



2021 ESG Report

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About This Report

Thank you for your interest in Bread Financial's 2021 Environmental, Social and Governance (ESG) Report. We are pleased to share our commitments, progress to date and aspirations on topics that matter most to our company and stakeholders.

In preparing this report, we have leveraged the results of our **2021 Materiality Assessment** to ensure we are addressing issues that are most significant to our company and stakeholders. We have also referenced established ESG reporting frameworks, ratings and rankings such as the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) frameworks.

The scope of this report reflects the entire enterprise for the calendar year 2021, and all financial information is presented in U.S. dollars, unless otherwise noted. Full calendar year data includes our LoyaltyOne segment through November 8, 2021, at which time we completed the successful spinoff of the segment as a separate, standalone public company.

For additional information on our ESG initiatives, please visit our **[investor relations website](#)** or contact **communityrelations@breadfinancial.com**.



A Message from Our President and CEO

As part of our broader transformation efforts, Bread Financial is redefining who we are and what we stand for as a purpose-driven financial services company. While we remain steadfast in our principled approach to operating as a responsible organization, we have placed a renewed emphasis on prioritizing policies, protocols and practices that will advance our sustainability objectives, strengthen the trust and confidence with our associates and customers, and improve how we deliver on our promises to our valued stakeholders.

Despite continued and unprecedented challenges this past year, which included new COVID-19 variants, rising inflation, worldwide supply chain constraints and other geopolitical disruptions, our team responded with great resiliency to mark a new chapter in our history.

In March 2022, we rebranded from Alliance Data to Bread Financial, representing the culmination of a multiyear transformation, which included simplifying our business model and focusing on assets with the greatest growth potential. This marked a significant turning point for our company as we continued to evolve our operations to reflect a more modern financial services business backed by technology and platform solutions that empower today's consumers.

During the year, we expanded our product suite and enhanced our digital capabilities to better meet the needs of our partners and customers. Additionally, we improved our capital ratios and reduced our leverage by paying down debt, reflective of our disciplined capital management approach. In 2021, our financial performance was strong, which underscores our belief that sound, responsible business practices and our commitment to ESG (environmental, social and governance) drive positive, long-term financial outcomes.

In conjunction with Bread Financial's overall transformation, we also revamped our ESG strategy to reflect the increased prioritization of sustainability across all aspects of the company's operations.

After realizing our previous three-year sustainability goals in 2020, Bread Financial made significant strides in renewing our ESG commitments in 2021. We hired a Head of Sustainability to oversee and lead the development of our enhanced ESG strategy, developed an executive compensation scorecard inclusive of metrics tied to ESG performance and drafted our new Environmental Policy and Human Rights Statement outlining our objectives in these areas.

Additionally, we engaged key internal and external stakeholders to better understand the ESG topics most important to our business and associates. Through this process, we built consensus and developed a new Board-approved ESG strategy that provides a greatly enhanced framework for our sustainability and corporate responsibility objectives under the following pillars: Governance, Customers, Associates, Environment and Communities.

A lot has changed for our company over the past year, but one thing that has remained constant is the unwavering dedication and commitment of our associates. Their ongoing engagement and advocacy to advance our ESG priorities is what drives our long-term success, and makes me incredibly proud and excited about our bright future.

Our 2021 ESG Report reflects the priorities, ambitions, policies and ideals of a business committed to growing responsibly and profitably for the long term. We are redefining what a financial services provider can be, and I am proud to share the progress and many achievements that make Bread Financial a great employer, sound investment, committed business partner and community champion.



Ralph Andretta
President and CEO



A Message from Our Head of Sustainability

I am honored to lead the ongoing advancement of our ESG strategy and objectives, driving responsibility and accountability throughout our organization. Bread Financial's 2021 ESG Report represents a year of significant advancements in our responsible business practices.

In establishing our renewed ESG strategy, we now have a well-defined framework and roadmap that clearly outline our environmental and social priorities. This clarity supports our desire to provide increased transparency, ensuring consistent and comparable disclosure with decision-useful information and progress on our performance. We will continue to focus on consistent and authentic communications and reporting that ensures what we share publicly is in full alignment with how we operate internally.

While our transformation to Bread Financial marks a new era for our business, the progress documented in this report is borne out of Bread Financial's decades-long commitment to responsible business practices. This ninth ESG report signifies an exciting time for the company as we introduce our significantly enhanced ESG strategy, marking another notable milestone in the maturity of our sustainability efforts.

In closing, I would like to take a moment to thank our leadership team for setting the tone at the top, and our Board of Directors, who provide the critical oversight necessary to assure our stakeholders of their governance commitments. Collectively, there are clear expectations of accountability for executing against our ESG priorities across the entire organization. It takes integration and unification companywide to achieve our ambitious agenda.

We look forward to communicating our continued progress in future reports as we work to align our programs and policies with evolving stakeholder expectations, ESG reporting standards and related regulations.



Dana Beckman
Head of Sustainability



RECOGNITION OF OUR EFFORTS

Forbes

**Forbes 2021
The Best Employers for Diversity:
Best Employer for Diversity**



**Bloomberg's
2022 Gender-Equality Index**



**2021 BenchmarkPortal
Center of Excellence**



**2021 Stevie Awards Bronze Award
for Contact Center of the Year
(over 100 seats) – Financial
Services Industries**



Women's Forum of New York 2021

About Bread Financial

Bread Financial™ (NYSE: BFH) is a tech-forward financial services company providing simple, personalized payment, lending and saving solutions. We create opportunities for our customers and partners through digitally-enabled choices that offer ease, empowerment, financial flexibility and exceptional customer experiences. Driven by a digital-first approach, data insights and white-label technology, Bread Financial delivers growth for our partners through a comprehensive product suite, including private label and co-brand credit cards, installment lending and buy now, pay later (BNPL). We also offer direct-to-consumer solutions that give customers more access, choice and freedom through our branded Bread Cashback™ American Express® Credit Card and Bread Savings™ products.

Formerly Alliance Data, Bread Financial is an S&P MidCap 400 company headquartered in Columbus, Ohio, committed to sustainable business practices powered by its 6,000+ global associates. In 2021, Bread Financial generated more than \$4.52 billion in revenue. Visit www.breadfinancial.com for more information.

Mission, Vision and Values

Our mission is to challenge the status quo in financial services solutions by delivering simple, smart products backed by a seamless experience to our customers and partner base of more than 600 companies.

We believe in fair and responsible banking and leverage prudent risk-based origination decisions to help ensure consumers have the appropriate level of credit access and spending power that does not surpass an individual's ability to repay.

We also promote the financial wellness of our customers, brand partners, associates and communities through education and training, access to technology and other essential financial literacy tools. This exemplifies our commitment to helping individuals make informed financial decisions to establish a secure economic future.



MISSION

We challenge the status quo to enable satisfaction and happiness through simple, smart financial solutions created for all.



VISION

To think outside the bank as the leading tech-forward financial solutions provider serving people and their passions for a better life.



VALUES

**Be real
Be courageous
Be nimble
Be dependable
Be kind & pay it forward**



Our Business Transformation

In 2021, we continued to transform our business by focusing on:

- **Simplifying our business model**
- **Expanding our product suite and further developing our strategic relationships**
- **Investing in and enhancing our core technology, and advancing our digital capabilities**
- **Improving our capital ratios and reducing our leverage**
- **Increasing the prioritization of ESG within the company**

Through these actions, Bread Financial is better positioned to support the evolving needs of our customers, and all our stakeholders, as we advance our ESG efforts in conjunction with our overall business strategy.



INTRODUCING BREAD FINANCIAL

To reflect the culmination of our multiyear business transformation, we announced our rebrand from Alliance Data to Bread Financial on March 23, 2022. This moment marked a significant turning point as we evolve to a more streamlined, modern financial services company backed by technology and platform solutions that empower today's consumer.

“Combining the heart and hustle of a fintech with the discipline and stability of a well-established bank, Bread Financial will remain laser focused on delivering innovative payment, lending and saving solutions that consumers now demand.”

Ralph Andretta
President and Chief Executive Officer, Bread Financial

Learn more in our [press release](#).

Our ESG Strategy

In 2021, we worked with a leading third-party consultant to prioritize our ESG objectives and develop key metrics that align with our business strategy and sustainable performance goals. The purpose of these efforts was to develop a Board-approved ESG strategy to serve as the roadmap for our forward-looking policies, practices and performance.

To guide our process, we conducted a gap analysis against key reporting frameworks such as the Sustainability Accounting Standards Board (SASB) standards and United Nations Sustainable Development Goals (SDGs). We also looked to global ESG ratings agencies such as Sustainalytics, MSCI and ISS during this process to ensure our actions aligned with accepted standards.

We performed a benchmark assessment evaluating select peers and other financial services providers to gauge our standing in the market. This assessment ensured we align our priorities in accordance with industry standards and best practices and that we meet, if not exceed, stakeholder expectations.

In developing our ESG strategy, we leveraged the expertise and diversity of thought of cross-functional Bread Financial leadership through extensive internal, enterprise-wide engagement and subject matter expert interviews to conceptualize material topics most pertinent to our changing organization. Additionally, we reached out to our top 20 stockholders to review and seek input on our proposed ESG strategy.

As a result of these efforts, Bread Financial achieved internal and external consensus, including full Board approval and executive support for our newly devised and significantly enhanced ESG strategy.

ESG STRATEGIC FRAMEWORK

Our ESG Strategic Framework outlines the ambitions and priorities of our strategy within five focus areas. We developed an ESG scorecard correlating with each focus area of the strategy that will be used to manage and measure our efforts as we make progress. In 2022, we anticipate redefining our baselines and key performance metrics to establish new quantitative goals in accordance with our updated strategy and framework.

OUR OBJECTIVE

Integrate ESG principles into Bread Financial's business strategy in ways that optimize opportunities to make positive environmental, social and governance impacts while advancing long-term financial and reputational goals.



Managing Our Business Responsibly

Integrate ESG issues into our overall governance, risk management, business strategy and priorities.

Empowering Customers

Empower customers through inclusive, responsible access to a diverse mix of financial solutions.

Engaging Our Associates

Promote an inclusive, engaged culture that empowers associates through opportunities to grow, develop and lead.

Protecting Our Planet

Accelerate our actions and investments to address the impact of climate change while driving resource efficiency.

Creating Possibilities for Our Communities

Make bold, strategic investments that empower our communities and create possibilities.

ESG GOVERNANCE STRUCTURE

Our Objective: Integrate ESG principles into Bread Financial's business strategy in ways that optimize opportunities to make positive environmental, social and governance impacts while advancing long-term financial and reputational goals.

Board of Directors

Conduct active oversight of our strategy through the Nominating and Corporate Governance Committee of the Board of Directors and receive quarterly updates on key ESG topics.

Executive Leadership Team

Accountable for all aspects of our company's overall performance, including economic and ESG.
Our Executive Vice President, General Counsel and Secretary serves as the executive sponsor of our ESG strategy and initiatives.

Corporate Affairs

Our Head of Sustainability within the Corporate Affairs function guides the enterprise sustainability strategy, measurement and reporting, working closely with the appropriate business leaders and enterprise committees to ensure proper strategic alignment and management of programs and initiatives.

Enterprise Committees

Senior leaders across the company provide guidance, oversight and accountability for strategy and performance outcomes related to individual initiatives and programs.

Read more about our ESG Governance in the **[Managing Our Business Responsibly](#)** section of this report.

2021 Materiality Assessment

In late 2020 and early 2021, we conducted our second materiality assessment process*, engaging key internal and external stakeholders to evaluate and inform our ESG priorities and obtain a deeper understanding of why they matter. The assessment clearly defines our most important stakeholder and business priorities. For more details, please see the **[2021 Materiality Assessment Overview](#)** posted on our website.

*This assessment followed the recommended process outlined in the Global Reporting Initiative (GRI) Standards.

We have identified two United Nations Sustainable Development Goals – #8 Decent Work and Economic Growth and #10 Reduced Inequalities – which we believe align with our ESG priorities. Alignment with these goals reflects our mindful, macro-conscious approach to impacting our stakeholders and the world around us.

2021 ESG MILESTONES

In addition to the work that went into formalizing our ESG strategy, Bread Financial achieved notable milestones in 2021 that further reflect our transformation and commitment.

Highlights include:

- Creating a new Head of Sustainability position to oversee and lead the development of our ESG strategy and execution
- Publishing our eighth sustainability report documenting our progress from 2020, notably closing out three-year sustainability goals previously set in 2017
- Developing an executive compensation scorecard inclusive of metrics tied to ESG performance
- Developing and disclosing our Environmental Policy and Human Rights Statement

Managing Our Business Responsibly



Managing our business responsibly is core to delivering sustainable financial performance as well as value to our stockholders, clients, associates and communities. We have an unwavering commitment to sound corporate governance, a strong culture of ethics and integrity and responsible lending practices.

OUR AMBITION

Integrate ESG into our overall governance, risk management, business strategy and goals.

STRATEGIC PRIORITIES

- Proactive communication, comparable reporting and transparent disclosures
- Integrate ESG topics into governance structure and enterprise risk management
- Proactive stakeholder engagement

Corporate Governance

We have a solid track record of sound corporate governance, with rigorously stress-tested processes, controls and comprehensive policies. Corporate governance at Bread Financial is designed to promote the diverse priorities and interests of all our stakeholders, strengthen Board and management accountability and foster responsible decision-making.

Board of Directors

Our Board of Directors oversees and supports the implementation of responsible, stakeholder-centric practices consistent with the evolving governance environment, stakeholder expectations and the commitments we have made to them. Focus areas such as company strategy, risk assessment and mitigation, compliance, leadership development and succession planning, human capital management, operational performance, financial reporting, corporate governance, cybersecurity and sustainability are key elements of the Board's span of oversight.

Recognizing the importance of embedding environmental and social priorities within our business operations, in 2021, our executive leadership team and Board approved an enhanced and modernized environmental, social and governance (ESG) strategy intended to drive progress on initiatives that promote sustainability, diversity, equity and inclusion (DE&I), and increased transparency in our disclosures.

Our Nominating & Corporate Governance Committee provides oversight on our ESG and sustainability strategies and consults with management on related initiatives, policies, guidelines and procedures. Our Compensation & Human Capital Committee provides oversight on human capital management strategies and reviews our DE&I initiatives, policies and practices. This committee, along with our full Board of Directors, receives regular updates from senior management and third-party consultants on human capital trends and developments, as well as other key human capital matters that drive our ongoing success and performance.

Our **Corporate Governance Guidelines** provide a framework for the governance of the company. The Board reviews the Guidelines at least annually and amends or supplements the Guidelines as it deems necessary or appropriate.



We strive to maintain a highly independent, knowledgeable and diverse group of directors that together possess the right balanced expertise to provide effective oversight. Led by an independent Chair, our Board consists of eight directors, including our President and CEO Ralph J. Andretta. All directors, other than our President and CEO, are independent directors as defined by New York Stock Exchange (NYSE) listing standards.

In addition to having diverse experience, perspectives and expertise, we are committed to maintaining gender and racial diversity on our Board. Of our eight directors, 38% are gender diverse and 25% are racially/ethnically diverse.

Board Refreshment

Board refreshment and director succession planning are focuses of the Nominating & Corporate Governance Committee, with an emphasis on striking a balance between appropriate director tenure to maintain institutional knowledge about our business and operations and the need for new or additional perspectives and skill sets. Our Corporate Governance Guidelines provide a mandatory retirement age of 75 but allow directors turning 75 to complete their term. Our Guidelines also allow the Board to nominate for re-election a director who has surpassed the age of 75 if it is in the best interests of the company and its stockholders. The average age of our directors is 62.

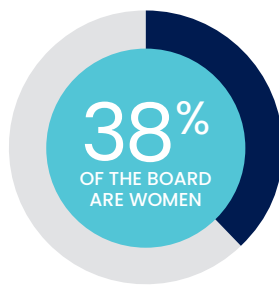
RECOGNITION OF OUR BOARD DIVERSITY

In 2021, Bread Financial was recognized by the Women’s Forum of New York’s 2021 Breakfast of Corporate Champions, an honor given to public companies that have surpassed 35% women on corporate boards. In addition, our Board member Karin Kimbrough was recognized on the 2021 Most Influential Black Corporate Directors list by *Savoy* magazine.

BOARD DIVERSITY

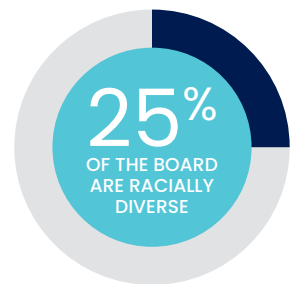
62 yrs

AVERAGE AGE OF THE 2022 DIRECTORS



5.5 yrs

AVERAGE TENURE OF 2022 DIRECTORS



Read more about our Board, the responsibilities of our Board Committees and our strong governance practices in our [2022 Proxy Statement](#).

Ethics and Integrity

Integrity, ethical decision-making and compliance with all applicable laws and regulations governing our business drive our global growth and long-term success. We know that the way to earn stakeholders' trust and foster long-term success is through our business conduct — by what we do, not just what we say.

In a world of competing demands and rising expectations, having a strong ethical culture is essential to protecting our reputation and preparing for whatever challenges come our way. Our Board of Directors and executive leaders set the tone at the top and take responsibility for fostering a culture of integrity, ethical business practices and accountability.

Code of Ethics

Our comprehensive **Code of Ethics** outlines the values and principles we agree to embody, maintain and protect, and provides guidance to help us consistently make sound decisions and perform our duties ethically and responsibly. Every decision we make — and each of our daily actions — reflects our values, beliefs and behaviors. Individually and collectively, we are focused on driving business performance and protecting our reputation as a responsible and compliance-centric organization.

Associates must certify annually that they have read, agree to and adhere to the Code of Ethics (99.6% of associates completed the Code of Ethics training in 2021); and every two years, they complete a more in-depth online Code of Ethics training, which addresses a variety of topics included in the Code. Additional training is provided to associates on a regular basis covering topics such as global anti-corruption, insider trading, harassment and discrimination, retaliation, conflicts of interest and antitrust.

We also maintain **supplementary codes of ethics** for our Board of Directors and senior financial officers, which address additional standards and guidance applicable to their roles.

The Nominating & Corporate Governance Committee of our Board of Directors is responsible for monitoring compliance with and enforcement of the provisions of the Code of Ethics, and together with management, reviewing the Code periodically and recommending updates to the Board. Our Ethics Office provides quarterly ethics reports to the Nominating & Corporate Governance Committee to keep the committee apprised of ethics-related complaints and investigations and help them assess and understand the company's culture. Significant ethics-related complaints are also reported to the Audit Committee.

We value and respect the opinions and insights of our associates and encourage them to speak up if they have a concern or suspect unethical conduct. If an associate recognizes a potential Code of Ethics or other Bread Financial policy violation, they have a responsibility to report it to their immediate supervisor or a manager, a Human Resources representative, the Legal department, the Ethics Office or via the Ethics Helpline. The Ethics Helpline is available 24 hours a day, 7 days a week. Reports to the Ethics Helpline can be made by phone (877-217-6218) or online (www.breadfinancial.ethicspoint.com) and may be made anonymously.

Stockholders and other interested parties may also submit questions or comments to the Board through our Ethics Office by email at CorporateEthics@breadfinancial.com or, on an anonymous basis if desired, through the Ethics Helpline.

Protecting Human Rights

Bread Financial is committed to promoting and protecting human rights throughout our business operations and engagement with our associates, customers, clients, suppliers and the communities we serve. This commitment is embodied in our company values and culture, which includes treating everyone with respect, being authentic and embracing our differences. We value and strive to operate our business in a manner consistent with human rights principles such as those contained in the United Nations Universal Declaration of Human Rights.

FOSTERING A CULTURE OF INTEGRITY AND ACCOUNTABILITY

In our 2021 Annual Associate Engagement Survey:

75%

answered that Bread Financial is **open and honest in communication with associates**

81%

answered that they have **trust and confidence in senior leadership**

84%

answered that Bread Financial shows a **commitment to ethical business decisions and conduct**

Our [Human Rights Statement](#), which we published in 2021, outlines our commitment as well as the actions we take to honor this commitment.

Participating Responsibly in Political Matters

Engaging in political and legislative matters is important to the success of the company. We have adopted a Political Contributions and Activity Policy, which outlines how the company and our associates may engage in political activities.

Our public policy strategy includes a variety of activities aligned around defending our business interests while also balancing what is right for the greater good. We manage issues that most directly affect our operations and have the greatest potential to impact the company's overall performance and ability to do business optimally. Our priority legislative and regulatory issues include consumer and data privacy and other protections, cybersecurity, tax, consumer finance and bank regulation. We engage in the public policy process through trade associations, industry coalitions and lobbying activity.

In 2021, designated associate representatives had 35 lobbying contacts with government agencies, members of Congress and their staffs. We also participated in industry meetings and events as corporate members of the American Bankers Association, Card Coalition and National Association of Industrial Bankers. Eligible associates may also participate in our nonpartisan, issues-focused political action committee (PAC). In 2021, the Bread Financial Holdings, Inc. PAC, which is governed by an associate-led board, disbursed \$6,400 to three distinct federal candidate committees and raised \$70,961.73 from 38 contributors.

All political contributions and activities comply with applicable laws and are reported publicly as required by law.

KEY PAC ISSUES

- Consumer Protection, including Privacy
- Bank Regulation – Consumer Finance
- Tax Regulations

CURRENT LOBBYISTS OF RECORD

- Capitol Legislative Strategies (Washington, D.C.)
- Polaris Government Relations (Washington, D.C.)
- CGCN (Washington, D.C.)
- Kallner and Associates (Columbus, Ohio)

Risk Management

Through our Enterprise Risk Management, we identify and manage risks related to Bread Financial's ability to achieve our strategic, financial, compliance and operational objectives. These risks are also reviewed against our ESG strategy and priorities to ensure alignment of key issues across functions companywide.

Our key risks and mitigation strategies are documented, monitored and reviewed quarterly by the Risk Committee of the Board of Directors. The Risk Committee's primary function is to assist our Board in fulfilling its oversight responsibilities with respect to our Enterprise Risk Management Framework, including our policies, guidelines and practices related to credit, market, liquidity, strategic, reputational, operational and other identified risks. The Risk Committee also reviews capital management risks and the performance of our risk management function, including our Chief Risk Officer. The Risk Committee meets on a quarterly basis and may receive reports from representatives of the company's public accounting firm, regulators and outside experts, and the company's Chief Risk Officer, Chief Security Officer, General Counsel and Vice President of Global Audit. The Risk Committee reports material risks to the full Board as deemed appropriate.

In addition to our Board and Board Committees, risk management responsibilities flow to other individuals and entities throughout the company, including various management committees, senior leadership and our Bank Boards.

Our Board of Directors, as a whole and through its committees, maintains responsibilities for the oversight of risk management, including monitoring the "tone at the top" and our risk culture and overseeing emerging and strategic risks.

Please see our **2021 Annual Report** for additional information on key risks and associated factors.



Empowering Customers



Bread Financial empowers consumers by providing inclusive, responsible access to a diverse mix of financial solutions. Our market-leading payment, lending and saving solutions and digital offerings help build greater value for our partners and provide flexibility to meet consumers' evolving payment needs.

Creating a seamless, secure, valued-added and exceptional customer experience is critical to our success. By putting our **associates, customers and partners** at the heart of everything we do, we can **drive best-in-class experiences** – because an exceptional associate experience leads to an exceptional customer experience. We strive for all customers to have a positive, lasting impression of Bread Financial.

We create paths to loyalty that drive growth for the partners we serve while giving consumers the financial tools that empower them to choose what's best for them. Consumers are buying more than products and services, they are buying – and expect – great experiences.

OUR AMBITION

Empower customers through inclusive, responsible access to a diverse mix of financial solutions

STRATEGIC PRIORITIES

- Create a seamless customer experience
- Responsible product innovation and optimization
- Responsible, ethical use and secure handling of data

Delivering Financial Solutions to Our Partners and Customers

Bread Financial is a valued partner to many of the world’s most recognizable brands. While our roots are in the retail sector, we have applied our expertise to an ever-expanding list of partners across a multitude of industries and verticals. Today, our partner base of more than 600 companies and online merchants consists of large consumer-based businesses as well as small- and medium-sized businesses.

OUR FULL RANGE OF SERVICES INCLUDES:



CREDIT CARD AND OTHER LOAN FINANCING

We assist our partners in driving sales and loyalty through our expanding suite of lending and payment solutions, including:

- Private label and co-brand credit card programs
- Digital payment services
- General-purpose cash-back credit cards



LOAN PROCESSING AND SERVICING

As we continue to expand our direct-to-consumer lending and payment products, we offer:

- Buy-now, pay later (BNPL) options for consumers, such as installment lending and split-pay
- Managing and servicing of loans we originate for private label, co-brand and general-purpose credit card programs and Bread BNPL products
- Omni-channel servicing through phone, mail, fax, email, text and web to provide convenient engagement options



MARKETING AND DATA & ANALYTICS

Through our integrated marketing services, we:

- Design and implement strategies that assist our partners in acquiring, retaining and expanding their customer base
- Capture transaction data that we analyze to better understand consumer behavior and increase the effectiveness of our partners’ marketing activities



DIGITAL OFFERINGS

Our digital payment offerings and onboarding capabilities include:

- A flexible platform and robust suite of application programming interfaces (APIs) that allow merchants and partners to seamlessly integrate online point-of-sale financing and other digital payment products
- Marketing and credit application features that help our partners capitalize on online trends by bringing through more qualified applicants, a higher average purchase value and a higher credit sales conversion rate

Learn more about our financial products and services in our [Annual Report on Form 10-K](#).

Creating a Seamless Customer Experience

At Bread Financial, ensuring a positive customer experience is a business imperative. We strive to provide frictionless, seamless, secure and memorable experiences across all our financial products and services.

We consistently monitor and gather real-time customer insights and feedback across customer journeys to ensure our services reflect the exceptional standards we seek to attain. These insights are leveraged to better understand, anticipate and respond to the needs of both our customers and associates, which allows us to create personalized and effortless experiences across all channels. The cumulative impact of multiple touchpoints over the course of a customer's interaction with our company generates a sense of value, ease and trust that inspires confidence and satisfaction with Bread Financial and the brands we represent.

Focused training programs are provided to our associates, and we strive to achieve the highest possible customer service standards in the industry. Our customer service performance is monitored through surveys we conduct with our customers.

In 2021, Bread Financial made the following progress on our customer experience journey:

- Continued to uncover opportunities to drive customer self-service options for easier accessibility and improved functionality
- Enhanced customer capabilities in our Interactive Voice Response (IVR) system to drive efficiency
- Made digital enhancements to our website, including the introduction of a chat feature to answer customer inquiries
- Redesigned our online Account Center to make it easier for customers to navigate
- Revamped our EasyPay functionality to include more payment options and expand usability

Additionally, we are committed to improving the omni-channel experience for our customers, expanding our suite of products and more holistically integrating customer experience metrics across our business for a customer-centric focus on enhancements.



Customer Experience Center of Excellence

Our Customer Experience Center of Excellence (CX COE) was established to drive a customer-centric vision and culture, deliver new insights and value, and implement strategies to support our customer experience performance standards to achieve growth through satisfaction, loyalty and trust. The CX COE further inspires engagement surrounding our common purpose – to empower customers.

Goals for the CX COE include:

- Drive best-in-class customer, associate and partner experiences
- Reduce friction through improving end-to-end journey experiences
- Establish and measure CX performance standards while providing actionable insights to the business
- Drive a customer-centric culture by expanding CX champions across the organization
- Close the loop with customers and associates when we improve experiences

How We Measure Customer Experience

Net Promoter Score®, or NPS®, is our primary customer loyalty measure used to drive the right mix of effortless digital and servicing experiences with product benefits that help customers achieve their aspirations. This proven metric transformed the business world, resulting in a global standard for measuring how customers engage with or promote a business.

Capturing the ‘Voice of the Customer’

“Voice of the Customer” is the capture of what customers are saying about a business, product or service. We have invested in new tools to continue to enhance our ability to gain real-time customer insights and feedback, better understand customer sentiment and identify moments of friction faster in order to take action on improving their overall experience with Bread Financial.

In 2021, our Care Centers received Center of Excellence certification from BenchmarkPortal for the 16th time since 2003.

- Bread Financial customers spend **55% less time** in queue
- Bread Financial customer calls are answered **14% faster** than the industry average

CARE CENTERS WIN BRONZE CONTACT CENTER OF THE YEAR STEVIE AWARD

In 2021, The Stevie Awards for Sales & Customer Service recognized Bread Financial with its Bronze Award for the category of Contact Center of the Year (over 100 seats) – Financial Services Industries.

The award, which is given to the top contact centers in the financial services industry with more than 100 associates, recognizes the achievements of contact center, customer service, business development and sales professionals worldwide. This award reflects our associates’ hard work and dedication to customer service, as well as our organizational emphasis on improving the customer experience.

In 2021, we were also certified as a Center of Excellence by BenchmarkPortal for the quality of our customer service operations. This marked the 16th time since 2003 we were awarded this designation.

BenchmarkPortal awards the Center of Excellence designation to customer service contact centers that rank in the top 10% of the contact centers surveyed. Those contact centers that demonstrate superior performance on both cost- and quality-related metrics compared with industry peers are recognized with the award.

Highlighted by our overall customer satisfaction score of “Highly Satisfied,” BenchmarkPortal determined that Bread Financial customers spend 55% less time in queue and customer calls are answered 14% faster than the industry average.

Fair and Responsible Banking

As a leading provider of branded credit programs, fair and responsible lending is core to our cardmembers' journey. We take great care and consideration to ensure our consumer credit application and underwriting processes are administered equitably. We are transparent and impartial in our lending practices and rely on our fully automated proprietary process to accurately analyze and issue credit based on unbiased statistical modeling criteria.

Our automated lending process undergoes routine scrutiny both internally and externally to verify its decision-making criteria. As part of this assessment, we employ a third-party firm to conduct an extensive annual review of our credit portfolio and evaluation metrics, screening for any evidence of unintentional bias or discrimination to further ensure fair and responsible lending protocols.

During the underwriting process, issuing credit responsibly also means taking care not to overburden cardmembers with credit limits that surpass their ability to repay. We apply advanced analytics and best-practice industry strategies to establish limits that provide the appropriate level of credit access and spending power while responsibly protecting the interests and needs of both cardmembers and our partners.

We have resources dedicated to continually examine and evaluate our models to ensure we maintain accurate and consistent credit thresholds.





Fostering Financial Wellness

Bread Financial is committed to fostering financial wellness through education and training, access to technology and other financial literacy tools needed to build a bright financial future for our customers, associates and community. These tools are critical for helping individuals make informed decisions that allow them to thrive financially.

As part of this commitment, in 2021, we established an internal work group to create a formalized financial wellness program. This initiative, which is being further defined throughout 2022 and beyond, includes the following areas:

CUSTOMERS

Deliver a high level of satisfaction in the way we support the financial health of consumers.

ASSOCIATES

Advance a culture of financial wellness, creating a more empowered workforce better equipped to manage their money by providing tools and resources that support their financial future.

COMMUNITY

Make bold, strategic investments that enable our communities to build a sustainable financial future through financial education, job training and resources.

Specific objectives outlined for each area include:

- Developing holistic financial wellness programs that support customers, associates and communities striving to improve their own financial health
- Assessing financial wellness-related practices, policies, programs and partners that support our position as a “purpose-driven financial services company”
- Developing personalized products, services and solutions that support consumers’ financial health

Bread Financial is a national partner of the Jump\$tart Coalition, which brings together like-minded, nationally focused organizations to work collectively and collaboratively to move financial literacy forward, particularly among preschool through college-aged students.

Data Management

Our tech-forward, customer-first business depends on the responsible use of data and the complex information technology systems we manage. Keeping data safe from cybersecurity risks, adhering to applicable state and federal privacy regulations, and applying sound data management practices are the foundational business tenets we live by every day.

Bread Financial utilizes and protects data in an ethical and secure manner. A primary objective in our commitment to maintaining secure systems and protecting privacy is to provide transparency and clarity in our practices. As the data threat landscape continually changes and regulation becomes more complex, our layered approach to cybersecurity, data privacy and data management continuously evolves to protect our customers, partners and associates.

Our Information Security & Data Privacy Statement outlines our longstanding commitment to protecting the privacy of our customers' information and the security of our systems and networks.

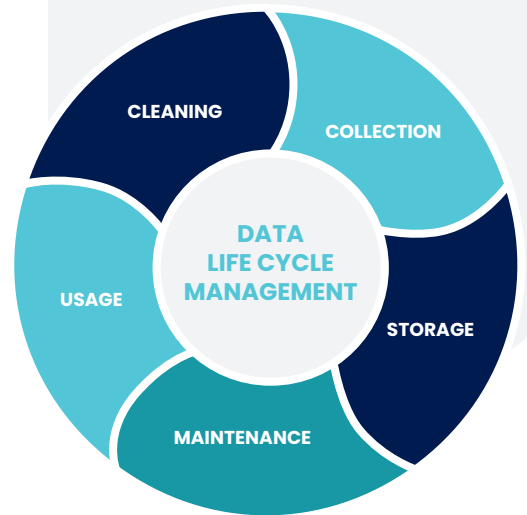
Data Life Cycle Management

From data collection to data disposition (destruction), data management, information security and data privacy protocols are holistically applied. Bread Financial ensures all of these core components are always present in our Data Life Cycle Management Framework. The controls surrounding these elements are systematically evaluated for effectiveness through assurance programs such as Risk and Control Self-Assessment and Global Audit. Control test results that are not meeting expectations are immediately addressed as part of our Enterprise Risk Management Framework.

- **Data Governance:** The consistent and proper collection, handling, use and disposal of data
- **Information Security:** The people, processes and technology required for the consistent protection and responsible use of data
- **Data Privacy:** The process of identifying and managing privacy risk associated with consumer privacy while building innovative products and services

OUR AMBITION

Responsible, ethical use and secure handling of data; providing transparency and choice



“We must protect the business to grow it.”

Kristin Lowery,
Chief Security Officer

Board Oversight and Engagement

The Board of Directors and Risk Committee receive at least quarterly updates related to data privacy, cybersecurity and information security regulations. These reports focus on the ever-changing threat landscape, vulnerability management, specific cyber incidents and management's efforts to stay current and comply with evolving privacy and data management regulations.

Our Board of Directors and Risk Committee oversee our data management and governance strategy, which is led by our Chief Risk Officer and Chief Data Governance Officer and executed upon by their respective teams. This cross-functional, multilevel approach provides Board oversight and promotes leadership engagement on strategic data initiatives and associated risk management.

In 2021, our cybersecurity and privacy leaders led an education day with the Boards of Directors for our two banks, which focused on privacy regulation and information security. The session was structured to help inform, educate and align the bank Boards on our data integrity, ransomware, cybersecurity maturity, industry cybersecurity control and maturity frameworks, and best practices. Given the importance of these topics and the bank Boards' desire for continuous education, we plan to host another education day in 2022. The bank Boards of Directors are responsible for compliance with any banking regulations, and ensuring sufficient recourses are in place to implement, oversee and manage our obligations.

Data Governance

Respecting consumer privacy and safeguarding information are central to everyone's role at Bread Financial. Our commitment to well-executed data management and protection controls in these critical areas remains foundational to our ability to help our clients understand and build relationships with their customers.

As data is used in almost every business decision and entrusted to us by those we serve, we continue to invest in tools and technology that ensure effective data integrity and standardization of practices. In 2021, our team invested in a data catalog tool. This has enabled us to catalog our data across all sources and provide our data handlers with greater visibility into data quality, data lineage, clarity on fit for use and insight into policies that govern our data in a single location. This is another example of how we continue to strengthen our controls related to the management of data and uphold the privacy of our customers. In 2022, we continue to increase our automation practices in data protection, including deploying a new industry-leading solution to locate confidential information and further protect data within application interfaces.



OUR DATA GOVERNANCE PRINCIPLES INCLUDE THE FOLLOWING:

- Data-Driven Decision Making
- Business Data Literacy
- Data Quality
- Data Standardization
- Compliance and Security
- Policies, Standards and Procedures

Information Security

Our enterprisewide information security policy and related compliance program is based on the National Institute of Standards and Technology (NIST) Cybersecurity Framework. Our cybersecurity program employs an in-depth defense strategy designed to be an integrated part of all facets of information technology and our business. We leverage a combination of industry-leading automated security solutions to protect the data we are entrusted with. These solutions are operationalized by a world-class team of cybersecurity professionals who rigorously conduct penetration testing of our network and systems to ensure our defenses are operating effectively. We partner across numerous lines of defense and with external experts to evaluate our program maturity and effectiveness, further mitigating risk brought about by the ever-changing threat landscape and to assure compliance with regulatory requirements.

Semiannually, we engage an external professional services organization to assess our maturity against the NIST Cybersecurity Framework. The results of the assessment are shared with our Board of Directors and Risk Committee who provide feedback on the assessment results. The information is then utilized to inform our annual cybersecurity strategic objectives.

In 2021, we placed particular emphasis on having the right controls in place around vulnerability management, including ransomware threats. This was in addition to continued internal and external security awareness initiatives, including consumer education and enhanced phishing awareness among our associates. In 2022, we continue to ensure we are protected against threats such as ransomware, and our data remains safe in light of the geopolitical climate, including the war in Ukraine.

Data Privacy

Our data privacy program and policy, based on the NIST Privacy Framework, drives our commitment to the responsible collection, use and sharing of personal information, and we balance our product development activities with a commitment to transparency, fairness and nondiscrimination. We closely monitor and track proposed privacy legislative and regulatory changes as well as industry-related trends and adjust the program accordingly to ensure we are in compliance.

Looking ahead, we are focused on advancing our privacy framework, which includes equipping our associates with the tools and information they need to manage customer privacy.



Associate Training and Preparedness

A continuously important component of our data management strategy is building awareness and knowledge among our associates through ongoing and enhanced training programs. Upon hire and then annually, all associates complete information security and privacy training. We run phishing email campaigns to test associate knowledge on a quarterly basis. Our Chief Security Officer provides regular communications on security best practices in protecting data year-round. Additional associate cybersecurity-related awareness campaigns are deployed throughout the year, including International Data Privacy Day and phishing and ransomware reminders.

In 2021, we instituted targeted information security and privacy trainings for key job roles in the organization that require access to consumer data. The objective of this initiative is to ensure associates routinely think about security as part of their job responsibilities and incorporate those behaviors into their job every day. In 2022, we will modernize our data governance training for the enterprise as well as further formalize our data governance and data management training for the Enterprise Data Governance Council, our dedicated committee of leaders for data governance activities.

Each year, we conduct multiple tabletop exercises, including an annual exercise with our executive team, to simulate a potential data incident scenario and test our preparedness. These exercises are led by an independent third party that provides a report of the session along with recommendations for improvement.

Our external audit process and vulnerability assessments are based on leading protection standards. These reviews provide necessary checks and balances that help ensure data integrity across the company.



Ensuring Protection and Resiliency

Given the significant amount of data that we and our certified third-party service providers manage, much of which is real-time data to support our partners' commerce initiatives, we have established redundant capabilities within our data centers. Bread Financial has a number of safeguards in place that are designed to protect us from data-related risks and, in the event of a disaster, restore our data centers' systems.

Our ability, and that of our providers, to protect our data centers against damage, loss or performance degradation from fire, power loss, network failure, cyber-attacks and other disasters is critical. Significant annual investment in both time and capital expense is dedicated to ensuring that protection.

Sharing Best Practices Across the Industry

Bread Financial actively cultivates important relationships with law enforcement, industry groups, information sharing and analysis centers and peers in the areas of threat intelligence, response and detection, and program best practices. Specifically, we are corporate members in the Data Governance Professionals Organization, Knowledge Connect and the International Association of Privacy Professionals, in addition to being a founding member of the Ohio Data Ethics Working Group sponsored by The Ohio State University. We also leverage a 24/7 service for threat intelligence through our managed security service provider.

BUILDING TRUST WITH OUR CUSTOMERS

Our commitment to responsibly handling personal information is fundamental to building trust with our customers. As such, we strive to ensure our privacy policies are clear and concise. As part of this commitment, we:

- Inform customers about what data we collect, why we collect it and how we use it through our privacy policies
- Provide customers information and choice regarding how they can limit the data we collect or share

In addition, we provide customers with online resources and tips on how to keep their information safe.



Engaging Our Associates



Attracting, developing and retaining top talent is a perpetual business imperative, particularly in an increasingly hyper-competitive labor environment. Our associates have been, and will remain, the backbone of our business. It is critical that our associates are empowered, engaged and committed to delivering on our promises to all our stakeholders.

Ensuring high levels of pride and engagement requires significant attention in areas such as growth and development, rewards and recognition, and the evolving needs of the workforce of the future. We are committed to offering an associate experience that is based on a continuous loop of data-driven feedback, enhanced through essential tools and technology, and provides the right level of balance and flexibility to deliver healthy work-life integration.

OUR AMBITION

Promote an inclusive, engaged culture that empowers associates through opportunities to grow, develop and lead.

STRATEGIC PRIORITIES

- Advance a culture of diversity, equity and inclusion
- Support overall health and well-being
- Invest in ongoing growth and development

Associate Experience and Engagement

Delivering an exceptional experience for our customers relies on our ability to cultivate an engaging and rewarding experience for our associates – we are driven to enable our associates to be their best at Bread Financial.

To achieve this aspiration, we have evolved how we define and evaluate associate engagement over the past several years. We proactively measure and manage associates’ perspectives related to numerous crucial elements of our culture, with a collective goal to enhance associates’ overall experience.

Our deliberate evolution from associate “satisfaction” to “engagement,” and now to “experience,” makes certain that the question, “What makes Bread Financial a great place to work?” is approached from a more holistic perspective.

We have defined key areas of improvement that enable associates to feel more engaged. Optimizing the associate experience across these key areas leads to career confidence, employer advocacy and motivation, all of which have been shown to be correlated with high levels of associate engagement and retention. Associates’ perceptions related to these key areas are measured on at least a quarterly basis to ensure we are evolving, as needed, based on associate feedback and data.



OPTIMIZING THE ASSOCIATE EXPERIENCE: KEY AREAS OF FOCUS



Career Confidence

Extent to which associates see the potential to achieve their career goals at this company



Employer Advocacy

Associate willingness to recommend this company to others as a great place to work



Motivation

Associate sense of being motivated to do more than is required by their job

In 2016, we added more frequent “pulse” surveys to complement our once-a-year “snapshot” survey. In 2021, associates were invited to provide feedback on topics pulled from prior surveys a minimum of six times, with response rates typically between 65% and 70%. Our cumulative results surpassed the *Fortune* 500 average on all three “engaged outcome” items by an average of 3 points per item.

Improving the Associate Experience

Priority dimensions shown to be correlated with key outcomes of engagement and retention:

COMMUNICATION

Associate assessment of whether the company is open and honest in communications, **effectively communicates change** and proactively shares reasons for decisions that affect the work environment

VISION & STRATEGY

Associate confidence in senior leadership and belief that the right strategic priorities are in place

DEVELOPMENT

Associate assessment of the adequacy of **training and development opportunities**, as well as the match between their jobs and skills

RECOGNITION

Associate assessment of recognition practices and the extent to which the company links **pay and performance**

FLEXIBILITY & WORK-LIFE BALANCE

The extent to which associates feel a **balance between work and personal life** and believe the company is competitive in regard to flexible work arrangements

PARTICIPATION

The extent to which associates **feel encouraged to participate**, are comfortable sharing their views and believe they have the freedom required to effectively do their jobs

ENABLEMENT

The extent to which associates believe working conditions are **conducive to productivity**, they have the technology required for success in their jobs and there are no other significant barriers to job success



Using Associate Feedback to Take Action

We are committed to listening to the voice of our associates and taking their feedback seriously. Through our annual associate engagement survey and regular pulse surveys, we stay connected to how our associates are feeling and ensure our workplace works for our associates. Results from these surveys are used to:

- **Gauge** the effectiveness of our work environment and identify opportunities for improvement
- **Evaluate** the effectiveness of policies and programs
- **Create** action plans to challenge the status quo and address priority issues
- **Develop** post-survey communications to keep associates informed of results and progress

Complementing our annual associate engagement survey with regular pulse surveys has provided leaders with a consistently current view of the associate perspective. In 2021, all associates were surveyed a minimum of six times on topics critical to the associate experience.

Our 2021 survey results influenced or informed numerous decisions, programs and initiatives. For example, associate feedback led the Corporate Communications Team to conduct a review of our internal communications strategy, which resulted in two immediate changes: We adjusted the focus and frequency of business updates from our CEO and introduced updates from other senior leaders. Other examples of how our 2021 survey results have led to action are shared throughout this report.



In 2021, our core associate experience items scored 78% favorable (up 4% from 2020) in our annual associate engagement survey. These items include questions around career, communication, enablement, flexibility and work-life balance, recognition, participative environment and senior leadership.

Growth and Development

Critical to our success, and the success of every associate, is creating equitable pathways for individual learning and development. Bread Financial offers a variety of online and on-site structured training, coaching, tuition reimbursement for external courses and on-the-job learning opportunities. We endeavor for every associate to have the tools and opportunity to grow within their current role, as well as help them find stretch opportunities to further advance in line with the long-term goals of the organization.

In 2021, we enhanced our career growth and development opportunities in several ways:

- We identified and communicated **new leadership behaviors** to associates as the foundation for all learning programs and offerings. We also expanded our development directory to include content that helps to bring these new behaviors to life.
- We launched a **six-month apprenticeship program** designed to create equitable opportunities for our Care Center associates aspiring to take on corporate roles within Bread Financial. By the end of the apprenticeship, 21 associates were placed in new corporate roles.
- We piloted the **Development Experiences Marketplace** to give associates exposure to other functional areas in the business and tap into and develop skills required for certain projects.
- We developed the **Global Audit Visitant Program** to create job-share experiences for associates while providing opportunities to rotate into other areas of the business. Visitants interact with executives at all stages of a formal audit and develop an understanding of the role Global Audit plays in a complex, modern payments enterprise.



Following significant organizational change in 2019 and the challenges associated with the COVID-19 pandemic in 2020, clarity regarding vision and business strategy was a key issue identified by associates, especially for our professional and management workforce. As a result, we placed a new emphasis on articulating our business strategy and cascading it throughout the organization, which has been well received by our associates.

Using Feedback to Drive Associate Growth and Promotion

To support growth and development, associates receive formal feedback via mid-year and year-end reviews from their supervisor. In 2021, our CEO encouraged all associates to have an Individual Development Plan to further guide their growth and development as defined career pathways and development opportunities set associates up for long-term success.

As part of our focus on increasing internal movement across the organization, we created and launched the Opportunity Index, which measures the percentage of open roles filled by internal candidates, as well as promotion and lateral move rates. The goal of the Opportunity Index is to measure associate movement within the company and identify areas where we can better support our associates' career growth. In 2021, we filled approximately 1,200 positions, with over 30% of those positions assumed by internal candidates.

TRAINING AND DEVELOPMENT BY THE NUMBERS

19,206

Care Center and collections training and development hours

\$14.38M

total training and development investment

\$2,020

per associate invested in training and development

We are committed to investing in attracting the right talent and providing associates with a workplace where they want to grow their careers. To recruit highly talented candidates, in 2021, we introduced an associate referral program to reward associates with a bonus for referring a successfully hired candidate.

ASSOCIATE RECOGNITION AND AWARD PROGRAM

In 2021, we evaluated how we recognize our associates for their hard work and achievements, which has resulted in an expanded and enhanced associate recognition and award program. Rolling out in 2022, we will honor associates through three awards:

- **Leadership Excellence Award** recognizes leaders who exhibit the highest levels of our leadership behaviors. It is awarded to approximately 15 company leaders who have a proven high-performance record. Recipients receive a cash bonus and long-term incentive (stock) that vests over three years.
- **Hall of Fame Award** is given to up to 100 associates who symbolize our values, serve as role models for their peers and community and have a track record of excellence in their role. Recipients receive a cash bonus and an all-expenses paid trip.
- **Extra Mile Award** is given to up to 80 associates who exhibit extra effort and deliver exceptional results in the first half of the year. Recipients receive a cash bonus.

Diversity, Equity and Inclusion

We are at our best when we embrace the different backgrounds, viewpoints, ethnicities and talents of our associates. Our steadfast commitment to be a purpose-driven company is supported by the progress we have made across our diversity, equity and inclusion (DE&I) efforts.

Our Diversity, Equity and Inclusion Statement

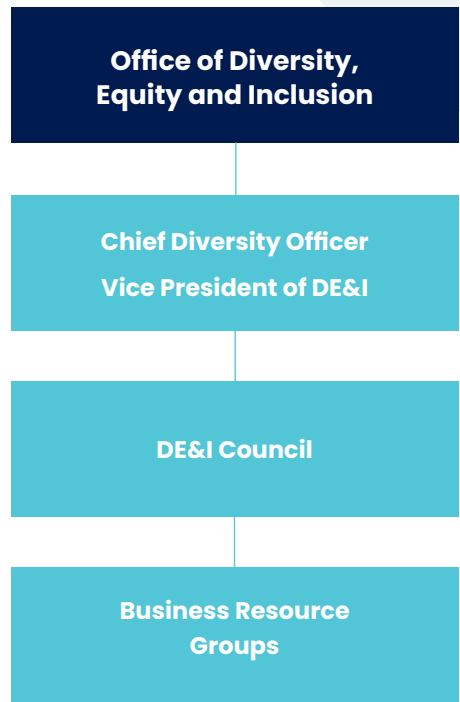
Bread Financial is committed to creating an inclusive culture that attracts and values diversity of thought, experience, background, skills and ideas – empowering our associates to thrive within our workplace and contribute to the success of our business. Promoting a workplace that fosters diversity, equity and inclusion is essential to Bread Financial’s long-term growth and sustainability.

We believe our people are our most important asset	We believe there is power in engaging the diverse backgrounds, experiences and perspectives of our associates, clients, customers and communities	We believe a diverse, equitable and inclusive culture where everyone can thrive results in superior business outcomes
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A Strategic Approach

Over the past few years, we have renewed and accelerated our actions and activities in support of DE&I, and in 2020, our CEO initiated a formal process to elevate this commitment. In 2021, we appointed a Chief Diversity Officer (CDO), hired a Vice President of DE&I and appointed a 13-member DE&I Council. Together, these actions resulted in establishing a Diversity, Equity and Inclusion Office, solidifying our dedication to and focus on these efforts. The Council, comprising associates and leaders from cross-functional areas of the business, serves as a conduit to the CDO, representing the varied perspectives of their business functions to foster a strong, inclusive feedback loop.

DIVERSITY, EQUITY AND INCLUSION GOVERNANCE STRUCTURE



Our newly formalized DE&I strategy marks the first time we have clearly articulated what we seek to accomplish and how we will measure progress. These strategic focus areas serve as the foundation of our holistic strategy, and under each we have identified specific priorities, programs and metrics to support our progress.



Taking our commitment a step further, we have embedded our DE&I strategy into our overall governance process and business model. We introduced an incentive compensation metric to our organizational scorecard to further demonstrate the commitment of our executive leadership and Board of Directors. By introducing the incentive compensation metric, we are better able to track and ensure that under-represented associates are afforded opportunities at Bread Financial at a rate similar to that of other associates.

The Power of Conscious Inclusion

Training at all levels of the company is foundational to our DE&I efforts. In 2021, we initiated our “Power of Conscious Inclusion” training session for all associates and leaders. This training helps associates understand their own biases, the impact on those around them and how to better foster inclusion in the workplace. In 2022, we will continue to engage our leaders in training sessions, including how senior leaders can fulfill their role as an executive sponsor of a business resource group. We are also developing DE&I training roadmaps for various roles throughout the organization.

Our DE&I strategy is embedded into our overall governance process and business model, demonstrating our elevated commitment and accountability to this important area of focus.

Fostering Engagement with Our Associates

Our associate-led Business Resource Groups (BRG) are focused on celebrating a distinct dimension of diversity. Each BRG is sponsored by a member of our executive leadership team. We continue to evolve and grow our BRGs, and we are identifying possible new BRGs based on associate feedback and interests. Our BRGs include:

- **African American Resource Group (AARG):** The AARG is committed to fostering an environment of diversity, growth and success for our African American associates. The BRG provides training focused on unconscious bias, career development and community engagement to all associates, regardless of cultural background.
- **Asian Alliance:** The Asian Alliance strives to promote Asian culture and traditions. Asian Alliance is focused on providing meaningful ways to connect associates, educational resources, mentoring and networking opportunities, regardless of cultural background, by leveraging ideas, skills, talents and experience of all associates.
- **Family Matters:** Family Matters seeks to advocate, educate and promote benefits and resources for parents, caregivers and allies. The BRG strives to offer a safe, inclusive environment to share experiences and create connections to build a diverse community grounded in support for all families.
- **Hispanic/Latinx BRG (HLBRG):** HLBRG's mission is to foster an inclusive environment where Hispanic/Latinx employees and allies feel supported. The BRG provides networking and career development opportunities, inspiring each other to succeed professionally and personally in our communities. The group promotes an educational environment that broadens understanding and appreciation for our multiculturalism and diversity.
- **PRIDE Alliance:** PRIDE Alliance promotes and supports our LGBTQ+ associates and their allies in fostering a safe and open environment. The BRG provides educational initiatives, networking opportunities and volunteer events open to all members regardless of sexual orientation, gender identity or gender expression.
- **Veterans BRG:** Veterans BRG fosters cross-departmental interaction, professional development and networking among veterans, active-duty military personnel, their family members and military supporters from all branches of U.S. Armed Forces who have served during time of peace or war.
- **Women Connect:** Women Connect fosters an educational and social environment that encourages and facilitates the development, wellness and the advocacy of women at Bread Financial and within our communities.

SUPPORTING THE LGBTQ+ COMMUNITY

To foster awareness and engagement, our PRIDE Alliance Business Resource Group leveraged the expertise of community partners to organize two training sessions open to all associates. The Kaleidoscope Youth Center's "The Gender Unicorn" training helped associates gain a better understanding of gender identity and sexuality and how they can be better allies and advocates. In partnership with The Trevor Project, this training session covered LGBTQ+ identities in the workplace, bias and best practices for allyship.

Additionally, in 2021, we announced a \$50,000 commitment to The Trevor Project, which will support its leading-edge research on LGBTQ+ youth mental health, including its annual national survey. The data gathered will be used in education, advocacy and research related to LGBTQ+ youth and mental health.



Recognition of Our DE&I Efforts

We are honored to be recognized for our DE&I efforts.



In 2022, Bread Financial was selected for the fourth consecutive year for the **Bloomberg Gender-Equality Index**, which distinguishes companies committed to transparency in gender reporting and advancing women’s equality



Named to **Forbes’** 2021 America’s Best Employers for Diversity list



Recognized by the **Women’s Forum of New York** at their 2021 Breakfast of Corporate Champions, an honor given to public companies that have surpassed 35% women on corporate boards

BLACK HISTORY MONTH SPEAKER SERIES

In recognition of the diversity of all our associates, we introduced heritage celebrations in 2021. For example, to recognize Black History Month, our African American BRG held a speaker series focused on growth and development. Speakers included a leadership coach and an entrepreneur and founder of a nonprofit organization that provides support for women of color. 2021 marked the first time our African American BRG coordinated activities and celebrated Black History Month across the business.

2021 Workforce Diversity Data

		TOTAL WORKFORCE	SENIOR LEADERSHIP*
Gender Diversity	Male	40%	57%
	Female	60%	43%
Racial/Ethnic Diversity	Non-diverse	59%	83%
	Racially/Ethnically Diverse	41%	17%

*Senior Leadership is defined as Director and above.

17% of senior leaders are racially/ethnically diverse, representing a 2% increase from 2019 to 2021

Associate Health and Well-being

We are committed to providing our associates with competitive total compensation, benefits and wellness resources. Our compensation model to ensure fair and inclusive pay practices and pay equity is reviewed regularly, and we provide a comprehensive and competitive benefits package that supports the physical and mental well-being of our workforce, including a focus on financial wellness.

In evaluating our total rewards for associates, we place emphasis on offerings that promote flexibility. Our “Workplace of the Future” Action Team is charged with providing ongoing recommendations for enhancements to schedule flexibility and work-life balance.

In addition, we have introduced the following benefits:

- Recognizing that flexibility and work-life balance, though related, are not one and the same, we developed a **Work at Home policy**, giving qualified associates more flexibility in where they work.
- Our new **Paid Time Off and Flex Time Off policies** give our associates even greater flexibility.
- We **added two paid holidays** in recognition of Martin Luther King Jr. Day and Presidents Day.
- Our **virtual benefits fairs** give associates the freedom to explore our benefits on their own time to figure out what works best for them.

We understand that associates in good health are more likely to perform at their best, achieve optimal work-life balance, are more engaged and more likely to contribute to their communities. We encourage our associates to prioritize their health with **LivingWell** – our award-winning, holistic well-being program aimed at empowering associates to eat smart, move more, focus on self-care and live well at work. We offer a competitive assortment of innovative wellness programming and resources to assist associates wherever they are on their wellness journey.



Financial Wellness

As part of our commitment to promote financial health, Bread Financial offers a series of benefits to ensure all associates have the opportunity to achieve long-term financial wellness.

- **BrightPlan:** In April 2021, we launched a holistic platform that offers goals-based financial planning and unlimited access to financial advisors, smart budgeting and education at no cost to associates.
- **Dollars & Sense Workshops:** This program includes a series of financial education workshops offered on paid company time, focused on a variety of topics such as managing debt, buying a home, smart money fundamentals, health savings accounts and maximizing retirement. In 2021, nearly 1,700 associates participated in the program.
- **Gradvisor:** This online platform makes it easy for associates to establish a college savings plan. Combining technology and personalized, professional guidance, associates can select, open and track the best college savings plan for their needs.
- **College Scholarship Program:** Children of our associates attending a 2-year or 4-year school can apply for a one-time Bread Financial scholarship of \$10,000. In 2021, we awarded seven scholarships.



Physical Wellness

We strive to provide some of the best physical wellness benefits in the industry. In recent years, we have made significant enhancements to our health benefits program.

- **Wellness Challenges:** With most associates working remotely, feeling “connected” is more important than ever. To facilitate engagement and connection, we host several wellness challenges throughout the year. Topics include gardening, mindfulness, sleep, hydration, nutrition and gratitude. For our flagship 100-Mile Challenge, participants are encouraged to walk or run 100 miles over the course of 30 days. In 2021, participants logged over 44,500 total miles. Approximately 50% reached or surpassed the challenge goal.
- **WW:** Bread Financial covers over 75% of the WW (formerly known as Weight Watchers) membership cost, which provides associates with weight loss and maintenance, fitness and mindset services. In 2021, nearly 400 active WW members lost over 1,100 net pounds.
- **Fitness Rewards:** Associates may be reimbursed up to \$300 each year for eligible expenses, such as gym memberships, group fitness classes, fitness apps, personal training sessions and race registrations. In 2021, 1,625 associates took advantage of this benefit, totaling nearly \$410,000 in reimbursement.

Personal Wellness

We support our associates in balancing their work and personal responsibilities and look for ways we can partner with them to address challenges as they arise.

- **On-Demand Stress Management Resources:** We developed in-house support tools for managing stress, including “Mindful Moment” recordings, Microburst Stretch videos and “1-Minute Better” audio/visual experiences – all available to associates through an online platform. As a result of associate feedback, we also identified a new provider for mental wellness services, which was rolled out in January 2022.
- **Help Right Here Program:** Help Right Here is our company’s hardship program, funded *by* associates *for* associates. This anonymous fund allows associates experiencing financial hardship from a natural disaster, medical emergency, death in the family or domestic violence situation to apply for small non-taxed grants to support them during a time of uncertainty. The program is managed by a reputable third party to ensure objectivity and confidentiality and to help connect associates to other resources they may need. In 2021, 39 associates received support through the Help Right Here fund. Since its inception in 2016, the fund has supported 299 associates.
- **Our Response to the COVID-19 Pandemic:** In addition to ensuring that all offices are prepared with the appropriate health and safety protocols for associates’ safe return, a COVID-19 testing solution will be implemented in 2022. This solution will ensure those associates who are not vaccinated have the option to work in the office, while protecting the safety of others.



Protecting Our Planet



We recognize the environment is under increasing strain, and it is imperative that we do our part to address the impact of climate change. We are committed to protecting and preserving our planet by adopting sustainable practices throughout our business, identifying and assessing financial and other risks associated with climate change and integrating low-carbon solutions into our product and service offerings.

With endorsement from our executive leadership team and Board of Directors, we are working to accelerate our actions and investments, drive resource efficiency within our operations and enhance transparency around our management process and progress.

Our commitment to environmental management includes measures to reduce the waste we send to landfills, cultivate a more sustainable supply chain and reduce our greenhouse gas (GHG) emissions. We are also continuously exploring and implementing solutions to boost efficiency, reduce resource consumption and be better environmental stewards.

OUR AMBITION

Accelerate our actions and investments to address the impact of climate change while driving resource efficiency.

STRATEGIC PRIORITIES

- Identify and assess material financial risks associated with climate change
- Integrate low-carbon solutions into product and service offerings
- Reduce our environmental impacts

Environmental Strategy

In 2021, we refined our environmental strategy to reflect the advancement of our commitment to the planet in managing our climate-related risks. Our new environmental strategy includes a maturation timeline, roadmap and scorecard to ensure accountability in setting the right foundation for long-term progress.

A supporting control framework further defines objectives for how we will govern, measure and act on these commitments. We believe this strategy moves us closer in alignment to our environmental ambitions and demonstrates our leadership in advancing carbon neutrality.

Control Framework

		
<p>GOVERN</p> <p>Increase accountability and governance through leadership and Board oversight of relevant policies and business practices that enable us to meet our environmental objectives</p>	<p>MEASURE</p> <p>Redefine our baseline footprint in support of setting future reduction targets, advancing the accuracy and auditability of our data collection, and reporting and communicating more peer-comparable disclosure</p>	<p>ACT</p> <p>Develop a clear plan to address our impacts and support the global ambition toward carbon neutrality through our internal operations and by engaging our associates, clients and customers</p>

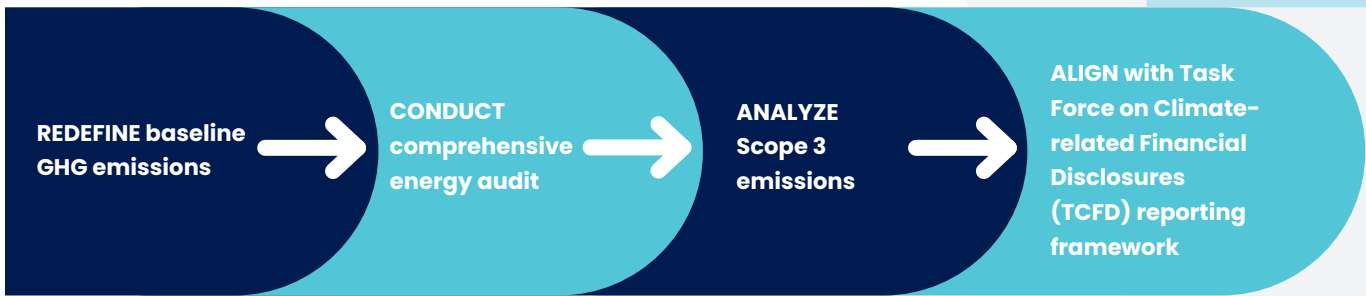
OUR ENVIRONMENTAL POLICY STATEMENT

In 2021, we developed and published an **Environmental Policy Statement** that demonstrates our intent to honor our environmental commitments through meaningful actions, including:

- Assessing, monitoring and managing **environmental risks and opportunities** associated with our business.
- Seeking opportunities to provide financial products and services that **promote environmentally beneficial business practices**.
- Prioritizing **energy efficiency** and **resource conservation** in our office buildings and Care Centers.
- Seeking to **minimize emissions from commuting** through work-from-home programs and associate adoption of sustainable commuter transport options.
- Incorporating **environmental considerations into procurement processes** and encouraging our suppliers to operate in an environmentally responsible and efficient manner.
- Creating a company culture that **raises awareness** of the importance of preserving the environment.

Our strategy was informed through peer benchmarking and gap analysis against leading ESG reporting frameworks, such as the Sustainability Accounting Standards Board (SASB), and ranking agencies, such as MSCI and Sustainalytics. We recognized an imminent need to redefine our baseline emissions due to the significant changes in our footprint resulting from our business transformation, including the spinoff of our LoyaltyOne business unit in November 2021 and optimizations in our real estate portfolio. Laying the foundation for a Climate Action Roadmap, these inputs allowed us to set a course for 2022, which includes the following:

OUR CLIMATE ACTION ROADMAP



Executing on this Climate Action Roadmap will put us in a better position to set realistic reduction targets, meet the ongoing expectations of our stakeholders and global regulatory agencies, and demonstrate our competitiveness in the market. In particular, we are establishing greater rigor around GHG emissions data collection and reporting and climate risk mitigation in anticipation of potential regulatory requirements.

Our environmental scorecard further tracks progress made toward our various performance indicators related to climate risk, measurement and disclosure, and sustainable sourcing priorities. As we work to fulfill our commitments in 2022 and beyond, this scorecard will help ensure our Board and leadership remain informed of and accountable to our progress, which will ultimately lead to identifying future pursuits with the greatest impact.



Environmental Performance

Bread Financial made significant strides in advancing our environmental priorities in 2021. Our efforts were centered on reducing our carbon footprint and maximizing our resource efficiency by better understanding our impacts as well as executing our facility optimization and energy reduction strategies. Specific activities included:

- Created a formalized Environmental Policy Statement
- Created a process for donating devices at the end of their use to close the digital divide in our communities
- Hosted an annual electric vehicle (EV) education program and provided charging access at all major worksites

SMART COLUMBUS ACCELERATION PARTNER PROGRAM

Our headquarters location in Columbus, Ohio, has partnered with the Smart Columbus “Smart Cities” initiative to support more sustainable ways to commute to work.

In 2021, Smart Columbus evolved its program to move beyond its singular focus on EV adoption to include the promotion of sustainable building infrastructure and increased digitalization in the region.

Bread Financial signed a pledge to be an active member of the Smart Columbus Acceleration Partner Program. Partners pledge to achieve 75% of eligible 2025 goals, which include taking the following proactive actions:

SMART COLUMBUS ACCELERATION PARTNER PLEDGE



TRANSPORTATION		
Fleet Electrification	Employee EV Adoption	Commuter Benefits
Increase light-duty electrification by 50% & medium- and heavy-duty EVs by 10%	Host an annual EV education program & provide EV charging access at all major worksites*	Encourage 2% - 10% of commuters to participate in a commuter benefit program
<i>*Charging considered inaccessible if used 70%+ of workday</i>		
ENERGY & BUILDINGS		
Renewable Electricity	Sustainable Buildings	Sustainable Energy Education
Procure 75%+ of electricity from renewable sources	Increase building efficiency by 25% & new builds or major renovations meet LEED Gold or WELL Gold standards	Lead a campaign on climate leadership initiatives & opportunities
DIGITALIZATION		
Digital Device Donation	Community Innovation Project	Engaged Data Steward
Create a policy to donate devices at the end of their use to help close the digital divide in our communities	Champion an annual community innovation project*	Identify and engage a Community Data Steward
<i>*Skilled volunteering, adoption or funding</i>		



Establishing a New Baseline and Reducing Our Carbon Footprint

Bread Financial is committed to reducing our GHG emissions to help combat climate change. Our work to reduce our carbon footprint is predicated on having sound and current emissions data. We quantify our emissions data by measuring our GHG inventory across our company. We completed our 10th inventory in 2021 and used the results to report to CDP. We have reported annually to CDP since 2014, and we have shared our score publicly since 2015, which further demonstrates the transparency and evolution of our reduction efforts. In 2020, we maintained our CDP rating of C.

In 2021, the company began laying the groundwork for establishing a new GHG emissions baseline to better reflect our evolving business portfolio and real estate footprint. Our revised baseline will provide the basis for our ambition to set a science-based GHG emissions reduction target, which we intend to roll out as soon as 2023.

The most significant of our carbon reduction efforts in 2021 was the continued optimization of our U.S. real estate portfolio. In 2019, Bread Financial was at the forefront of aligning with associates' desire for workplace flexibility. Following a business-wide evaluation of our physical footprint, we moved a substantial number of associates to work-from-home arrangements. In 2020 and 2021, we further expanded the work-from-home capabilities of our associates to protect them during the COVID-19 pandemic, provide greater flexibility and continue our efforts to optimize our physical footprint. As of December 31, 2021, approximately 95% of our associates have been working 100% remotely. Fewer associates commuting to the office has translated into a reduction in fossil fuel consumption as well as energy savings in our buildings.

In 2022, we will transition to a hybrid work environment, with more associates splitting time working in the office and working remotely. As a result, we will continue to seek ways to optimize our physical footprint and operate our facilities efficiently. We have bike racks and on-site shower facilities to encourage cycling to work for those who come into our offices. We have also greatly reduced corporate travel and have EV charging stations installed at some of our facilities to promote less carbon-intensive transportation.

SUPPORT FOR NATURAL DISASTER RELIEF

Extreme weather events such as hurricanes, floods, tornadoes and wildfires are occurring with seemingly increased regularity, devastation and financial impact, due in part to rising global surface temperatures. Ahead of typical hurricane and wildfire seasons, we pledged \$300,000 to Red Cross Disaster Relief to fund technology that allows the organization to be better prepared to meet the needs of people affected by disasters across the United States. Our donation directly supports RC View, a state-of-the-art geographic information system (GIS) and data visualization tool that provides all localized Red Cross teams nationwide with a shared disaster response capability. By replacing time-consuming manual paper-intensive processes, RC View is helping the Red Cross expedite its response time, make better resource decisions and ensure services get to people most in need.

Energy and Resource Conservation in Our Facilities

We prioritize energy and resource conservation at each of our locations. In recent years, we have upgraded our buildings to energy-efficient light-emitting diode (LED) lighting. We have also adopted automated lighting controls that better regulate our energy usage as a result of our physical footprint optimization and hybrid work initiatives.

In 2021, we partnered with a third-party vendor to conduct a comprehensive energy audit. The audit, which is expected to be completed by June 2022, will be instrumental in quantifying our energy consumption across our sites, identifying additional opportunities to reduce and conserve, and refining our operational processes.

Paper represents a significant portion of our waste output. The majority of our paper purchase and use is driven by the needs of our clients. Paper is used in consumer marketing materials and cardmember statements. Even with many customers shifting from print to digital formats, paperless adoption is one of our greatest opportunities to reduce paper usage. An internal workgroup was launched in 2021 to proactively address this issue. With input from our workgroup, Bread Financial has established a goal to increase paperless adoption by 4% in 2022. In 2021, paperless adoption among customers was 41%. In support of this goal, we have begun to implement improvements to our digital customer experience and increase customer education on how to enroll in paperless statements.

RAISING ENVIRONMENTAL AWARENESS AMONG ASSOCIATES

To further raise environmental awareness and engage our associates, our Environmental Committee focuses on environmental education, energy reduction strategies and other conservation best practices. The team produces and distributes content regularly to educate associates on how they can lessen their individual footprint, both in the office and at home.

In 2022, our Environmental Committee plans to educate associates on topics such as calculating their own carbon footprint, how to recycle electronics and the benefits of tree planting and gardening.

Our Environmental Performance	2020	2021
Greenhouse gas (GHG) emissions — Total ^{1,2,3}	45,233 MT CO ₂ e	159,924 MT CO ₂ e
Total energy consumed	146,124 gigajoules	144,864 gigajoules
Electricity from renewable sources	16%	15%

On Earth Day, we invited associates to participate in a questionnaire to learn how they can save energy and reduce their environmental footprint at home. For each associate who participated, we made a donation to The Nature Conservancy’s “Plant a Billion Trees” campaign. In 2021, we contributed over \$10,000 to the campaign.

¹ Greenhas gas emissions is measured in metric tons of carbon dioxide equivalent.
² Includes Scope 1, Scope 2 and Scope 3 emissions. See page 58 for more information.
³ In 2021, Bread Financial expanded its Scope 3 data collection and reporting, resulting in a high increase year over year.

Creating Possibilities for Our Communities



Community-minded values have long been ingrained in our company and our culture. At Bread Financial, we will continue our time-honored pursuit to advance initiatives that are good for society and good for our business – investing in programs that strengthen our communities, foster independence and create opportunities for our associates to engage through volunteerism and supported giving.

\$5.5M

BREAD FINANCIAL'S 2021 TOTAL CONTRIBUTIONS

OUR AMBITION

Make bold, strategic investments that empower our communities and create possibilities.

STRATEGIC PRIORITIES

- Advance community initiatives that support our business priorities
- Invest in programs that strengthen communities and build independence
- Engage our remote workforce in community building activities

Community Giving and Investment

Supporting our communities is where we started our ESG journey, and it's an area we continue to prioritize and excel in by making bold, strategic investments that empower our communities and create possibilities. In parallel with our modernized ESG strategy, we have evolved the strategic priorities that drive our community investments.

Purpose-Driven Priorities



FINANCIAL WELLNESS

Empower our customers, communities and associates with financial education, job training and the access they need to build a bright financial future.

We will invest in programs that provide:

- Financial education
- Workforce development and job training for youth and adults



EQUITY & INCLUSION

Reduce barriers to self-sufficiency and promote equal access to opportunity for children and their families.

We will invest in programs that provide:

- Access to quality education, health care and support programs
- Support for basic needs
- Affordable housing



PROTECT OUR PLANET

Prioritize our efforts and investments where we have the most significant opportunity to combat climate change and its impact.

We will invest in programs that provide:

- Environmental conservation, restoration, mitigation and impact reduction
- Awareness and education



ASSOCIATE ENGAGEMENT

Provide opportunities for associates to support and connect with the community.

We will engage our associates through:

- Volunteerism
- Giving campaigns
- Dollars for Doers
- Matching gifts





An Integrated Team Makes Innovative and Responsive Investments

We manage these activities through a governance structure that aligns the efforts between our corporate activities and those that take place through our bank subsidiaries. This alignment allows us to be flexible yet responsive in how we support the needs of our communities. It also means we approach this support in a holistic way – not by simply writing a check, but by engaging our nonprofit partners and mobilizing our associates through volunteerism and skills-based assistance.

We recognize our responsibilities to assist in meeting the identified needs of our community. Our community investment strategy was developed, in part, based on community needs assessments and is evaluated annually to ensure our priorities align with the current socioeconomic needs in each of those communities.

As an example, we have identified that low- to moderate-income (LMI) individuals and households need access to more comprehensive financial literacy programs to support their ability to be self-sufficient. Poor or no credit keeps many individuals from accessing affordable mainstream financial products, which leads them to secure higher interest rate loans and costs when making major purchases, such as a car or home. We are working to help these individuals learn how to increase savings, reduce debt and improve their credit scores – all initiatives designed to help LMI individuals improve their overall financial well-being.

In addition to the executive leadership within our Corporate Affairs team and governance structure of our bank subsidiaries, our associate-driven Sustainability & Community Relations Committee and our business resource groups (BRGs) engage in the activation of our partnerships, with subcommittees to guide specific efforts such as community events and service projects.

BUILDING STRONGER COMMUNITIES

In 2021, we invested **\$10 million into a social impact fund** that builds stronger communities by financing affordable housing, job creation, healthcare, education and infrastructure projects that foster sustainable economic development. We also made **\$35 million in commitments to finance multifamily affordable housing** and **\$60.1 million in investments supporting single-family affordable homeownership**. Homeownership is critical to ensuring financial security and stability as well as building generational wealth. We are committed to supporting the dream of homeownership, particularly for those in low- to moderate-income and underrepresented communities, which are often overlooked by the banking industry.

Delivering on Our Commitments

In 2021, we committed resources to support a wide range of organizations and programs – both local and national – that fulfilled our purpose-driven priorities. These investments were made with a focus on creating opportunities, fostering equity and inclusion, and supporting financial wellness in the communities we serve.

Some of our major gifts in 2021 included:

- **Ruling Our eXperiences (ROX):** In March 2021, we announced a two-year, \$800,000 donation to ROX, a national girls' empowerment organization, to fund its The Girls' Index™ 2022, the only large-scale, national research initiative of its kind focused on key issues impacting girls. Findings from the research will be used to identify the social, emotional and academic needs of girls, and will help educators, parents, mentors and coaches make data-informed decisions in schools and communities throughout the country.
- **Junior Achievement:** We committed \$120,000 to Junior Achievement to fund three new courses for the organization's teen financial literacy program. This program provides learning experiences for middle school and high school students using a gamified approach to teach basic financial capabilities. Our funding will enable 40,000 LMI students to earn money and invest.
- **Teen Warehouse:** We gifted REACH Riverside's Teen Warehouse program \$50,000 to address an urgent need to provide support to help teens transition from school into the workforce. The program is unique among other career training and soft-skills programs in its focus on social-emotional learning, the development of restorative practices, trauma-informed care and its "Master the Basics" element, which promotes respect, timeliness and the basics of maintaining employment. REACH Riverside is a member of the Purpose Built Communities Network, a nationally renowned organization dedicated to holistic community redevelopment.
- **National Network to End Domestic Violence (NNEDV):** In October, which is Domestic Violence Awareness Month, we made a donation of \$50,000 to NNEDV to ensure the organization's Independence Project can continue its micro-loan program that supports survivors in building their credit scores. While many think of domestic violence as physical abuse, nearly all survivors have also suffered from financial abuse. In many instances, a partner withholds, steals or restricts access to finances, preventing a victim from accessing a bank account or opening a credit card, which can lead to theft, credit ruin and more.



Investing Where the Need Is Greatest

In addition, we delivered on our commitment to LMI individuals and families through a number of investments and grants. These include:

- **Parent and caretaker support programs:** We granted \$10,000 to Envision Utah, a nonprofit that carries out an intervention program designed to help LMI parents and caretakers understand the importance of talking to and interacting with children to promote healthy brain development. That program was built in response to the fact that children in lower-income homes hear approximately 30 million fewer words than their peers by age four, which contributes to many adverse health and wellness effects immediately as well as later in life. Similarly, we granted \$15,000 to People Helping People, a nonprofit that teaches low-income women, primarily single moms, how to become and remain successfully employed and earn sustainable income for themselves and their children.
- **Learning acceleration programs:** We granted \$50,000 to United Way of Delaware to sustain “learning pods” through summer months to give nearly 750 children the opportunity to catch up on learning lost during the COVID-19 remote learning environment. Students of color and children living in poverty – many of whom already lag behind their more affluent peers in academic achievement – were at risk of significant additional learning loss as they struggled to adapt to virtual learning.
- **Apprenticeship and workforce re-entry programs:** We granted \$15,000 to Flourish, a neighborhood bakery that operates a 15-month apprenticeship program, which fosters hope, healing and accountability while simultaneously teaching the art and skill of professional baking to those recovering from addiction and with a history of incarceration. Similarly, we provided Food Bank of Delaware with a \$25,000 grant to support its workforce development program, which provides needed job training skills and certifications to LMI individuals. The program needed urgent support as many funders shifted their focus to the delivery of food during the pandemic. Through the program, the unemployed and underemployed – including ex-offenders, individuals affected by opioids addiction and veterans – have the opportunity to receive valuable training via a culinary school and logistics program.
- **Small business pandemic support:** We granted \$50,000 to support the Wilmington Strong Fund that assisted small businesses in navigating the effects of the COVID-19 pandemic. This Fund was created to help small businesses quickly gain access to grant funding that didn’t require interest or principal payments, which served as a stopgap to keep those businesses open and viable. The Fund has evolved since 2020 and continuously reviews current needs of small businesses, shifting from “immediate” to “recovery” needs.



2021 Community Investment by the Numbers



SINGLE-FAMILY AFFORDABLE HOUSING FINANCE

\$53.6M
invested in mortgage-backed securities consisting of
195
mortgages to low-to moderate-income households
\$6.5M
invested in housing bonds

MULTIFAMILY AFFORDABLE HOUSING FINANCE

\$35M
in commitments
\$11.9M
invested
Participated in
42
affordable housing projects
9,219
affordable housing units

SMALL BUSINESS SUPPORT

\$10M
in commitments
\$2.3M
invested
24
small businesses impacted

Both Comenity Bank and Comenity Capital Bank have received "Outstanding" ratings from the FDIC for their Community Reinvestment Act programs during their last three exams.

Associate Community Engagement

We believe our commitment to our communities does not stop with providing grants. Our associates play a critical role in advancing our value to “Pay it Forward.” We match their donations, encourage their volunteer time and create opportunities for each and every associate to give back in their own way.

Some specific examples of associate involvement in 2021 include:

- **Giving Campaign:** Through our annual giving campaign, associates can give to any eligible nonprofit organization of their choosing and have their donation matched dollar-for-dollar by Bread Financial, with no cap on the match. Nearly 40% of associates participated in this program last year, resulting in gifts to 981 nonprofit organizations totaling \$1,793,802 (inclusive of associate donations and company matching gifts).
- **Operation Feed:** This campaign supports local food banks in our associates’ communities. All donations made as part of Operation Feed are match eligible. In 2021, more than 1,250 associates participated in this program, providing more than \$93,000 to 56 local food banks. To encourage engagement, activities included a men’s college basketball tournament bracket challenge and a Pi Day celebration, during which a leader took a pie to the face on a virtual town hall.
- **Dollars for Doers:** This program allows associates to earn a \$25 “charitable gift card” for each logged volunteer service hour outside of company volunteer time (up to \$1,000 annually). These gift cards can then be donated to a nonprofit of each associate’s choosing.
- **National Volunteer Week:** In observance of National Volunteer Week in April 2021, associates were encouraged to find time to volunteer with nonprofit organizations across the country, including virtual volunteering opportunities.
- **Giving Tuesday:** In November 2021, we gave every associate a \$50 charitable gift card to “Pay it Forward” to a nonprofit of their choosing, allowing our associates and our company to have a personal and meaningful collective impact across all the communities we serve.



ESG Performance Summary

Our 2021 ESG Report outlines our management approach and performance related to key environmental, social and governance (ESG) topics identified in our most recent materiality assessment. It aligns to select Global Reporting Initiative (GRI) Standards disclosures and select disclosures in the Sustainability Accounting Standards Board (SASB) – Technology & Communications Sector Standard (Software & IT Services) and Financials Sector Standard (Consumer Finance).

This 2021 ESG Report reflects Bread Financial's continued business strategy transformation during the year, which included streamlining our operations and global workforce and further simplifying our business model. Full calendar year data includes our LoyaltyOne segment through November 8, 2021, at which time we completed the successful spinoff of the segment as a separate, standalone public company.

Topic/Issue	Metric/Unit	2021	2020	2019	GRI Indicator	SASB Code
FINANCIAL/GOVERNANCE						
Financial Performance						
Total revenues	US\$ millions	3,272	4,521	5,581	201-1	
Income from continuing operations before income taxes	US\$ millions	1,044	301	662		
Provision for income taxes	US\$ millions	247.0	99.5	165.8		
Net income	US\$ millions	801.0	213.7	278.0	201-1	
Stock price (end of year)	US\$	66.57	74.10	112.20		
Governance and Ethics						
Say on pay - executive compensation	%	81	94	93	102-38	
Board diversity - ethnicity	%	25	25	0	102-22	
Board diversity - gender (female representation)	%	37.5	28	28	102-22	
Board independence	%	88	86	100	102-22	
Board average tenure	Years	5.5	4.5	12		
Total PAC disbursements	US\$	6,400	91,500	25,500	415-1	
Number of disbursements to candidate committees	Number	3	29	10		
Government contacts	Number	35	19	220		
Associates completing annual, mandatory Code of Ethics training	%	99.6	99.3	97.7		
Ethics Helpline calls received	Number	53	86	n/a	102-34	
Ethics Helpline calls substantiated and resulted in corrective action	%	15	12	n/a	102-34	
Significant fines or monetary sanctions	US\$	75M*	0	0		

*Amount reimbursed pursuant to contractual indemnification obligation to purchaser of former subsidiary Epsilon Data Management LLC for fine/restitution incurred by Epsilon.

ESG Performance Summary

Topic/Issue	Metric/Unit	2021	2020	2019	GRI Indicator	SASB Code
CLIENTS/CONSUMERS						
Number of clients	Number	600	900	464		
Active cardholder accounts	Number in millions	36	40.2	44.6		FN-CF-000.B
Data Privacy and Information Security						
Data breaches	Number	0	0	0		FN-CF-230a.1
Board updates	Number	4	4	4		
Number of drills	Number	2	2	2		
Associates completing information security and privacy training	%	98.85	99.00	n/a		
Fair and Responsible Banking						
Community Reinvestment Act	Rating	Outstanding	Outstanding	Outstanding		
Credit card complaints per million active accounts (as reported to the CFPB)		102	44 lowest CFPB complaint volume per million active accounts	47.7 second-lowest among credit card banking peers		FN-CF-270a.4
Care Center and collections training and development hours	Hours	17,410	19,206	18,380		
First call resolution (BenchmarkPortal)	%	0.5% above industry average	1% above industry average	Same as industry average		
Customer satisfaction (BenchmarkPortal)	%	7.91% below industry average	0.70% above industry average	4.26% above industry average		
First case resolution	%	86.7	85	90.9		

ESG Performance Summary

Topic/Issue	Metric/Unit	2021	2020	2019	GRI Indicator	SASB Code
EMPLOYEES AND SUPPLIERS						
Total Headcount						
Total number of employees	Number	6,000	8,000	8,500	102-8	
New employee growth rate (adds about X% to Y% new people each year)	%	20-25%	5-10%	15-20%	102-41	
Voluntary Turnover						
Voluntary turnover - average (all employees)	%	17	13	18	401-1	
Turnover - non-exempt (hourly employees)	%	25	22.7	21	401-1	
Turnover - exempt (salaried employees)	%	13.2	11.4	14	401-1	
Turnover - male	%	19.7	18.4	18.6	401-1	
Turnover - female	%	20.4	18	17.7	401-1	
Diversity, Equity and Inclusion						
Total workforce by gender	% female	60	62	62	102-8	TC-SI-330a.3
Senior leadership by gender	% female	43	44	41.2	102-8, 405-1	TC-SI-330a.3
Total workforce by ethnicity - minority representation	%	41	43	44	102-8	TC-SI-330a.3
Senior leadership by ethnicity - minority representation	%	17	16	15	102-8, 405-1	TC-SI-330a.3
Gender pay parity - weighted by job level	%	2.5	5.6	3.9	405-2	
Ethnic pay parity - weighted by job level	%	-5.6	1.1	2		
Human Rights Campaign: Corporate Equality Index Benchmark	%	90	80	65		
Employee Training and Engagement						
Training and development - total investment	US\$ millions	14.38	9.85	16.08		
Training and development - dollars per employee	US\$	2,020	1,210	1,136	404-1	
Procurement/Supplier Diversity						
Total supplier diversity spending	%	5.84	5.56	8.09		
Minority-owned supplier spending	%	0.24	0.12	1.95		
Women-owned supplier spending	%	0.64	0.98	1.18		
Veteran-owned supplier spending	%	0.14	0.19	0.02		
LGBTQ-owned supplier spending	%	0	0	0		

ESG Performance Summary

Topic/Issue	Metric/Unit	2021	2020	2019	GRI Indicator	SASB Code
ENVIRONMENT						
Greenhouse gas emissions (GHG) - Total	MT CO ₂ e	159,924	45,233	120,005		
Greenhouse gas emissions (GHG) - Scope 1 emissions	MT CO ₂ e	1,493	1,357	2,266	305-1	
Greenhouse gas emissions (GHG) - Scope 2 emissions	MT CO ₂ e	11,220*	12,328	33,464	305-2	
Greenhouse gas emissions (GHG) - Scope 3 emissions	MT CO ₂ e	147,212**	31,548	84,275	305-3	
GHG Scope 1 + Scope 2 total per associate	MT CO ₂ e	2	2	4		
Total energy consumed	GJ	144,864	146,124	279,413	302-1	TC-SI-130a.1
Electricity sourced from the grid	%	85	84	92		TC-SI-130a.1
Electricity from renewable sources	%	15	16	8		TC-SI-130a.1
CDP Carbon Disclosure rating	Letter rating	TBD	C	C		
COMMUNITY INVESTMENT						
Community investment - donations	US\$ millions	5.5	7.5	9.5	201-1	
Community investment - volunteerism	Hours	7,003	10,000	26,500		
Volunteerism per employee	Hours	1	1	3		
Value of matching gifts	US\$	1,020,654	776,624	2,800,000		
Dollars for Doers - volunteerism	Hours	6,400	8,989	10,000		
Dollars for Doers - donations	US\$	160,021	115,743	247,000		

*2021 data is Market-Based Scope 2 emissions; previous years are Location-Based Scope 2 emissions.

**In 2021, Bread Financial expanded its Scope 3 data collection and reporting, resulting in a high increase year over year.



“As part of our broader transformation efforts, Bread Financial is redefining who we are and what we stand for as a purpose-driven financial services company.”

Ralph Andretta
President and CEO

