bread financial™

Task Force on Climate-Related Financial Disclosures Report

2023

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About Bread Financial:

Bread Financial™ (NYSE: BFH) is a tech-forward financial services company providing simple, personalized payment, lending and saving solutions. The company creates opportunities for its 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 its partners through a comprehensive suite of payment solutions that includes private-label and co-brand credit cards and Bread Pay™ buy now, pay later products. Bread Financial also offers direct-to-consumer products that give customers more access, choice and freedom through its branded Bread Cashback™ American Express® Credit Card and Bread Savings™ products.

Headquartered in Columbus, Ohio, Bread Financial is powered by its approximately 7,000 global associates and is committed to sustainable business practices. To learn more about Bread Financial, visit breadfinancial.com or follow us on Facebook, LinkedIn, Twitter/X and Instagram.

About This Report:

Bread Financial is pleased to share our second 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, 2023, unless otherwise noted. We are aware that as of October 2023 the TCFD has disbanded and transferred its responsibilities over to the International Financial Reporting Standards (IFRS) Foundation. Starting with the 2024 reporting cycle, we will revise this report to align with the updated standards established within the IFRS S2 Climate-related Disclosures.

For additional information on our sustainability 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 risks, 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, management's development and execution of strategies, and policies and procedures to identify, manage and mitigate risk.

Board Oversight

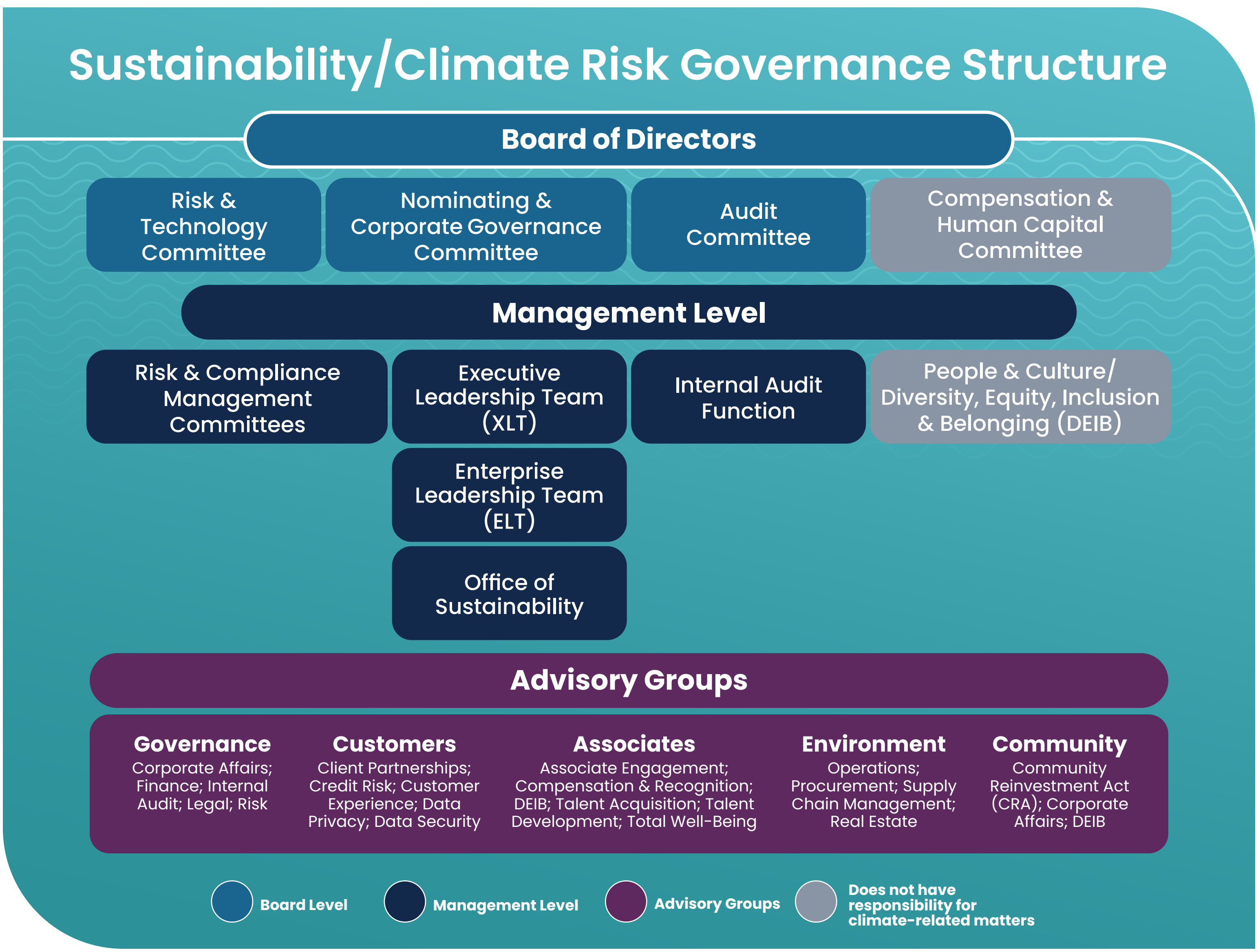
Our commitment to mitigating climate-related risks is evidenced through the integration of sustainability principles into our business strategy, operations, and oversight by our Board of Directors. This approach helps ensure we remain focused on responsible business practices, enabling us to capitalize on opportunities and advance 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, partners, customers and communities.

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 performance. Each year during our Board strategy meeting, the Board receives training on emerging and pressing topics relevant to our business. Our Board last received external education on climate-related topics in 2022 where external specialists 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 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 & Technology 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 sustainability 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 sustainability strategy, including climate risk mitigation efforts.
- Receives, at least annually, updates from leadership on the sustainability strategy and progress.
- Receives quarterly updates cascaded from the Nominating & Corporate Governance and Compensation & Human Capital Committees regarding their respective areas of sustainability oversight.



Standing Committees of the Board

Nominating & Corporate Governance Committee: The Nominating & Corporate Governance Committee is responsible for providing oversight of the implementation of our sustainability strategies. The committee collaborates closely with both our management team and Chief Sustainability Officer on pertinent initiatives, policies, guidelines and procedures that address environmental and climate risk considerations with at least quarterly management updates.

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

- Review and approve, at least annually, and recommend to the Board for approval, the company's sustainability strategy and advise management on related policies, guidelines and practices.
- Oversee our initiatives, programs, practices and formal reporting related to sustainability matters.

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 sustainability 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 & Technology Committee: The Risk & Technology Committee plays a pivotal role in supporting the Board's oversight of the organization's Enterprise Risk Management (ERM) program. The committee receives at least quarterly reports to assess the company's compliance with its established risk appetite, while carefully reviewing and monitoring major known and emerging risk exposures, and also oversees the company's enterprise technology function.

The Risk & Technology 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 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

Our Office of Sustainability, led by our Chief Sustainability Officer, is responsible for defining and executing our sustainability strategy, while providing the necessary details and updates to Executive Leadership and our Board of Directors. Bread Financial's approach to integrating and managing sustainability as part of our business strategy is outlined within our Sustainability Strategic Framework, which places a focus on managing our business responsibly, empowering our customers, engaging our associates, protecting our planet and creating possibilities for our communities.

Every two to three years we conduct a materiality assessment to ensure we appropriately prioritize topics most important to our stakeholders and the long-term success of our business. We refreshed this assessment in 2023 which reaffirmed our areas of focus. The findings demonstrated that while managing certain fundamental risks are foundational to protecting our business, it remains important for the organization to continue to understand, assess and address its climate-related risks.

We ensure continued progress in our focus areas through goal setting, measurement and monitoring against key progress indicators. We also leverage cross-functional partnerships to align around shared priorities, problem solve, track progress and ensure accountability. This approach helps us identify areas of opportunity and continued progress toward our long-term sustainability objectives.

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 · DEIB · Talent Acquisition · Talent Development · Total Well-Being	· Operations · Procurement · Supply Chain Management · Real Estate	· CRA · Corporate Affairs · DEIB

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, comprehensive climate risk analyses, and real estate 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.

Further, having an effective risk management (ERM) program is essential for us to execute our strategy responsibly and efficiently. Therefore, 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 our Board and management-level risk committees.

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 Sustainability Framework governance document.
- Review of quarterly updates on sustainability strategy and progress.
- Review and provide feedback on sustainability-related strategies and goals.
- Provide a forum to regularly discuss sustainability-related risks, issues and action plans.
- Provide accountability for the sustainability program and ensure first line of defense ("FLOD") support and participation for sustainability-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 periodic updates on sustainability strategy and progress.
- Provide a forum to regularly discuss sustainability-related risks, issues and action plans.
- Implement the sustainability strategy as approved by the XLT and the Board's Nominating & Corporate Governance Committee.

Disclosure Committee: Consists of senior officers who oversee the accuracy, completeness and timeliness of public disclosures made by the company. The Proxy/ESG Subcommittee's involvement in climate-related oversight includes the following responsibilities:

- Review the annual Sustainability and TCFD Reports to promote the accuracy and completeness of the disclosures.

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 sustainability program.

Management Responsibilities

Executive Vice President, Chief Administrative Officer, General Counsel and Secretary (CAO): Our CAO serves as the executive sponsor of our sustainability strategy and assumes these related responsibilities:

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

Chief Sustainability Officer: Our Chief Sustainability Officer is responsible for guiding the organization's sustainability strategy. Our Chief Sustainability Officer's responsibilities include:

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

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 sustainability include:

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

RISK MANAGEMENT

Identifying and Assessing Climate Risks

In 2022, we completed our first climate risk scenario analysis alongside a third-party consulting firm which included risk and opportunity identification, evaluation and prioritization. In 2023, we built on the outcomes from this initial analysis by partnering with our internal scenario analysis team, who has a deep understanding of our company's control, risk and banking environment. We further assessed risks at the enterprise level, collaborating with a broad group of diverse functional leaders to quantify those risks and identify the greatest vulnerabilities and potential impacts to our business. This internal stakeholder group included:

- Office of Sustainability
- Enterprise Risk Management
- Finance and Legal
- Operations, Fraud and Credit Management
- Data, Analytics and Technology
- Customer Experience and Customer Care
- People & Culture, Corporate Affairs
- Supplier Relationship Management
- Information Security and Business Resilience

To aid in the quantification and assessment of physical risks to our customers, our internal modeling team created a model and assessed potential customer financial impacts during climate-related events such as natural disasters — particularly hurricanes and wildfires — that may impact locations where our customers reside, resulting in their financial hardship, inability to meet payment obligations, or a general disruption to retail activity. Our risk model and analysis included data from the impact of past events as well as layering in the geographical concentration of our customer base and Federal Emergency Management Agency (FEMA)-defined natural disaster risk of these areas. The results of the scenario analysis were presented to our banks' Asset and Liability Committee, as well as other relevant business leaders. In 2024, we are focusing on incorporating the assessed impacts from the risk analysis into our banks' capital stress testing exercise. To review the results on this analysis, reference our "Scenario Analysis" section of this report.

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 who 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 Global Audit organization. Responsible for providing the organization with an independent and objective assessment of the effectiveness of FLOD and SLOD governance, policies, procedures, processes and internal controls.

Integrating Climate Risk into Enterprise Risk Management

Sustainability and climate-related risks are treated like any other risk to the organization, which means they are embedded within our risk assessment and management processes. 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 sustainability within our ERM program, our Governance, Risk and Compliance (GRC) tool is used to track sustainability-related metrics as part of the overall program management.

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 live-action exercise to assess the adequacy of the plan, and the ability of the organization to operationalize the procedures.

STRATEGY

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.

Our climate strategy is built on a foundation of governance that spans across the three pillars of our framework:

Measure: *Oversee and Measure Footprint* — First and foremost, we must have a thorough, comprehensive and accurate understanding of our footprint to identify where our sources of greenhouse gas (GHG) emissions originate and where there are opportunities to reduce.

Assess: *Manage Climate Risks* — We employ best practices to understand our unique climate-related risks, how the risks impact our business and methods to mitigate those vulnerabilities.

Act: *Promote Sustainable Practices* — We collaborate internally and externally to promote, identify and adopt sustainable business practices to reduce our footprint.

Governance
Board and Management Oversight

Measure	Assess	Act
Strategy		
Oversee and Measure Footprint	**Manage Climate Risks**	**Promote Sustainable Practices**
Overview		
Effectively measure, manage, report on our environmental performance through responsible practices and oversight	Understand, assess and mitigate the climate-related risks imposed on the business	Collaborate across our value chain to promote the adoption and use of sustainable practices
Practices		
• Data Governance • GHG Validation • GHG Inventory • Report	• Scenario Analysis • Risk Assessments • Risk Integration • Financial Modeling and Analysis	• Supplier Engagement • Optimize Real Estate • Low Carbon Solutions • Reduction 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, some 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 brand 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-, medium- and long-term	Decreasing revenue and increasing credit losses
Transition	Reputation	Customers expecting stronger sustainability commitments may influence how our brand partners operate. As such, customers and brand 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 and 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 lead within our global procurement team to promote sustainability considerations with new and existing 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. Bread Cashback™ American Express® Credit Card and Bread Rewards™ American Express® Credit Card use the Thales Gemalto Carbon Offset Program to make each card carbon neutral. These Cards are also produced with PLA (polylactic acid), a biodegradable plastic derived from renewable, organic sources. In 2023, we converted our active Comenity Mastercard® customers to the Bread Rewards Card and we are adding recycled plastics as an option for new and existing brand partners to utilize within their card programs. In total, we issued approximately 685,000 PLA cards in 2023. Further, studies have found that digital payments produce fewer CO_2 emissions compared to physical card transactions.	Medium-term	Increasing revenue
Expanding paperless communications	Products and services	We have committed to increasing paperless statement adoption by encouraging our customers to go paperless. We have identified internal goals and made investments to increase adoption and expand the use of paperless communications.	Medium-term	Decreasing costs
Renewable energy and energy efficiency	Resource efficiency and resilience	We have set and achieved our goal to have all sites, where available, powered by renewable energy, including: • All our Columbus, Ohio, locations, inclusive of our headquarters • Draper, Utah • Coeur d'Alene, Idaho, and Westminster, Colorado Furthermore, we have invested in making our facilities more energy efficient. Our headquarters in Columbus, Ohio, and our Draper, Utah, location have received Energy Star certification. We are pursuing a LEED certification at our Columbus, Ohio, headquarters in 2024.	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 hybrid work style. This 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

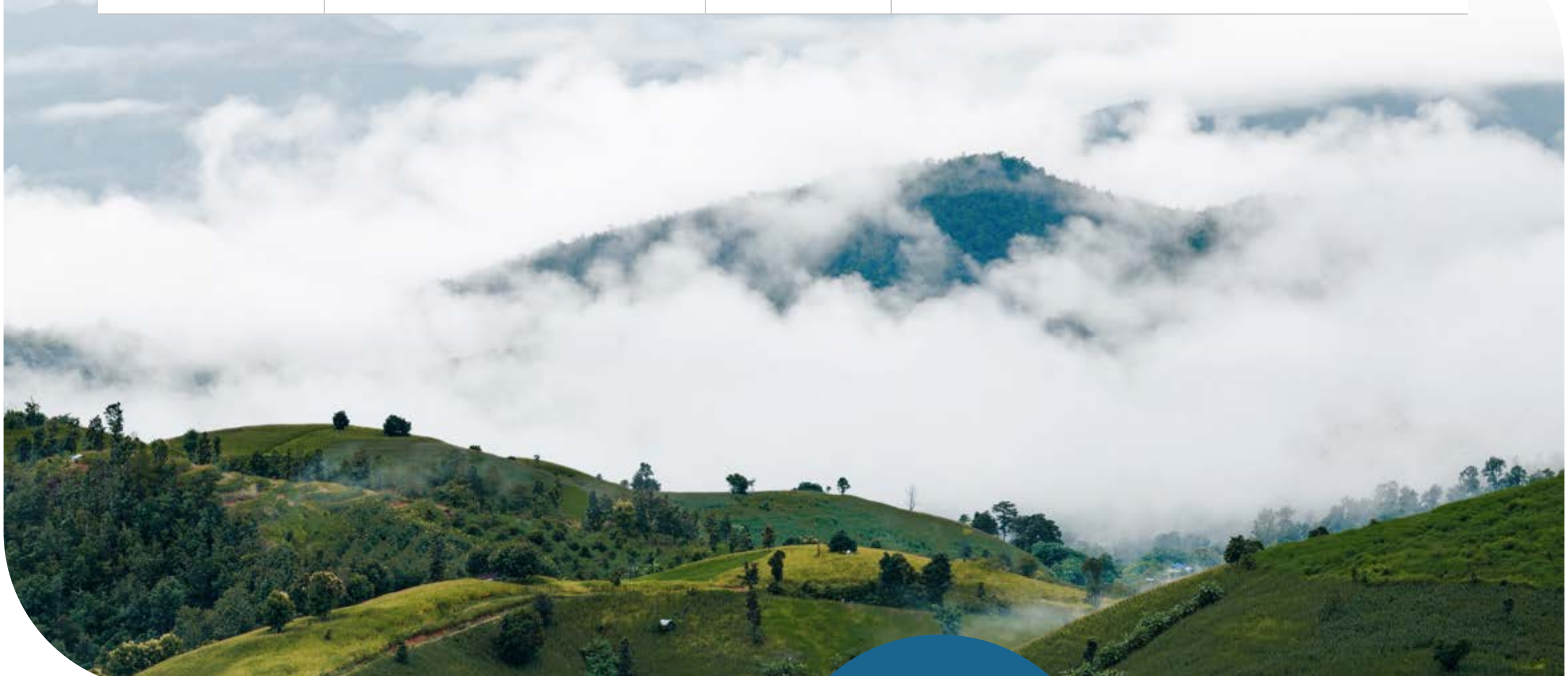
Physical Risks – Hurricanes & Cyclones

Temperature Scenarios	Below 2ºC by end of century (Low)	2-4ºC by end of century (Moderate)	Above 4ºC by end of century (High)
Temperature Impacts	To conduct our analysis for the risk of hurricanes and cyclones, extreme precipitation was used as a high-level indicator. The projected change in the number of extreme precipitation events varies by location. Increasing temperature scenarios pose a higher risk for the frequency and intensity of extreme events, with South Carolina, Florida and Texas likely to experience the greatest impact.		

Impact Assessment Scenario Analysis – Physical & Transition Risks

Impact	Summary	Risk Areas	Mitigations
Customer/ Cardholder	Increasing natural disasters may disrupt customers' livelihood, increasing the need for enrollments in our Natural Disaster Relief program. Disasters may impact a customer's income, spending and payment habits, which could contribute to an increase in delinquencies, leading to elevated bad debt, causing decreased revenue and liquidity impacts.	Credit, Liquidity, Operational, Reputational	1. Enrollment in Natural Disaster Relief and hardship programs help alleviate customer payment pressures, reducing risk of bad debt. 2. Robust credit risk management program promotes lending decisions which align with the company's risk appetite. 3. Concentration risk analyses enable us to assess and understand sources of risk and pathways to minimize those risks. 4. Robust liquidity, capital and market risk programs assess these vulnerabilities and their impacts to the business.
Brand Partner	Existing and potential brand partners may be affected by natural disasters, which impact their ability to operate, and in turn, provide goods and services to our cardholders. New prospects in our pipeline may be lost. The collective impacts could cause decreased revenue and potential reputational impacts. Bread Financial may also risk losing potential partnerships if we don't keep up with our partners' expectations of responsible business practices.	Operational, Reputational, Strategic	1. Brand partner concentration analyses further inform considerations for a diverse client base so impacts to one portfolio minimize the impact to our overall business. 2. Brand partner pipeline that results in new programs added to our portfolio offsetting the potential loss of impacted brands. 3. Responsible business practices are instilled into our business strategy to ensure we continue growth in these areas.

Impact	Summary	Risk Areas	Mitigations
Supplier	Climate-related events could impact critical suppliers, affecting our ability to appropriately provide services to our customers and brand partners.	Operational, Reputational	1. Mature supplier risk assessment program identifies critical suppliers with detailed risk analyses to verify suppliers have appropriate control environments, including business continuity and disaster recovery plans. 2. Contingency plans detailing actions needed if a supplier's operations are disrupted.
Operations	A climate-related event could disrupt Bread Financial's operations, customer servicing, technology, systems, associates, etc., impacting our ability to service cardholders. Further, these events may lead to increased customer calls, required notifications, operational pressures, and missed service-level agreements with our brand partners.	Operational, Reputational	1. Internal business continuity and disaster recovery program documents our risks and actions if disruptions were to occur. 2. Geographically diverse workforce enables areas not impacted to absorb excess demand from disrupted operations. 3. Redundancies for critical systems are in place should a particular system or process be impacted. 4. Contractual force majeure provisions are incorporated into our contracts should a large-scale event occur. 5. Extreme event monitoring is conducted by our command center and helps to inform necessary decision-making regarding potential actions should an event occur.
Legal	Bread Financial could face fines, business losses and other regulatory consequences if it fails to meet the growing regulatory demands.	Operational, Reputational	1. Strong legal program that keeps track of new and emerging laws and regulations to make sure the company meets all obligations. 2. Established programs, such as within our Office of Sustainability, to implement control environments to comply with requirements.



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 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. We currently track GHG emissions, energy (renewable and non-renewable), water usage and paperless statement adoption, among other metrics.

For the next stage of our maturation, we plan on introducing greenhouse gas reduction targets for scopes 1, 2 and 3 in 2024 using 2022 as our baseline year.

Climate-Related Metrics

	Unit	2023	2022[1]	2021
Total Energy Usage[2]	GJ	71,301	91,405	144,864
Percentage of Renewable Energy[2]	Percentage	48%	64%	15%
Paperless Statement Rate	Percentage	43.9%	42.7%	-
Total Water Usage[3]	Gallons	13,972,663	22,252,653	14,300,303
Waste Landfilled[3]	Short Tons	101.97	-	-
Waste Recycled / Donated[3]	Short Tons	210.70	-	-
Waste (non-electronic) Recycled	Short Tons	48.59	-	-
Electronic Waste Recycled / Donated	Short Tons	24.09	-	-
Paper Recycling	Short Tons	138.02	-	-
Waste Diversion Rate[3]	Percentage	67%	-	-
GHG Emissions - Scope 1	MT CO_2e	1,153	1,295	1,493
GHG Emissions - Scope 2 (location-based)	MT CO_2e	7,074	9,208	11,382
GHG Emissions - Scope 2 (market-based)	MT CO_2e	3,460	2,985	11,220
GHG Emissions - Scope 1 + Scope 2 (market-based)	MT CO_2e per associate[4]	0.6	0.6	2
GHG Emissions - Scope 3	MT CO_2e	159,801	156,701	147,212
Purchased Goods & Services	MT CO_2e	128,396	124,890	119,740
Capital Goods	MT CO_2e	1,308	1,550	4,398
Fuel and Energy Related Activities (market-based)	MT CO_2e	1,884	2,106	2,170
Upstream Transportation & Distribution	MT CO_2e	19,972	19,529	12,789
Waste Generated in Operations	MT CO_2e	139	79	817
Business Travel	MT CO_2e	2,365	2,531	583
Employee Commuting	MT CO_2e	5,444	5,927	6,715
Upstream Leased Assets	MT CO_2e	5	3	-
End-of-Life Treatment of Sold Products	MT CO_2e	53	55	-
Investments	MT CO_2e	235	32	-

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. [1]Our emissions and energy metrics disclosed for 2022 were recalculated due to the adoption of a new carbon accounting tool and improved data governance practices. [2]Calculation includes both actual and estimated data. [3]Calculation is limited by the availability of data from property managers and utility providers. [4]Calculation uses average headcount of global associates.

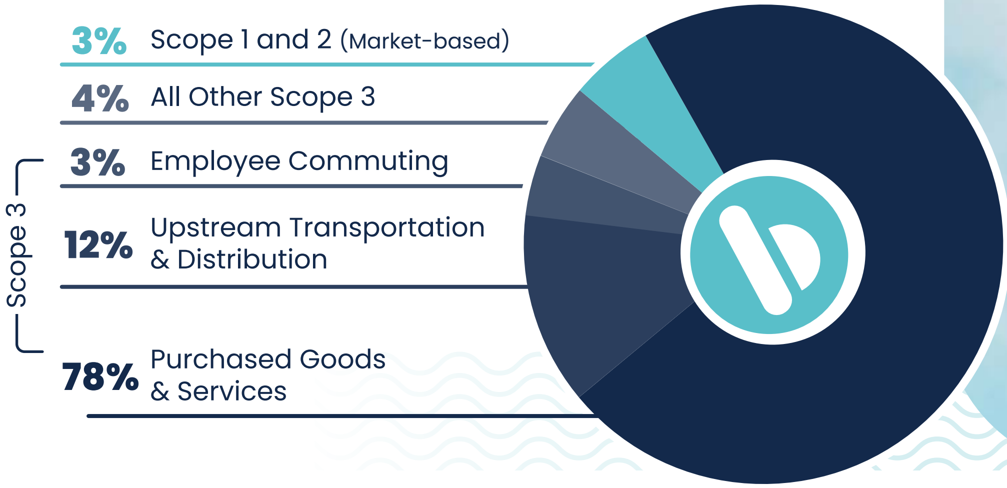
In the interest of transparency and accountability, we are sharing our methodology for calculating greenhouse gas emissions, which adheres to the internationally recognized GHG Protocol guidelines.

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, 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 have identified 2022 as the baseline year to measure progress in reducing our GHG emissions. This year most accurately reflects our current business and acts as a reference point to help us track our performance over time. During the three prior years our footprint fluctuated due to COVID-19 with a return to normalcy post-COVID, combined with the divestiture of substantial lines of business and optimization of our real estate portfolio.
4. Metrics: We monitor both absolute emissions (total metric tons of CO_2 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 2023 we invested in a new carbon accounting tool, further underscoring our commitment to complete and accurate calculation and disclosure of our GHG inventory. Due to the importance of accuracy in our 2022 baseline inventory, we used this new tool to both re-examine 2022 and calculate our 2023 inventories. The remeasurement did lead to a change in our previously stated calculations, which reflects our enhanced data governance and collection practices further enabled by the new tool. Further, we validated our 2022 baseline emission year with an external consultant and received a limited assurance rating which serves as an important step for our eventual greenhouse gas reduction targets based on the 2022 inventory. Please reference the assurance letter at the end of this report.

2023 GHG Emissions Breakdown

Bread Financial's FY23 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 sustainability 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 sustainability 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 sustainability 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 sustainability 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 sustainability 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 sustainability 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.

KERAMIDA
GLOBAL SUSTAINABILITY | CLIMATE | EHS

401 North College Avenue
Indianapolis, Indiana 46202
(317) 685-6600
WBENC-Certified
info@keramida.com | (800) 508-8034 | www.keramida.com

April 25, 2024,

KERAMIDA Inc. (KERAMIDA) was engaged by Bread Financial to provide limited assurance greenhouse gas (GHG) emission inventory verification for 2022 Scope 1 and Scope 2. KERAMIDA also provided limited assurance GHG verification of specific Scope 3 GHG emission categories including categories 1, 2, 3, 4, 5, 6, 7, 8, 12, and 15.

The calculation of the GHG inventory is the sole responsibility of Bread Financial using guidance per the United States Environmental Protection Agency, GHG Protocol standards, and other applicable guidance documents.

Statement of Independence
KERAMIDA affirms our independence from Bread Financial and is free from bias and conflicts of interest related to the assurance of Bread Financials' environmental data.

Verification Assurance Opinion
Based on the process and procedures conducted, there is no evidence that the GHG emissions calculations and verified data are not a fair representation of the actual GHG emissions data and information.

KERAMIDA's Approach
Verification was conducted in accordance with ISO 14064-3: 2019 *Specification with guidance for the validation and verification of greenhouse gas assertion,* which is an approved verification standard accepted by CDP.

Validation scope of the reporting company GHG emissions
- Organizational boundaries: Operational Control Approach

Time Period
- January 2022 – December 2022

Level of Assurance
- Limited
- Materiality Threshold: 5% as suggested by ISO 14064-3 (2019)

Annual Data Comparison
- Comparison of 2022 KERAMIDA verified data with TCFD Report Data from 2020, 2021, and 2022

KERAMIDA's Methodology and Procedure

Procedures performed during verification:

- Reviewed evidence and data in support of disclosures
- Performed data analytics to check the reasonableness of the data and calculations
- Performed re-calculation procedures to confirm stated quantities
- Provided recommendations for improved data handling based on verification findings
- Evaluated the reasonableness of any assumptions used in support of disclosures
- Reviewed how disclosures were presented and determined if they were representative of data and operations

Table 1. 2022 Data Verified by KERAMIDA

Scope	CO_2 e (Metric Tons)
Scope 1	1,295
Scope 2 (Location Based)	9,208
Scope 2 (Market Based)	2,985
Scope 3 Category 1 Purchased Goods and Services	124,890
Scope 3 Category 2 Capital Goods	1,550
Scope 3 Category 3 Fuel and Energy Related Activities (Market Based)	2,106
Scope 3 Category 4 Upstream Transportation and Distribution	19,529
Scope 3 Category 5 Waste Generated in Operations	79
Scope 3 Category 6 Business Travel	2,531
Scope 3 Category 7 Employee Commuting	5,927
Scope 3 Category 8 Upstream Leased Assets	3
Scope 3 Category 12 End-of-life Treatment of Sold Products	55
Scope 3 Category 15 Investments	32

This verification statement, including the opinion expressed herein, provided by Keramida to Bread Financial is solely for Bread Financials' benefit in accordance with the terms of our agreement.

KERAMIDA Inc.,

Albert Chung, PhD, PE
Senior Vice President

Ben Bira, J.D., M.B.A., M.S.
Senior Sustainability Advisor

Albert Lu, MS.ENE
Senior Sustainability Analyst

Ellie Agioutanti, MS
Senior Sustainability Analyst