeholders, including employees, suppliers, the public and members of the communities in which the Company operates.

### **2. Functions of Board and Director Responsibilities**

The business and affairs of the Company will be managed by or under the direction of the Board, including through one or more of its committees as set forth in the By-Laws and committee charters. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders, and to conduct themselves in accordance with their duties of care and loyalty. Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. These include:

- overseeing the conduct of the Company’s business, to evaluate whether the business is being properly managed;
- reviewing and, where appropriate, approving the Company's major financial objectives, plans and actions;
- reviewing and, where appropriate, approving major changes in, and determinations of

other major issues respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the Company's financial statements;

- reviewing and, where appropriate, approving major changes in, and determinations under the Company's Guidelines, Code of Business Conduct and other Company policies;
- reviewing and, where appropriate, approving actions to be undertaken by the Company that would result in a material change in the financial structure or control of the Company, the acquisition or disposition of any businesses or asset(s) material to the Company or the entry of the Company into any major new line of business;
- with respect to the Independent Directors (as defined below), and as directed by the Board, together with the Compensation Committee, regularly evaluating the performance and approving the compensation of the CEO and other senior officers;
- with the input of the CEO and the Compensation Committee, regularly evaluating the performance of senior officers;
- planning for succession with respect to the position of CEO and monitoring management's succession planning for other key executives; and
- ensuring that the Company's business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

The Board has regularly scheduled meetings during the year (at least four normally scheduled meetings) at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled Board and relevant committee meetings, barring special circumstances.

### **3. Director Qualifications**

The Nominating & Corporate Governance Committee shall be primarily responsible for identifying and recommending to the Board qualified candidates for Board membership based primarily on the following criteria:

- Judgment, character, personal and professional integrity, ethics and values;
- Experience in corporate management, such as serving as an officer or former officer of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly held company in today's business environment;
- Experience in the Company's industry and with relevant social policy concerns;
- Experience as a board member of another publicly held company;
- Academic expertise in an area of the Company's operations;
- Practical and mature business judgment, including ability to make independent analytical inquiries;

- Diversity of viewpoints, backgrounds and experiences; and
- The extent to which the integrity of the candidate's expertise, skills, knowledge and experience with that of the other Board members will build a Board that is effective, collegial and responsive to the needs of the Company.

Directors should devote the time and effort necessary to fulfill their duties and responsibilities, and should be prepared to serve on the Board for an extended period of time. Directors should offer their resignation if they experience a significant change in professional role or responsibilities. In addition, a director should offer their resignation if in their reasonable judgment any significant change in their personal circumstances, makes them unable to devote sufficient time to their responsibilities, or otherwise impacts their ability to serve, as a Board member. The Nominating & Corporate Governance Committee shall consider the resignation offer, evaluate the continued appropriateness of Board membership in light of all of the circumstances and recommend to the Board whether to accept such director's resignation or request that the director continue to serve.

Any director who reaches the age of 75 years in his or her first year of his or her three-year term will not be eligible to stand for election unless the Nominating & Corporate Governance Committee, after evaluation of the continued appropriateness of Board membership in light of all of the circumstances, decides to recommend to the Board that an exception be made. In addition, any director who reaches the age of 75 years in his or her second or third year of his or her three-year term will, promptly following such director's 75th birthday, submit to the Board his or her resignation from the Board. The Nominating & Corporate Governance Committee shall consider the resignation submitted, evaluate the continued appropriateness of Board membership in light of all of the circumstances and recommend to the Board whether to accept such director's resignation or request that the director continue to serve. If such resignation is accepted by the Board, it will be effective at the next annual meeting following the resignation.

The Board does not believe that arbitrary term limits on a director's service is appropriate, nor does it believe that directors should expect to be renominated at the end of their respective terms until they resign or are removed. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these Guidelines. The Chairman of the Board as well as the Nominating & Corporate Governance Committee shall monitor performance and take steps as necessary regarding continuing director tenure. Similarly, the Board does not believe that its members should be prohibited from serving on boards of other organizations and has not adopted any guidelines limiting such (or other) activities, except with respect to members serving on the Audit Committee, as described below. However, each director should notify the Chairman of the Board and the Chairman of the Nominating & Corporate Governance Committee in advance (to the extent possible) of any material change in such director's

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professional roles and responsibilities (including service or proposed service on other boards and/or committees) and the Nominating & Corporate Governance Committee will evaluate the continued appropriateness of Board membership under the new circumstances and shall make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

Due to the demanding nature of service on the Audit Committee, a member of the Audit Committee may not serve on the audit committees of the boards of directors of more than two other public companies while serving on the Audit Committee, unless the Board determines that such service would not impair the ability of such member to effectively serve on the Audit Committee.

Service on other boards and/or committees should be consistent with the Company's conflict of interest policies set forth below.

#### **4. Independence of Directors**

The Board will be comprised of a majority of directors who qualify as independent directors (the “**Independent Directors**”) under the listing standards of The NASDAQ Global Select Market (“**NASDAQ**”).

The Board will review annually the relationships (directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) that each director has with the Company to determine whether each director qualifies as an Independent Director.

Individuals who do not meet NASDAQ's independence standards, including current and former members of management, may also make valuable contributions to the Board and to the Company by reason of their experience and wisdom, and the Board expects that some minority of its Board will not meet NASDAQ independence standards.

Only those directors who the Board affirmatively determines have no direct or indirect material relationship with the Company (directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to any additional qualifications prescribed under the listing standards of NASDAQ. A material relationship is one that, in the opinion of the Board, would interfere with the director's exercise of independent judgment in carrying out his or her duties and responsibilities as a director.

In accordance with the Sarbanes-Oxley Act, the Company will not make any personal loans or extensions of credit to directors or executive officers.

#### **5. Size of Board and Selection Process**

Pursuant to the Certificate of Incorporation, the number of directors shall be fixed from time to time by the Board, but in no event will be less than three (3). The Board and the

Nominating & Corporate Governance Committee will periodically review the size of the Board, and determine the size that is most effective in relation to future operations. The directors are elected by the stockholders of the Company at the annual meeting of stockholders. The Board is divided into three classes, and the term of directors in each class is three years. Each year, at the annual meeting, the Board will recommend a slate of directors for the class whose term of office is expiring for election by the stockholders. In accordance with the By-Laws, the Board will also be responsible for filling vacancies or newly-created directorships on the Board that may occur between annual meetings of stockholders. The Nominating & Corporate Governance Committee will be responsible for identifying, screening and recommending candidates to the entire Board for Board membership. Stockholders may submit potential director nominees for consideration by the Nominating & Corporate Governance Committee in accordance with such policies and procedures as shall be determined by the Nominating & Corporate Governance Committee from time to time.

#### **6. Selection of the Chairman of the Board and Chief Executive Officer**

The Board will elect the Chairman of the Board and appoint the CEO in the manner and based on the criteria that it deems appropriate and in the best interests of the Company given the circumstances at the time of such actions. The offices of the Chairman of the Board and CEO may be either combined or separated, in the Board's discretion. Currently, the Board has a Chairman who qualifies as an Independent Director.

#### **7. Board Committees**

The Board has established the following three (3) committees to assist the Board in discharging its responsibilities: (1) Audit, (2) Compensation, and (3) Nominating & Corporate Governance. From time to time, the Board may form a new committee, disband, or reconstitute a current committee, depending upon the circumstances (including applicable laws and the rules and regulations of the SEC and NASDAQ). Each committee will perform its duties as assigned by the Board in compliance with the By-Laws and the committee's charter. The committees regularly report on their activities to the full Board. The committees may occasionally hold meetings in conjunction with the full Board.

#### **8. Independence of Committee Members**

Each of the Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee shall be composed entirely of Independent Directors. Each member of the Audit Committee and Compensation Committee shall satisfy any additional requirements imposed by of NASDAQ and SEC regulations applicable to Audit Committee service.

#### **9. Lead Director**

The Independent Directors will select a lead director, when the Chairman does not qualify as an Independent Director. In the event that the Independent Directors make such a determination, a majority of the Independent Directors shall appoint a lead director. In the

event that a lead director is appointed, his or her duties would include: assisting the Chairman of the Board and Board in assuring compliance with and implementation of the Company's Guidelines, coordinating the agenda for and moderating sessions of the Board's non-management directors and facilitating communications between the non-management directors and the other members of the Board and the management of the Company. The Company does not currently have a lead independent director because the Chairman qualifies as an Independent Director.

#### **10. Meetings of Non-Management Directors and Independent Directors**

Non-management directors will regularly meet in executive session without management present and the Independent Directors will meet in executive session at least four times a year. The Chairman of the Board will preside at such meetings and consider such matters as they may deem appropriate at such meetings. Non-management directors are all directors who are not company officers (as that term is defined in Rule 16a-1(f) under the Securities Act of 1933), including such directors who are not independent by virtue of a material relationship, former status or family membership, or for any other reason. The non-management directors and/or the Independent Directors may meet without management present at such other times as determined by the Chairman of the Nominating & Corporate Governance Committee.

#### **11. Board and Committee Self-Evaluation**

The Nominating & Corporate Governance Committee will oversee an annual assessment by the Board of the Board's performance as a whole as well as individual director evaluations. The Chair of each committee will also oversee an annual assessment of that committee's performance. The Nominating & Corporate Governance Committee will be responsible for establishing the evaluation criteria and implementing the process for the evaluations, all evaluations will be discussed annually with the Board.

The assessment will include a review of areas in which the Board or management believes the Board can make a better contribution to the governance of the Company, as well as a review of the committee structure and an assessment of the Board's compliance with the principles set forth in these Guidelines. The purpose of the review will be to improve the performance of the Board as a unit, and not to target the performance of any individual Board member. The Nominating & Corporate Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

#### **12. Director Attendance and Participation at Meetings**

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of non-management directors and Independent Directors), with the understanding that, on occasion, a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chair of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via

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teleconference. Each director is also expected to attend the Company's annual meeting of shareholders.

Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and risks and competition it faces, to ensure active and effective participation in the deliberations of the Board and each committee on which such director serves.

### **13. Confidentiality and Speaking on Behalf of the Company**

The proceedings and deliberations of the Board and its committees shall be confidential. Each director shall maintain the confidentiality of information received in connection with such director's service as a director and committee member.

It is important that the Company speak to its employees and outside constituencies with a single voice, and that management serve as the primary spokesperson. Each director should refer all inquiries from institutional investors, the press, Company vendors or customers to management. The Board expects its directors and officers to acknowledge their adherence to the policies comprising the Company's Protocol for Compliance with Regulation FD (the "**FD Policy**") to prevent the disclosure of material non-public information in accordance with Regulation FD. Individual Board members may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company. If a situation does arise in which it appears necessary for a non-management director to speak on behalf of the Company, the director should consult with the Chairman of the Board and/or the CEO in advance.

### **14. Setting Board and Committee Agendas**

The Chairman of the Board shall determine the agenda for each scheduled Board meeting and each committee chair shall determine the agenda for each scheduled committee meeting, in each case in consultation with management. Directors are encouraged to make suggestions for agenda items, or additional pre-meeting materials, to the Chairman of the Board or appropriate committee Chair at any time.

### **15. Advance Receipt of Meeting Materials**

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors should review the materials provided in advance of the meetings of the Board and its Committees and should arrive prepared to discuss the issues presented.

## **16. Ethics and Conflicts of Interest**

The Board expects its directors, as well as officers and employees, to acknowledge their adherence to the policies comprising the Company's Code of Business Conduct (the "**Code**"). Certain portions of the Code deal with activities of directors, particularly with respect to potential conflicts of interests and the taking of corporate opportunities for personal use. Directors should be familiar with the Code's provisions in these areas and should consult with the Company's General Counsel in the event of any actual or potential conflict. The Code is posted on the Company's website.

## **17. Reporting of Accounting or Auditing Concerns**

Anyone who has a concern about the Company's accounting, internal accounting controls or auditing matters may communicate that concern directly to the Company's General Counsel or through the Company's third party confidential telephone hotline 1-888-673-9271. Such communications may be confidential or anonymous, and may be e-mailed, submitted in writing, or reported by phone as provided in the Code. Concerns relating to accounting, internal controls, auditing or officer conduct shall be sent immediately by the General Counsel to the Chairman of the Board and to the chair of the Audit Committee. The Audit Committee chair may direct that certain matters be presented to the Audit Committee or the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Code prohibits the Company or any of its employees from retaliating or taking adverse action against anyone for raising or helping in good faith to resolve an integrity concern.

## **18. Compensation of Board**

The Compensation Committee shall have the responsibility for recommending to the Board compensation for non-management directors. Directors who are employees of the Company shall receive no additional compensation for serving as directors. In discharging this duty, the Compensation Committee shall be guided by three goals: (1) compensation should be designed to fairly pay directors for work required of the Company's size and scope; (2) compensation should be designed to align directors' interests with the long-term interests of stockholders; and (3) the structure of the compensation should be simple, transparent and easy for stockholders to understand. The Compensation Committee shall periodically review non-management director compensation and benefits.

## **19. Non-Management Director Stock Ownership**

The Board believes that it is important for each director to have a financial stake in the Company to help align the director's interests with those of the Company's stockholders. Accordingly, each non-executive director of the Company shall comply with the Company's Director Share Ownership Guidelines.

## **20. Succession Plan**

The Board shall discuss succession plans for the CEO and other senior officers, including development of plans for interim succession for the CEO or Chief Financial Officer in the event

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of an unexpected occurrence. The CEO shall report annually to the Board on succession planning for the CEO and senior management positions, including a discussion of assessments, leadership development plans and other relevant factors. The CEO should make available to the Board his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

## **21. Access to Senior Management**

Directors shall have full access to officers and other management-level employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or directly by the director with an appropriate protocol. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. It is the expectation of the Board that the directors will keep the CEO informed of communications between a director and an officer or other management-level employee of the Company.

## **22. Access to Independent Advisors**

The Board and its committees shall have the right at any time to retain independent outside accounting, financial, legal or other advisors at the company's expense and are granted complete access to any advisors or consultants retained by the Company.

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

Management, working with the Board, shall provide an orientation process for new directors, including background material on the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, conflicts policies, Code of Business Conduct, Corporate Governance Guidelines, principal officers, internal auditors and independent auditors. As appropriate, management shall prepare or make available continuing educational programs for directors on matters relevant to the Company and its business.

## **24. Annual Review of Chief Executive Officer**

The Board, with input from the CEO and approval from the Compensation Committee, shall annually establish the performance criteria (including both long-term and short-term goals) to be considered in connection with the CEO's next annual performance evaluation. On an annual basis, the CEO shall make a presentation or if requested, furnish a written report to the Compensation Committee indicating his or her progress against such established performance criteria. Thereafter, with the CEO absent, the Compensation Committee, together with the other Independent Directors, shall meet to review the CEO's performance. The results of the review and evaluation shall be communicated to the CEO by the Chairman of the Board.

## **25. Review of Corporate Governance Guidelines**

Based on the Company's recommendations of the Nominating & Corporate Governance Committee, the Board will periodically review and, as appropriate, amend, these Guidelines, as well as consider other corporate governance principles that may, from time to time, merit

consideration by the Board.

## **26. Stockholder Communications**

Stockholders who wish to communicate with the Board, a Committee Chair or individual directors can address their communications as follows:

Mail: Chairman of the Board of Directors  
c/o Corporate Secretary  
Ulta Beauty, Inc.  
1000 Remington Blvd., Suite 120  
Bolingbrook, Illinois 60440

E-mail: [InvestorRelations@ulta.com](mailto:InvestorRelations@ulta.com)

The Corporate Secretary will maintain a record of all such communications and promptly forward to the Chairman of the Nominating & Corporate Governance Committee those that the Corporate Secretary believes requires immediate attention. The Corporate Secretary shall periodically provide the Chairman of the Nominating & Corporate Governance Committee with a summary of all such communications. The Chairman of the Nominating & Corporate Governance Committee shall notify the Board or the chairs of the relevant committees of the Board of those matters that he or she believes are appropriate for further action or discussion.