bread financial

2022

Task Force on Climate-Related Financial Disclosures Report

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About Bread Financial:

Bread Financial™ is a tech-forward financial services company that provides 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, we deliver growth for our partners through a comprehensive product suite, including private label and co-brand credit cards and buy now, pay later products such as installment loans and our “SplitPay” offerings. 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.

Headquartered in Columbus, Ohio, Bread Financial is committed to sustainable business practices powered by its 7,500+ global associates. In 2022, Bread Financial generated more than $3.8 billion in revenue. **Visit breadfinancial.com for more information.**

About This Report:

Bread Financial is pleased to share our inaugural Task Force on Climate-Related Financial Disclosures (TCFD) report, which demonstrates our progress on identifying, assessing, mitigating and governing climate-related risks as well as our evolving sustainability efforts. Our actions to understand and control our climate-related risks are part of our overall business transformation, and we expect our level of sophistication to continue to grow in the coming years. The contents of this report were developed with the assistance of our first, second and third lines of defense. Data covered is primarily from Jan. 1 to Dec. 31, 2022, unless otherwise noted.

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

GOVERNANCE

Bread Financial recognizes the importance of identifying and addressing environmental and climate-related threats, both to ensure the sustainability and resilience of our operations and to protect and preserve our planet. The identification and management of organizational risks, including climate and environmental exposures, is fundamental to our overall risk culture and is a cornerstone of how we strategize, manage and oversee our operations. As part of our commitment to responsible business practices, we take a multi-tiered approach to ensure comprehensive oversight of these issues. Those tiers include oversight by the Board and by its standing committees, and management's development and execution of strategies, policies and procedures to identify, manage and mitigate risk.

Board Oversight

Our Board of Directors is firmly committed to sustainability, represented by the integration of ESG principles into our business strategy, enabling us to optimize opportunities for positive impact while advancing our long-term financial and reputational goals. Our Board-approved **Environmental Policy Statement** emphasizes the importance of environmental stewardship and acknowledges the risks that climate change and other environmental factors pose to our business, associates, clients, customers and the communities we serve.

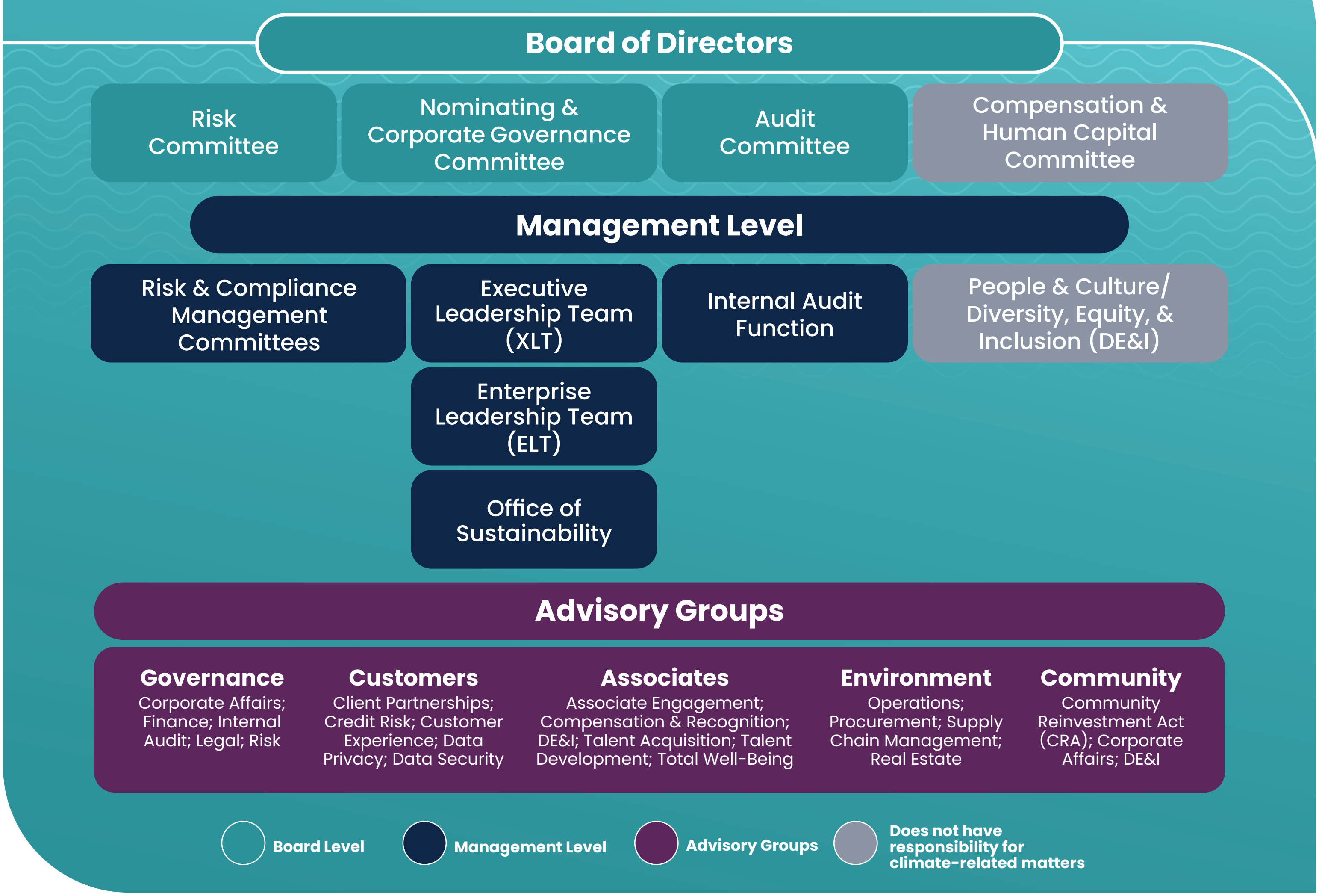
Further, our Board places a significant emphasis on the continuing education of our directors, recognizing it as an essential activity for effective organizational governance and business success. During our 2022 annual Board strategy meeting, external specialists conducted a comprehensive workshop tailored to Board members, focusing on emerging ESG best practices. The workshop covered a range of critical subjects, including climate risk oversight, the connection between climate risks and opportunities, investor expectations, and effective reporting and disclosure practices.

Bread Financial Board of Directors: Our Board of Directors collaborates with management to serve the long-term interests of the company and all of our stakeholders. Our Board delegates specific oversight responsibilities among four standing committees, the Audit Committee, Compensation & Human Capital Committee, Nominating & Corporate Governance Committee, and Risk Committee. Each committee has a defined charter outlining its distinct roles and responsibilities. This approach enables our Board to more effectively oversee the responsible management of the business, inclusive of ESG matters.

Oversight of climate-related risks is included in the Board's broader sustainability governance structure, under which the Board does the following:

- Oversees, directly and through its standing committees, the implementation of the organization's ESG strategy, including climate risk mitigation efforts.
- Receives, at least biannually, management updates on ESG strategy and progress, including actions taken to protect the planet.
- Receives quarterly updates from the Nominating & Corporate Governance and Compensation & Human Capital Committees regarding their respective areas of ESG oversight, which are informed by management's reports to the committees.

ESG/Climate Risk Governance Structure



Standing Committees of the Board

Nominating & Corporate Governance Committee: The Nominating & Corporate Governance Committee is entrusted with providing oversight for the implementation of our ESG and climate-related strategies. The committee collaborates closely with our management team and Head of Sustainability on pertinent initiatives, policies, guidelines and procedures that address environmental and climate risk considerations. The committee annually reviews and makes a recommendation to the Board regarding approval of the ESG strategy, endorses supporting objectives, and receives quarterly updates on related progress, including assessments and updates on climate-related risks.

The Nominating & Corporate Governance Committee's role in climate-related oversight includes the following:

- Review and approve, and recommend to the Board for approval, the company's ESG strategy and advise management on related policies, guidelines and practices.
- Oversee our initiatives, programs, practices and formal reporting related to ESG matters, including those related to environmental sustainability and climate change.

Audit Committee: The Audit Committee is responsible for monitoring the integrity of the company's financial statements, compliance with legal and regulatory requirements, and overseeing the activities and results of the organization's internal audit function.

The Audit Committee's involvement in climate-related oversight includes the following:

- Review the results of Internal Audit's periodic assessment of the organization's ESG strategy, program and reporting.
- Review the company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

Risk Committee: The Risk Committee plays a pivotal role in supporting the Board's oversight of the organization's Enterprise Risk Management (ERM) program. The committee conducts quarterly assessments to ensure that the company operates in line with its established risk appetite, while carefully reviewing and monitoring major known and emerging risk exposures. Through this proactive approach, we remain committed to ensuring that our risk management framework is effective and dynamic, enabling us to navigate an ever-evolving risk landscape with increased confidence.

The Risk Committee's involvement in climate-related oversight includes the following:

- Review significant and emerging risks to the organization and assess if the company is in accordance with its applicable risk appetite.
- Evaluate risk reports provided by our Chief Risk Officer and other members of management and advise the Board on those material risks, including climate, which might adversely affect the achievement of our strategic, financial, compliance, operational and enterprise objectives.

Management's Role

At Bread Financial, management's approach to operating responsibly is centered on ethics, integrity, risk management, compliance, business continuity and long-term sustainability. It is the responsibility of our management team to understand the risks that our company faces and to oversee the implementation of policies and practices that effectively mitigate these threats. To achieve this, we employ a comprehensive ERM program that reflects our risk appetite, governance, culture and reporting needs. Our Board-approved Enterprise Risk Management Framework summarizes the responsibilities of our Board, risk management committees, and our dedicated Risk Management team which is led by our Chief Risk Officer. Our program sets high standards for identifying, managing, measuring, monitoring and reporting on risks across the organization. The Chief Risk Officer regularly reports on risk management matters to both the Risk Committee and the Risk and Compliance Committees of our bank subsidiaries (Comenity Bank and Comenity Capital Bank).

In 2021, we refined our ESG strategy to ensure alignment with our overarching business transformation. This included integration of key environmental and social priorities into our operational framework, with increased emphasis on climate risk management. We conduct regular ESG materiality assessments, with one planned for 2023, to ensure we appropriately prioritize the ESG matters which are most critical to the success of our business and the stakeholders we serve. Furthermore, we develop goals and progress indicators for these matters, tracking the successful implementation of our strategy and risk mitigation activities. Regular assessments are conducted to ensure that these priorities are continually monitored and updated to remain aligned with our evolving business needs. This approach has not only helped to advance our corporate consciousness regarding ESG, but also ensures that we are consistently making meaningful progress toward our long-term sustainability objectives.

In 2022, we took our commitment a step further by developing a formal ESG Framework. This framework elevates the governance of our program by formalizing the roles and responsibilities of key internal stakeholders. Our Executive Leadership Team reviews and approves the ESG Framework covering:

- Roles, Responsibilities and Accountability
- ESG Management
- ESG Assessment
- Internal and External Reporting

The development and execution of our ESG strategy is guided by our Office of Sustainability, led by our Head of Sustainability. The team receives continuing education and partners with external consulting groups to keep apprised of regulatory requirements, best practices, guidance recommendations and the latest relevant climate-related science to effectively prioritize, oversee and mitigate ESG-related risks. The Sustainability team also collaborates closely with advisory groups consisting of internal business leaders from key functions to identify and prioritize those areas with the most significant ESG-related risks and opportunities. These advisory groups incorporate business functions which are critical to the execution of our ESG strategy and increasing the sustainability of our operations, as outlined below:

Governance	Customers	Associates	Environment	Community
· Corporate Affairs · Finance · Internal Audit · Legal · Risk	· Client Partnerships · Credit Risk · Customer Experience · Data Privacy · Data Security	· Associate Engagement · Compensation and Recognition · DE&I · Talent Acquisition · Talent Development · Total Well-Being	· Operations · Procurement · Supply Chain Management · Real Estate	· CRA · Corporate Affairs · DE&I

Recent examples of such initiatives include efforts to increase the adoption of paperless statements, availability of sustainable or recycled card plastics in our product portfolio, and real estate improvements and optimization. For more information regarding the organization's approach to climate risk specifically, please reference the *"Identifying and Assessing Climate Risks"* section of this report.

Bread Financial Management Teams

Executive Leadership Team (XLT): Consists of our "named executive officers" for Securities and Exchange Commission (SEC) purposes who establish and drive Bread Financial's business strategy. XLT involvement in climate-related oversight includes the following responsibilities:

- Review and approve the formal ESG Framework governance document.
- Review of quarterly updates on ESG strategy and progress.
- Review and provide feedback on ESG-related strategies and goals.
- Provide a forum to regularly discuss ESG-related risks, issues and action plans.
- Provide accountability for the ESG program and ensure first line of defense ("FLOD") support and participation for ESG-related goals.

Enterprise Leadership Team (ELT): Consists of key business leaders responsible for overseeing and operationalizing the business strategy. ELT involvement in climate-related oversight includes the following responsibilities:

- Review quarterly updates on ESG strategy and progress.
- Provide a forum to regularly discuss ESG-related risks, issues and action plans.
- Responsible for the implementation of the ESG strategy as approved by the XLT and the Board's Nominating & Corporate Governance Committee.

Risk & Compliance Management Committees: Both of our banks maintain management-level committees responsible for reviewing and overseeing designated risk areas. The committees' involvement in climate-related oversight includes the following responsibilities:

- Review reports and provide management guidance on risks reviewed in the committee.
- Provide a forum for escalation and determination of action for issues that are outside of risk tolerance.

Internal Audit: Bread Financial's Internal Audit function is an independent and objective assurance and consulting department. Internal Audit's involvement in our climate-related oversight includes the following responsibilities:

- Perform periodic assessments on the adequacy and sufficiency of Bread Financial's ESG program.

Management Responsibilities

Executive Vice President, Chief Administrative Officer, General Counsel and Secretary (CAO): Our CAO serves as the executive sponsor of our ESG strategy and initiatives. Our CAO's responsibilities for ESG include:

- Appoint the Head of Sustainability to lead the ESG program.
- Provide legal guidance and executive oversight for ESG-related matters.
- Enforce governance and accountability of ESG program updates and execution.
- Engage directly with our Board on key ESG risks and elevate climate-related issues as necessary.

Chief Risk Officer (CRO): Our CRO is responsible for overseeing and governing the organization's enterprise risks and ensuring risks are appropriately embedded within the ERM program. Our CRO's responsibilities related to ESG include:

- Assist in integrating ESG risks into the ERM program.
- Provide credible challenge for the ESG program and initiatives.
- Monitor ESG risks as part of normal risk management activities.

Head of Sustainability: Our Head of Sustainability is responsible for guiding the organization's ESG strategy. Our Head of Sustainability's responsibilities include:

- Provide governance and oversight for the ESG program.
- Identify and recommend ESG strategies, goals and action plans to the XLT/ELT and Board of Directors.
- Responsible for the execution and the organization's adherence to the ESG framework as implemented by the Sustainability team and ESG-related regulatory standards.

RISK MANAGEMENT

Identifying and Assessing Climate Risks

In 2022, our Office of Sustainability led an initiative alongside a third-party consulting firm to conduct a climate risk assessment which included risk and opportunity identification, evaluation and prioritization. Our assessment started with groups of subject-matter expert (SME) business leaders participating in a survey to assess the impact, likelihood and preparedness for relevant climate-related risks. We then conducted an inherent and residual risk assessment to map and identify those physical and transitional exposures that have a higher residual risk, and therefore require prioritization in our risk mitigation efforts. Lastly, workshops were held with the SMEs to further evaluate and validate results and to discuss mitigation activities.

By involving cross-functional leaders from diverse areas of the business in these assessments, we were able to gain valuable insights into potential risks and opportunities. Our assessment included approximately 45 SMEs from various business functions and were grouped as follows:

- Office of Sustainability & Risk
- Data, Analytics & Technology
- Products, Innovation & Strategy
- Corporate Affairs, Marketing, People & Culture, Operations
- Real Estate & Credit Management
- Finance & Legal

Managing Climate Risks

Our Board of Directors, both directly and through its committees, assumes responsibility for supervising our ERM program, which encompasses monitoring our risk culture throughout the organization. Significant risks are identified, assessed and mitigated related to our ability to achieve strategic, financial, compliance and operational goals.

Our ERM program employs advanced tools and platforms to manage and monitor risk exposures, focusing on potential vulnerabilities, performance indicators, emerging threats and control assessments to provide comprehensive oversight and proactive mitigation strategies. Risk assessments are conducted on a cadence dependent on the risk level to maintain an ongoing evaluation; however, ad hoc assessments are also undertaken as appropriate when unforeseen events or significant changes in the business environment occur. This approach allows for timely identification and response to emerging risks that could impact the organization's operations or objectives.

Our ERM Framework is managed through the "Three Lines of Defense" model, designed to clarify and delineate the roles and responsibilities of risk and control activities across the organization. Each line of defense has different responsibilities to address the objectives of the ERM Framework related to the organization's risk strategy, appetite, and mitigation strategies, as outlined below:

Three Lines of Defense:

1. **First line of defense (FLOD) —** Personnel that engage in activities that generate revenue or provide operational support or services that introduce risk.
2. **Second line of defense (SLOD) —** Independent risk management team charged with the oversight and monitoring of risk within the business.
3. **Third line of defense (TLOD) —** Internal Audit function.

Integrating Climate Risk into Enterprise Risk Management

Our Risk Management team partners with SMEs across the business to recognize, evaluate, respond to and monitor both internal and external exposures. Moreover, the group considers any interconnected risks and emerging risk themes to provide a holistic view and enhanced reporting to the Board Risk Committee. This reporting process identifies the primary risks faced by the enterprise while highlighting the critical risks that may require deeper review by the full Board of Directors. These evaluations are based on a combination of factors, including the probability of the risk occurring, the potential impact, and the effectiveness of the controls put in place to mitigate the risk.

To further facilitate the integration of ESG with our ERM program, in 2022 we invested in the implementation of an ESG module within our ERM Governance, Risk and Compliance (GRC) tool. This was an essential step to effectively incorporate ESG risks, including climate risk, into our ERM program and risk assessment processes. As these risks become embedded into the program, they will be routinely assessed based on likelihood and impact, which determines the mitigating controls needed to bring the exposure within the applicable risk tolerance. The controls additionally are assessed for effectiveness to ensure they are operating appropriately.

In 2023, we will be conducting our fourth ESG materiality assessment, reaffirming our understanding of the most pressing stakeholder and business priorities that inform our ESG strategy. The outcomes of this assessment will be leveraged by our Enterprise Risk team and other relevant parties to ensure that the identified topics are appropriately prioritized, assessed and mitigated within our risk tolerance or evaluated for opportunities. Furthermore, the results will be evaluated against our overall ESG strategy to ensure that we maintain alignment on critical issues across the organization. This comprehensive assessment represents an additional layer of rigor in our ongoing commitment to responsible business practices and addressing the evolving expectations of our stakeholders.

Finally, our Internal Audit group serves as the third line of defense, assessing whether policies and procedures are being properly implemented and followed, and reporting findings to the Audit Committee. Our Internal Audit group assesses the ESG program on a periodic cadence.

Business Continuity and Disaster Recovery

Our Business Continuity and Disaster Recovery Program focuses on the resilience of our operations and business processes. Our emergency response is designed to maintain the continuity of our operations in the event of disruptions, including natural disasters such as severe storms, hurricanes, cyclones, tornadoes, wildfires, earthquakes, extreme temperature events, etc. We evaluate potential risks in the geographic areas where operations and customers are located, and determine appropriate emergency response plans based on business impact. Business processes are evaluated for criticality based on impact, allowable downtime, recovery time and other measures to assess the risk of failed business processes. For areas above a designated risk threshold, business continuity and disaster recovery plans are prepared. Each plan focuses on requirements to continue business operations, and the requirements to restore systems, applications and processes. These plans are tested via a walk-through, table-top or a live-action exercise to assess the adequacy of the plan, and the ability of the organization to operationalize the procedures.

Understanding Our Climate-Related Risks and Opportunities

With the significant majority of our revenue generated from consumer credit card lending, our business model does not involve business-to-business lending or issuing collateralized loans. Combined with our limited physical presence, we do not face the same climate-related risks that are common to other larger, full-service financial service companies with more significant physical footprints.

We acknowledge the potential ramifications that may arise from climate change and the importance of adopting a transparent and proactive approach in identifying, evaluating and mitigating such risks, and those related opportunities. To aid in our overall maturation, we have built a Climate Action Roadmap which informs our annual goal setting process to identify areas where we can make the most impact. In 2022, we met each of our goals identified for the year:

- Redefined our GHG emission baseline
- Conducted comprehensive energy audit of our facilities
- Started to calculate relevant Scope 3 emissions categories
- Prepared for alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) reporting framework

Looking ahead to 2023, we have identified next steps to build upon our progress:

- Implement findings of energy audits
- Assess results of climate risk analysis and determine mitigating actions
- Conduct supply chain assessment
- Begin the process of setting science-based targets

Furthermore, we have assessed our exposure to climate risks in the short (zero to three years), medium (three to five years) and long term (five to 10 years). We have screened Climate-Related Risks (Physical and Transition), Climate-Related Opportunities (Resource Efficiency, Energy Source, Products and Services, Market, and Resilience), Physical Risks (Acute and Chronic) and Transition Risks (Market, Reputation, Technology, and Policy) in this evaluation, certain of which are described in the tables below.

Climate-Related Risks

Risk	Risk Type	Description	Time Horizon	Potential Business Impact
Acute physical	Hurricanes and other natural disasters	Natural disasters such as hurricanes, cyclones, wildfires, etc. can disrupt normal business operations. Bread Financial can be impacted by potential disruption to our clients, partners, suppliers and customers. These events may also change spending and payment habits of our customers, leading to an increase in loan defaults, fee forgiveness programs and decreased loans.	Short-term	Decreasing revenue & increasing credit losses
Transition	Reputation	Customers expecting stronger sustainability commitments may influence how our clients operate. As such, customers and partners might also expect Bread Financial to have mature climate action plans and low-carbon products/solutions. Failing to meet these expectations could make it more difficult for Bread Financial to attract and/or retain partners.	Long-term	Decreasing revenue & demand
Transition	Policy and legal	Evolving regulatory and stakeholder expectations of an institution's environmental impact can affect Bread Financial if we do not comply with those expectations. This could result in fines and/or loss of business. Bread Financial has been proactive in managing our environmental footprint and preparing for potential regulatory requirements.	Long-term	Increasing costs and/or reduction of demand for services

Climate-Related Opportunities

Opportunity	Opportunity Type	Description	Time Horizon	Potential Business Impact
Building resilience into supply chain	Resilience	Integrating climate risk considerations within our supply chain can ensure a more consistent and reliable way to meet customers' demands and manage costs. In 2023 we hired a responsible sourcing SME within our Procurement team to ensure sustainability is considered when sourcing new suppliers, with the goal to ultimately reduce our share of GHG emissions.	Medium-term	Decreasing costs
Sustainable card plastics and digital wallets	Products and services	We have expanded our credit card product offerings to include both sustainable plastics and digital wallets. Since August 2022, each Bread Cashback™ American Express® Card issued (about 54,000 cards) has been produced as carbon neutral and with PLA (polylactic acid), a biodegradable plastic derived from renewable, organic sources. We are working to expand usage of PLA within our other card programs. We also offer the use of digital wallets with our credit cards, such as Apple Pay® and Google Pay™. Studies have found that digital payments produce significantly fewer CO2 emissions compared to physical card transactions.	Medium-term	Increasing revenue
Expanding paperless communications	Products and services	Since 2021, we have committed to increasing paperless statement adoption by encouraging our customers to go paperless. We have identified internal goals to increase the adoption and invested to expand the broader use of paperless communications. In 2022, 105.2 million of our statements were paperless.	Medium-term	Decreasing costs
Renewable energy and energy efficiency	Resource efficiency and resilience	Our corporate headquarters in Columbus, Ohio, as well as our facility in Draper, Utah, are both powered by 100% renewable energy. We have set a goal to have all of our facilities, if the option is available to us, powered by renewable energy by the end of 2023. Furthermore, we have invested in making our facilities more energy efficient. Our headquarters in Columbus, Ohio, has received an Energy Star certification and is more energy efficient than 83% of similar buildings. We are continuing to pursue Energy Star and LEED certifications at our other facilities.	Medium-term	Decreasing costs and exposure to future fossil fuel price increases
Real estate optimization	Resource efficiency	We have continued to be flexible and offer our associates a choice in where they would like to work (at home, in office or hybrid). This approach has allowed us to optimize our real estate footprint, reducing our office space by 868,176 square feet since 2020. We have established plans to continue our optimization of office space in the coming years.	Medium-term	Decreasing costs

Scenario Analysis

Physical Risks

Acute Physical Risk — Hurricanes & Cyclones			
Scenarios (Shared Socioeconomic Pathways — SSP)	SSP1 – 2.6 (Low)	SSP2 – 4.5 (Moderate)	SSP5 – 8.5 (High)
Description	This scenario depicts a future in which the world shifts gradually toward a more sustainable path where there are few challenges transitioning to a lower carbon economy and adapting to the impacts of climate change. Emissions in this scenario are low, keeping the world below 2°C warming.	This scenario depicts a "middle of the road" future in which there are medium challenges to mitigation and adaptation, with overall declining resource intensity and some degradation to environmental systems. Emissions in this scenario are moderate, putting the world on a path of 2-4°C warming.	This scenario depicts a future in which there is intensive use of fossil fuel resources, creating difficulties mitigating the effects of climate change. Emissions in this scenario are high, putting the world on a path of temperature increase of above 4°C.
Temperature Impact	Below 2°C by end of century	2-4°C by end of century	Above 4°C by end of century
Time Horizon	2030 and 2050		
Rationale	This is a best-case scenario.	This scenario depicts a likely future given the announced emissions reduction commitments (e.g., Nationally Determined Contribution [NDCs]).	This is a worst-case scenario.
Methodology	To conduct our analysis for the risk of hurricanes and cyclones, extreme precipitation was used as a high-level indicator. Climate models were used to project the number of monthly precipitation events greater than a 20-year and 100-year recurrence interval over a 20-year period in coastal locations representative of areas with large concentration of Bread Financial customers. While this metric captures extreme precipitation, when applied at coastal locations, a 100-year precipitation event can be used as a high-level indicator of potential conditions conducive to a tropical cyclone event. This determined the location's future exposure to extreme events under different warming scenarios. We then assessed our vulnerability by leveraging resources such as the World Wide Fund for Nature Water Risk Filter and Biodiversity Filter, which allowed us to determine which locations were most at risk based on outstanding factors such as location and historical exposure.		
Outcomes & Results	The projected change in the number of extreme precipitation events varies by location. Under a moderate warming scenario, South Carolina, Florida and Texas are likely to experience a greater frequency and intensity of 20-year and 100-year events. This can affect our operations, customers and servicing in these locations, leading to decreased revenues and increased credit losses.		

Transition Risks

Market Risk — Shift in Brand Partner Preferences

Scenarios	Bread Financial becomes a sustainability leader	Bread Financial continues on a business-as-usual path	Bread Financial lacks ambition compared to peers
Description	This scenario depicts a future in which Bread Financial becomes a sustainability leader and can capture new brand partners who are interested in partnering with suppliers with strong sustainability commitments.	This scenario depicts a future in which Bread Financial continues on the same path of maturity in sustainability and is able to continue working with the same brand partners.	This scenario depicts a future in which Bread Financial lags behind competitors in sustainability ambitions and is likely to lose brand partners with a sustainability focus.
Time Horizon	2030 and 2050		
Rationale	This is a best-case scenario in which Bread Financial can have a competitive advantage and capture more revenue if a leadership position is achieved in sustainable actions.	This is a base or business-as-usual scenario which has the greatest chance to occur.	This represents the worst-case scenario in which Bread Financial lags behind competitors and is at risk of not only being unable to get new brand partners but is also at risk of losing existing ones.
Methodology	The sustainability ambitions of our top brand partners by revenue were assessed and scored based on their level of maturity. Brand partners with high maturity are assumed to have the strongest partnerships under a scenario where Bread Financial is a sustainability leader, but would be at risk of losing the partnership under a scenario in which Bread Financial lacks sustainability ambition.		
Outcomes & Results	The three scenarios depict different futures for Bread Financial's brand partnerships depending on the level of maturity the company will achieve. Bread Financial is at risk of losing brand partners and/or reduced revenue if sustainability ambitions are lacking.		

METRICS & TARGETS

We recognize that our climate strategy ambitions and actions require a process of continuous monitoring and improvement. Thus, every year, we engage in a thorough process to evaluate and identify areas where we can have the most significant impact. This approach enables us to establish realistic environmental goals and activities aligned with stakeholder expectations and global regulatory requirements, while also ensuring our competitiveness in the market. To ensure accountability and oversight, our Nominating & Corporate Governance Committee annually reviews and endorses our ESG strategy.

To ensure accountability and measure our progress, we track our environmental performance throughout the year, keeping our Board and leadership informed. We have identified the most significant environmental metrics based on our business model. As we mature and continue to better understand our environmental risks, we can expand these metrics to include more sophisticated targets. We currently track GHG emissions, energy (renewable and non-renewable), water usage and paperless statement adoption, among other environmental metrics.

Climate-Related Metrics

	Metric/Unit	2022	2021	2020
Total Energy Usage	GJ	101,978	144,864	122,389
Percentage of Renewable Energy	%	26	15	8
Paperless Statement Rate	%	42.7	-	-
Total Water Usage	Gallons	22,252,653	14,300,303	-
GHG — Scope 1 Emissions	MT CO2e	1,008	1,493	1,120
Natural Gas		952	1,354	947
Corporate Vehicles		56	139	173
Refrigerant		-	-	-
GHG — Scope 2 (location based)	MT CO2e	10,164	11,382	11,753
Purchased Electricity		9,647	10,972	11,006
Purchased Heat		-	-	359
Refrigerant		517	410	388
GHG — Scope 2 (market based)	MT CO2e	7,860	11,220	12,590
Purchased Electricity		7,343	10,810	11,843
Purchased Heat		-	-	359
Refrigerant		517	410	388
GHG — Scope 3*	MT CO2e	116,245	147,212	31,351
Purchased Goods & Services		89,318	119,740	1,785
Capital Goods		2,325	4,398	-
Fuel & Energy Related Activities (MB)		1,710	2,170	2,389
Waste Generated in Operations		37	817	-
Business Travel		1,796	583	1,448
Employee Commuting		5,185	6,715	11,148
Upstream Transportation & Distribution		15,514	12,789	14,581
Investment		360	-	-

Three years of data has been provided where available. As we continue to expand our metric collection, some metrics are newly added and may not have data from prior years.

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

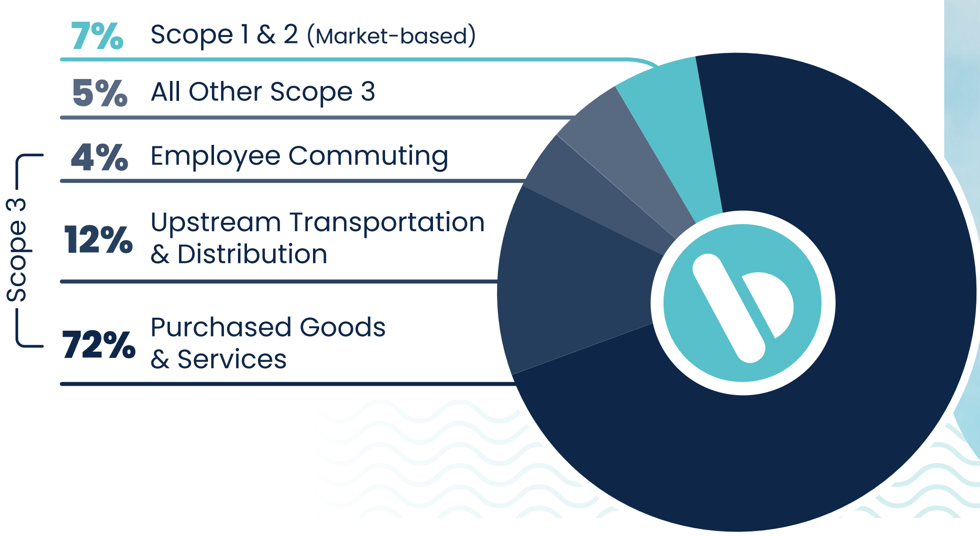
In the interest of transparency and accountability, we are sharing our methodology for calculating greenhouse gas (GHG) emissions, which adheres to the internationally recognized GHG Protocol guidelines.

1. Alignment with GHG Protocol: Our GHG emissions calculations follow the comprehensive and rigorous accounting and reporting standards set forth by the GHG Protocol. This ensures that our emissions data is consistent, transparent and comparable across industries and geographies.
2. Scope of Emissions: We report our emissions across all three scopes defined by the GHG Protocol. Scope 1 covers direct emissions from our owned or controlled sources, Scope 2 accounts for indirect emissions from the generation of purchased electricity, and Scope 3 encompasses all other indirect emissions occurring in our value chain.
3. Base Year: We measure our progress in reducing our GHG emissions against our emissions in 2022. This base year acts as a reference point to help us track our performance over time and ensure we are on track to meet our reduction targets.
4. Metrics: We monitor both absolute emissions (total metric tons of CO2 equivalent) and intensity-based emissions (emissions per unit of output, such as revenue or production volume). Monitoring both metrics allows for a comprehensive understanding of our emissions profile and enables us to identify areas for improvement and accurately track our progress.

In 2022, we established a new GHG emissions baseline that more accurately reflects our current business. During the three prior years our footprint fluctuated due to COVID-19 and then a return to normalcy post-COVID, combined with the divestiture of substantial lines of business and optimization of our real estate portfolio. In 2023, we are starting the process of using the revised baseline to establish new quantitative emissions goals and science-based targets that take our recent business transformation into account. Our emission breakdown for 2022 is outlined below:

2022 GHG Emissions Breakdown

Bread Financial's FY22 GHG Emissions by Source



Our commitment to this robust methodology allows us to effectively tackle climate change and reduce our environmental impact. We remain dedicated to improving our emissions management practices and contributing to a more sustainable future.

Note Regarding Materiality and Forward-Looking Statements

Our environmental, social and governance (ESG) and climate-related disclosures are voluntary disclosures. Our approach to these voluntary disclosures often considers disclosure recommendations and broader definitions of materiality promulgated by certain external frameworks and reporting guidelines that differ from the definition of materiality used for purposes of complying with the disclosure rules and regulations promulgated by the U.S. Securities and Exchange Commission (SEC) and applicable stock exchange listing standards. Accordingly, we may present voluntary ESG and climate-related information from a different perspective than in our SEC filings, and any use of the term "material" in the context of such information may be distinct from such term as defined for SEC reporting purposes. Any inclusion of ESG and climate-related information in this report is not an indication that the subject or information is material to Bread Financial for SEC reporting purposes.

The goals and projects described in our ESG and climate-related disclosures involve, and are based on, targets, commitments, estimates, assumptions, standards, methodologies and currently available data, which continue to evolve and develop. As such, we cannot guarantee or provide assurance that these goals and projects will be met or achieved as described. Additionally, our ESG and climate-related information is as of the date referenced, subject to change without notice, and may be regarded as indicative and for illustrative purposes only. This information may vary based on applicable laws, rules and regulations and may also include the use of non-financial metrics and/or other information that are subject to significant measurement uncertainties, which may include the methodology, collection and verification of data, various estimates and assumptions and/or underlying data that is obtained from third parties, some of which cannot be independently verified.

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, statements regarding our ESG and climate-related targets, goals, metrics, aspirations, strategies and plans, which may develop and evolve over time. Forward-looking statements give our expectations or forecasts of future events and can generally be identified by the use of words such as "believe," "expect," "anticipate," "estimate," "intend," "project," "plan," "likely," "may," "should" or other words or phrases of similar import. We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that are difficult to predict and, in many cases, beyond our control. Accordingly, our actual results could differ materially from the projections, anticipated results or other expectations expressed in this report, and no assurances can be given that our expectations will prove to have been correct.

Factors that could cause our actual results or outcomes to differ from those expressed in, or implied by, any of these forward-looking statements include, among others: global socio-demographic and economic trends; legislative, regulatory and public policy changes; changes in developing standards and certifications; energy prices; technological innovations; the cost and availability of renewable energy and environmentally responsible products and facilities; our ability to gather and verify data regarding environmental impacts; our ability to successfully implement various initiatives throughout the company under expected timeframes; engagement with partners, suppliers, investors, government officials and other stakeholders; management's inability to identify suitable suppliers, grantees and community investments and negotiate acceptable terms; an inability to build partnerships and execute programs with other third parties or such parties' failures to satisfy their obligations under such programs; climate-related conditions and weather events; changes in economic or business conditions and our ability to grow, improve our financial performance and execute on our strategies; and other unforeseen events or conditions including those factors identified in our Annual Report on Form 10-K for the most recently ended fiscal year, which may be updated in Item 1A of, or elsewhere in, our Quarterly Reports on Form 10-Q filed for periods subsequent to such Form 10-K. Our forward-looking statements speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise. Additionally, this report may contain statements based on hypothetical scenarios and assumptions, which may not occur, or may differ significantly from actual events. These statements should not necessarily be considered as being indicative of current or actual risk or forecasts of expected risk.