About this Report

Trust, integrity, and transparency have been part of the foundation of Alliance Data’s success and allowed us to maintain our record performance and growth streak since we went public in 2001. Alliance Data has always operated responsibly. It’s part of what makes us a great place to work and a great company to partner with. This inaugural enterprise-wide corporate responsibility report further signifies another milestone in our commitment to doing business responsibly and efficiently while continuing to increase our level of excellence. It’s what’s expected, and what will allow us to continue a sustainable track record of success into the future.

This inaugural report highlights activities critical to our long-term success and sustainability across Alliance Data, including our three businesses for the 2013 calendar year, and contains stated goals and objectives for the year ahead. The report also documents our baseline environmental, social, and governance performance and includes key performance indicators from 2010–2013 where feasible to show progress. The scope of the report reflects the entire enterprise, including Alliance Data Corporate headquarters and all three lines of business (LOBs): Epsilon, LoyaltyOne, and Alliance Data Retail Services.

This report was prepared following the Global Reporting Initiative’s (GRI’s) Sustainability Reporting Guidelines. If you have any feedback for us on this report or our corporate responsibility strategy in general, please let us know by contacting allforgood@alliancedata.com.

About Alliance Data

We’re a leading global provider of marketing, loyalty, and branded credit solutions that uses data to achieve powerful results for our clients, many of which are Fortune 1000 companies. Together, our three businesses manage more than 100 million consumer relationships for some of the world’s most recognizable brands.

Today we employ 12,000 associates in 80 locations worldwide, and in 2013, their stellar performance led us to record revenue of $4.3B USD. Additionally, in late 2013, Alliance Data was formally added to the S&P 500. To learn more about who we are and what we do, please refer to our website.
Providing marketing-driven private label and co-branded credit card programs to the best-known retailers — Victoria’s Secret, Ann Taylor, J Crew, Pier 1, and over 100 other national retail brands. Our branded programs make it easier for our cardholder customers to engage with their favorite brands.

Where Intelligence Ignites Connection. Connecting clients with their customers using data-driven insight. Our unique blend of marketing strategy, analytics, marketing creativity, data, and robust technology platforms have proven to tackle the toughest marketing challenges for our clients, including GM, Walgreens, Kraft, The Home Depot, and Bank of America.

Enriching Relationships. Helping clients build customer loyalty through insight and strategy; loyalty and marketing programs; and customer experience management. We’re the global leader in coalition loyalty operating the AIR MILES Reward Program, North America’s most successful coalition program. Program sponsors include Bank of Montreal, Shell Canada, Dell, Toys R Us, and Canada Safeway.
Our Corporate Responsibility Strategy & Governance

The Evolution of Our Journey

Similar to other companies, our corporate responsibility journey began years ago. While we solidified the key pillars of our strategy and began to formalize our approach in 2013, the principles of giving back to the community and valuing our people have been embedded in our company’s operating principles and culture since our inception in 1996. Since 2010, we have focused on improving our approach to better measure, manage, and communicate our social and environmental performance.

- **Initial Research and Discussion**
  - Begin evaluating priorities for our corporate responsibility strategy
  - Identified 4 priorities for strategy

- **Sustainability Assessment & Benchmarking**
  - Assessed our corporate responsibility performance
  - Benchmarked our performance against competitors
  - Conducted a materiality assessment to validate our priorities
  - Engaged additional internal stakeholders

- **Launch Strategy**
  - Finalized the 4 pillars of our strategy
  - Assigned accountability for our corporate responsibility performance
  - Created a Corporate Responsibility Leadership Council to manage our corporate responsibility strategy that includes representation from each line of business (Epsilon, Alliance Data Retail Services, LoyaltyOne) and Corporate
  - Began to build out elements of our strategy
  - Developed 2014 corporate responsibility goals and a measurement scorecard

We are now building momentum across the enterprise, setting goals for improving our performance, and driving the strategy forward. As our company grows, the impacts and benefits from our business to society will increase, as will the expectations surrounding our social and environmental performance. We recognize a strong correlation exists between solid financial performance and positive social/environmental performance. We will continue to seek opportunities to evolve our corporate responsibility activities as we learn more about our impacts, as well as opportunities, and collaborate to better understand and meet stakeholder expectations.
Our Corporate Responsibility Strategy & Focus

Our associates, business partners, and other key stakeholders look to Alliance Data to take a leadership role in continuing to advance our shared priorities — protecting consumer data and privacy, giving back to our communities, valuing people, and supporting the environment — and we are committed to doing just that.

<table>
<thead>
<tr>
<th>People</th>
<th>Data</th>
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</thead>
<tbody>
<tr>
<td>Create a workplace where associates can grow &amp; contribute to the success of the company.</td>
<td>Be a leader in the secure &amp; responsible use of consumer data.</td>
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</table>

<table>
<thead>
<tr>
<th>Community</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect &amp; nurture the vitality of our communities by investing in programs that demonstrate a measurable impact.</td>
<td>Measurably reduce our carbon footprint by advancing environmentally responsible behaviors.</td>
</tr>
</tbody>
</table>
Governance

This year, we established a formal governance structure to ensure we meet the commitments identified as part of our corporate responsibility strategy. Our Corporate Responsibility Leadership Council is a team of dedicated change-agents that helps to set direction, get buy-in across the enterprise, implement programs, and measure progress. Each line of business has representation on the Council and works together to ensure commitments are met while retaining some level of autonomy. This enables each individual business to meet enterprise-wide corporate responsibility objectives and goals. A group of senior executives within each line of business provides guidance, oversight, and accountability for the strategy and performance outcomes, and at the highest level, we have full support of our CEO and the presidents of all three lines of business.

Until recently, performance in each of the four pillars of our strategy was managed separately. With the formalization of our governance structure in 2013, we began to bring combined responsibility and accountability to our programming across functional areas and across the lines of business, and in turn, realize greater results.

Our Corporate Responsibility Governance Structure
Ethics

We have long cultivated a culture that adheres to a strong code of ethics and ensures personal accountability of our associates at all levels. Our Code of Ethics policy has received one of the highest ratings (A-) by ethics and compliance expert, Corpedia (now NYSE Governance Services). Annually our associates must certify that they have read and agree to adhere the Code and biannually complete additional mandatory training on the Code, anti-harassment, and non-retaliation. And to reinforce this expectation, we conduct a bi-annual ethics week and have created an ethics award to recognize associates and an ethics toolkit for use by human resources.

Our approach to ethics further underscores our culture of open communications. It is publicized and encouraged that any business irregularities or misconduct be reported confidentially through our 24-hour Ethics and Compliance Hotline, managed by a third-party, EthicsPoint, through which associates can file an anonymous report via phone or online.

It starts at the top, but it’s imperative that all 12,000 of our associates understand the expectations of ethical conduct. It’s at the heart of who we are and how we behave, every day.

Risk Management

Our Enterprise Risk Management Policy provides each line of business with a framework for managing risks identified as material to the success of the enterprise’s operations. This framework encompasses, and promotes, the inclusion of environmental, social, economic, and governance risk factors in decision-making, which is an example of how we are integrating sustainability into our business processes. All significant risks are documented in a registry that is reviewed biannually by our Board of Directors.

Engaging Our Stakeholders on Corporate Responsibility

We consider our associates, clients and suppliers, local communities, and investors key stakeholders in our corporate responsibility initiatives. To date, we have placed the most emphasis on engaging our associates in the development of our strategy by seeking their input and perspectives through our annual associate survey, polling on certain topics (i.e., choosing which charitable organizations to support), through regional green teams, and by sharing information on our intranet site, e-newsletters, and quarterly associate magazine.

With our initial focus centered around getting our internal house in order and identifying opportunities for improvement, we also engage internal stakeholders in a variety of business functions. For example, we worked with heads of HR, information security, procurement, risk, and our facilities management teams to better understand our impacts and how we might effectively integrate social, environmental, and governance considerations into the ways we do business.

Proactively sharing more information on our corporate responsibility strategy and activities with our external stakeholders was a significant driver for launching a public reporting program, and thus, our first report. As we build on our strategy in the years ahead, we will look for more opportunities to also actively engage our clients, suppliers, investors, and local communities.

95% of associates report Alliance Data is a good corporate citizen
2013 Corporate Responsibility Highlights

Governance
» Conducted a materiality assessment to inform our understanding of main corporate responsibility issues
» Formalized the governance structure to guide our strategy including the formation of Corporate Responsibility Leadership Council with representatives from each LOB
» Set 2014 goals for each pillar of performance

Data
» Continued to roll out 3-year, enterprise-wide assessment cycle of our security systems and controls, initiated in 2012
» Partnered with industry associations and peers in a first-of-its-kind collaborative roundtable to help inform best practices related to responsible data-driven marketing and educate legislators, policy makers, regulators, consumers, and other constituents
» Ongoing privacy and information security training is annually required by all associates, and those who handle consumer data undergo additional data privacy and security training

People
» 78% associate engagement score in 2013, up 2% from 2012
» Recognized as a Best Place to Work in numerous locations
» Introduced new associate benefits including MDLive and the discretionary CEO Bonus program, and increased the company match amount to the 401(k)

Community
» Invested nearly $4.5M in our communities
» Volunteered more than 15,000 hours in the community
» Matched associate donations amounting to $530,000

Environment
» Completed first enterprise-wide greenhouse gas (GHG) inventory, setting a baseline for future performance
» Initiated an enterprise-wide waste management survey, establishing a baseline for future waste reduction and diversion programs
» Contributed $65,000 to American Forests and planted 65,000 trees through our 3-year partnership
Our Awards and Recognition

» #1 Top 100 Places to Work, Mid-Sized Companies, Dallas Morning News — Corporate
» #1 Top U.S. Agency from All Disciplines, Ad Age — Epsilon
» #3 Top 100 Places to Work, Large Companies, Denver Post — Alliance Data Retail Services
» #3 Best Places to Work, Large Companies, Columbus Business First — Alliance Data Retail Services
» #6 Best Employers in Canada — LoyaltyOne
» #9 Top Workplaces, Mid-Sized Companies, Cincinnati Enquirer — Alliance Data Retail Services
» Triple Threat Award: Legacy Corporate Challenge, North Texas Food Bank — Corporate
» Communitas Award (4th consecutive year) — Corporate
» Outstanding Campaign Growth and Outstanding Leadership Campaign Pacesetter Awards, United Way of Metropolitan Dallas — Corporate
» Corporate Philanthropy Award, United Way of Central Ohio — Alliance Data Retail Services
» ‘Center of Excellence’ Certification (8th time), Purdue University BenchmarkPortal — Alliance Data Retail Services
» Canada’s Greenest Employer (4th consecutive year) — LoyaltyOne
» Contact Center Employer of Choice — LoyaltyOne
» Nominated by Mid-Ohio Food Bank for their Corporate Caring Award — Alliance Data Retail Services
2014 Corporate Responsibility Goals

A key part of formalizing our corporate responsibility strategy was developing goals to guide our activities in each pillar of performance over the next year. These goals are consistent across all lines of business, and we will monitor and manage progress against these goals in our new corporate responsibility scorecard. Progress will be reported internally on a regular basis and publicly in next year’s report.

<table>
<thead>
<tr>
<th>Area of Performance</th>
<th>2014 Goals</th>
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<tbody>
<tr>
<td><strong>Strategy &amp; High Level Commitment</strong></td>
<td></td>
</tr>
<tr>
<td>Formalize the governance structure to guide our corporate responsibility strategy</td>
<td>1. Initiate reoccurring meeting schedule, including an inaugural Summit, for the Corporate Responsibility Leadership Council, including regular updates to the executive sponsors, line of business presidents, CEO, and Board of Directors</td>
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<td></td>
<td>2. Identify measurable goals and targets for each performance area and build into comprehensive management scorecard</td>
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<td></td>
<td>3. Define process for regular review of performance against goals and targets</td>
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<td></td>
<td>5. Enhance communications to both internal and external stakeholders by sharing milestones throughout the year</td>
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<tr>
<td><strong>Data</strong></td>
<td></td>
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<tr>
<td>Be a leader in the secure and responsible use of consumer data</td>
<td>1. Advocate for transparency, choice, and awareness regarding consumer privacy</td>
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<td></td>
<td>2. Collaborate with industry peers to inform regulation and educate consumers</td>
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<tr>
<td></td>
<td>3. Assess new, evolving technologies/protocols to continually drive improvement and proactively protect our systems and information</td>
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<tr>
<td></td>
<td>4. Protect against opportunistic cyber threats and reduce the risk of data compromise via human error through ongoing associate education and awareness training</td>
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<tr>
<td><strong>People</strong></td>
<td></td>
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<tr>
<td>Create a workplace where associates can grow and contribute to the success of the company</td>
<td>1. Provide the tools and resources for learning and development</td>
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<td></td>
<td>2. Provide benefits that address the overall well-being of our associates</td>
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<td></td>
<td>3. Engage associates in our commitments, helping to build our legacy as a responsible partner to our clients and their customers</td>
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<tr>
<td></td>
<td>4. Build a culture of inclusion, where we celebrate and recognize the talents, individuality, and achievements of a diverse workforce</td>
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Community

Protect and nurture the vitality of our communities by investing in programs that demonstrate a measurable impact

1. Annually increase our corporate giving budget at a rate commensurate with the profitability and growth of the company
2. Refine giving strategy to ensure focus and impact of dollars invested
   a. Partner closely with our nonprofit partners to measure the outcomes and impact of our contributions on the community
3. Identify signature cause/programs with national reach and local opportunities to engage associates
4. Increase volunteer hours — Inspire and engage associates to make a difference in the community through volunteerism (on-site, skills-based, micro-volunteering)

Environment

Measurably reduce our carbon footprint per employee

1. Energy & GHG Emissions
   a. Complete 2013 GHG inventory
   b. Improve the quality and comprehensiveness of our data collection process, moving away from estimates where feasible
   c. Establish reduction target and action plan based on findings and recommendations coming out of 2013 inventory
   d. Evaluate our real estate portfolio against the relevant needs of the business
2. Waste
   a. Analyze results of a baseline waste survey (to better understand waste management practices across the company)
   b. Develop a waste reduction and diversion strategy (or action plan) based on findings of the survey
3. Paper Use
   a. Explore strategies to reduce our internal paper use
   b. Engage suppliers in advancing our sustainable paper purchasing practices
   c. Continue to innovate around our digital communications platforms, spurring a shift from paper to online vehicles
Our Performance
The secure and responsible use of data is a business imperative shared by each of our lines of business. Data is what drives our business and provides the backbone for the loyalty and marketing solutions we deliver to our clients. It’s one of our greatest responsibilities as a company, because once it’s out, it’s out, and we can’t get it back. That’s why one of our most critical business requirements is to be a leader in the secure and responsible use of consumer data.

Our commitments in this pillar place equal importance on information security and consumer privacy. It’s not enough to vigilantly protect the data our clients entrust to us. We must also ensure we are only using the data in a way that meets the expectations and preferences of our clients and their customers.

Our Culture

» Privacy and information security are deeply ingrained in our culture and operating procedures.

» Our Privacy Officers and Information Security Officers work together, and with teams in each line of business, to ensure that regulations are met, standards and technology requirements are monitored, and security and privacy matters are addressed in our solutions up front.

» All associates are required to take an annual privacy and information security course, and those who handle consumer data undergo another layer of rigorous data privacy and security training.

» To reinforce our culture of responsibility and compliance in this area, we annually bring awareness to Data Privacy Day and organize a week-long Security Awareness campaign.

» We collaborate with industry associations and peers in conversations to help inform best practices related to responsible data-driven marketing and educate legislators, policy makers, regulators, consumers, and other constituents.
Our Policies

» Our Corporate Information Security Policy follows the ISO 27001 standard on information security management.

» Each line of business, including Corporate, adheres to Privacy Policies established to protect and assure appropriate use of information related to consumers.

» In 2012, we initiated a 3-year, enterprise-wide assessment cycle of our security systems and controls.

» We continuously seek ways to protect and assure appropriate use of information related to consumers, and to promote and inform policies within the industry that do the same.

Our Processes & Technology

» We are continually monitoring and adapting our security and privacy practices to evolving technology, such as cloud technology and mobile applications.

» In 2013, we created a leading online portal called the Consumer Preference Center, where consumers can check whether their data is correct and opt in or out of programs.

» Epsilon made the 2013 Online Trust Alliance’s Honor Roll which recognizes “the top-scoring websites for excellence in privacy, security, and consumer protection.”

» When new privacy or security standards, banking, or credit regulations are enacted, we assess the requirements to determine the impact to our business and our clients. Once assessed, compliance and control mechanisms are established and training protocols are developed to ensure these changes are integrated into our operations and client solutions.

As regulators take a sharper look at the data privacy issue, we can point to our track record of responsible collection and use of consumer data, as well as the tangible value we provide to consumers — and our clients. Alliance Data has built its reputation on the responsible use of data. It’s an unwavering commitment that all of our associates endorse and embrace.

Jeanette Fitzgerald
Chief Privacy Officer and General Council, Epsilon

What’s Next?

As the debate over consumer privacy continues, we will strive to maintain the highest standards of data protection and proper data usage as we work toward our 2014 goals. As an industry leader and respected partner to our clients, we will continue to play an active role in the privacy conversation by collaborating with industry peers to inform regulation, shape best practices, and continue to assess new and evolving technologies to drive continual improvement.
As a growth company, one of our key business challenges is to attract and retain the industry’s top talent, those who share a like-minded “make it happen” attitude, as well as the technical skills needed to drive our businesses forward.

To ensure we do this, we’re committed to creating a great place to work where our associates can build their careers, realize their potential, and contribute to the success of the company.

We are focused on creating a culture and developing programs in three distinct areas:

**#1 Respect and celebrate the talents, individuality, and achievements of our associates.**

We strive to create an inclusive and diverse workforce where associates feel valued, engaged, respected, and their ideas are heard.

Through associate surveys, engagement teams, roundtable forums, online platforms, and innovation teams, we solicit and gather our associates’ ideas and feedback. Sometimes the ideas improve solutions for clients, and sometimes they improve the work experience for our associates.

Our annual associate survey is a crucial component in our efforts to improve the workplace. We ask our associates for input related to our vision and strategy, managers and senior leaders, communication, collaboration, career opportunities, available resources, and more. Their answers help us strive toward specific goals that matter to them.

**Examples of Associate Feedback at Work:**

- We redesigned our health care benefits based on feedback that associates needed lower-cost options.
- We introduced the CEO Bonus program for 7,647 associates who are not eligible for other incentive compensation programs. The CEO Bonus program is a discretionary award that eligible associates can receive when the company does well financially. In 2013, associates received 2% of their annual gross salary.
Alliance Data Retail Services introduced a work from home program — an idea that initially seemed insurmountable to leaders who valued the collaboration and support associates receive together in the workplace. Associates told us that working from home would allow them to save time and money on transportation and child care, without losing productivity.

“It is now a key part of our growth strategy,” said Alliance Data Retail Services President Melisa Miller. “We expect to grow (the program) to 500 (associates) by the end of (2014). It’s one of the big levers that we can pull as we bring on new brand partners to support our growth. Our performance from these associates is stellar because they are so appreciative to have the opportunity to work from home. They will do nothing to compromise that.”

Epsilon responded to associate survey scores by:

» Approving a casual jeans dress code at many key locations.

» Launching quarterly “One Epsilon” meetings to provide more frequent updates on the business to associates.

» Starting an online hobbies and interests group on the intranet for associates to share ideas and resources across locations.

LoyaltyOne is making it easier for associates to plan their career road maps based on feedback from associates that this could be improved.

Their HR business partners, talent management team, and leaders in the business partnered together to create “Career Pathways,” a comprehensive guide that outlines the functional and behavioral skills required for each job, and outlines career advancement options — both lateral and vertical — for associates in a given role. This project has been incredibly well-received by both managers and associates alike, helping both groups to plan next steps in associates’ development plans.

Promoting an Inclusive Environment

Alliance Data has a track record of developing and promoting women into management, including senior management. That’s why we are a corporate sponsor of the Women for Economic and Leadership Development (WELD) organization in Columbus, Ohio. The organization provides women with tools to enhance their individual economic status and build programs, events, and a community to support female leadership development and business growth.

WELD’s Leadership programs include monthly programs, signature events, a young professionals group, on-site leadership development programs for corporate members like Alliance Data, and the WELD Executive Women’s Series. Because we are a corporate sponsor, we’re able to advertise these programs to our associates.
#2 Protect the health and well-being of our workforce.

We strive to provide competitive benefits and ensure our associates have access to the tools and resources they need to manage and minimize stress, be healthy and productive, and achieve work-life balance.

At Alliance Data we understand that we’re healthiest, happiest, and most productive when our lives are in balance. That’s why we consider it our responsibility to help associates balance the demands of work and family and be the healthiest people they can be. We’re proud to provide a variety of health care options to meet associates’ diverse needs, and we’re proud that we invest in innovative tools and programs that benefit both our associates and their families.

» In 2013, we launched MDLive which provides convenient 24/7 online, on-demand health care services for associates and their families. This service makes it possible for associates to consult with licensed health care professionals over the phone or computer anytime, from practically anywhere. MDLive physicians can diagnose, treat, and write prescriptions for routine, non-urgent medical issues and questions in order to avoid long waits at health care facilities and reduce costs associated with unnecessary visits to the ER or Urgent Care.

» We have fitness centers in many of our locations to promote active living. And where we don’t, associates are eligible for reimbursement of some of their gym, fitness, and weight management program costs.

» All of our associates have access to counselors and other resources through an Employee Assistance Program for emotional and mental well-being support.

» For the past 5 years, we’ve supported our associates’ children by offering them a chance at a $10,000 scholarship to accredited colleges and universities.

#3 Nurture a challenging and meaningful workplace that enables associates to develop to their full potential.

We strive to promote a culture of continuous improvement by providing ongoing training and development opportunities for associates and empowering them to “make it happen.”

We believe that the combination of formal learning programs and informal learning culture has something to do with our voluntary attrition rate of 14% a year. For some industries that may sound high, but attrition rates in our industry routinely exceed 20%.
Examples:

» Our online training and development portal — Career Destination — provides associates with access to over 6,000 free resources, training modules, and eBooks on topics ranging from leadership and personal development to training on our ethics, security, and privacy policies.

» 360 evaluations illustrate our commitment to two-way relationships between manager and associate. 78% of associates surveyed in 2013 reported a favorable impression of their manager, and only 8% had an unfavorable relationship.

» Employees can receive up to $5,250 in free tuition assistance per year, as long as the degree they are pursuing might benefit their work with the company. Part-time associates can receive up to $2,625 per year.

By the Numbers

26
CEO road show locations hosted by President and CEO Ed Heffernan

7
Number of $10,000 scholarships awarded to students of our associates

9,000
The number of associates President and CEO Ed Heffernan met with in 2013

{ Our total workforce was 12,157 }

14
Our associates scored Alliance Data 14 points higher than benchmarked companies when asked: “The company supports me in achieving a reasonable balance between my work life and my personal life”

Awards

» Recognized as a Best Place to Work in numerous locations

» Alliance Data Retail Services’ Customer Care Centers received Benchmark Portal’s ‘Center of Excellence’ ranking for the 8th time in a row — more times than any company or organization in the financial services/credit industry

» Contact Center Employer of Choice — LoyaltyOne

Targets

» Increase associate engagement and enablement score by 2%

» Reduce voluntary turnover rate to 10%
## Alliance Data: Who We Are

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td><strong>Total Workforce</strong></td>
<td>10,761</td>
<td>12,157</td>
</tr>
<tr>
<td>Salaried</td>
<td>6,473</td>
<td>7,227</td>
</tr>
<tr>
<td>Hourly</td>
<td>4,288</td>
<td>4,930</td>
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<tr>
<td><strong>Associates by Region</strong></td>
<td></td>
<td></td>
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<tr>
<td>USA</td>
<td>83%</td>
<td>85%</td>
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<tr>
<td>Canada</td>
<td>15%</td>
<td>13%</td>
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<tr>
<td>Europe</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>1%</td>
<td>1%</td>
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<tr>
<td><strong>Associates by Segment</strong></td>
<td></td>
<td></td>
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<tr>
<td>Female</td>
<td>...</td>
<td>57%</td>
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<tr>
<td>Male</td>
<td>...</td>
<td>43%</td>
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<tr>
<td>Millennials Generation</td>
<td>...</td>
<td>41%</td>
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<tr>
<td>Generation X</td>
<td>...</td>
<td>41%</td>
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<tr>
<td>Baby Boomers</td>
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<td>17%</td>
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<tr>
<td>Silent Generation</td>
<td>...</td>
<td>1%</td>
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<tr>
<td><strong>Associate Engagement Score(^1)</strong></td>
<td>76%</td>
<td>78%</td>
</tr>
<tr>
<td><strong>Associate Enablement Score(^2)</strong></td>
<td>68%</td>
<td>70%</td>
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<tr>
<td><strong>Turnover Rate(^3)</strong></td>
<td>13.6%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Salaried</td>
<td>10.5%</td>
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</tr>
<tr>
<td>Hourly</td>
<td>18.4%</td>
<td>19%</td>
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<tr>
<td><strong>Turnover Rate by Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>...</td>
<td>15%</td>
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<tr>
<td>Male</td>
<td>...</td>
<td>14.2%</td>
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<tr>
<td>Millennials Generation</td>
<td>...</td>
<td>22%</td>
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<tr>
<td>Generation X</td>
<td>...</td>
<td>10.6%</td>
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<tr>
<td>Baby Boomers</td>
<td>...</td>
<td>8.4%</td>
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<tr>
<td>Silent Generation</td>
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<td>15.9%</td>
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<tr>
<td><strong>Total Investments in Training/% Increase in Training Budget in 2013</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Training Hours</strong></td>
<td>100,568</td>
<td>196,208</td>
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\(^1\) Associate Engagement refers to an associate’s commitment to the organization and willingness to go above and beyond formal job requirements (the will do).

\(^2\) Associate Enablement refers to how well positioned associates feel they are for success and if they feel they’re being effectively utilized (the can do).

\(^3\) Voluntary termination rates do not include temporary workers and contractors.
Our goal is to provide a variety of resources that enable our associates to live well in life, body, and work. We have no doubt that by positively affecting our associates’ lives we can have a meaningful impact on our business as well.

Terry Satterfield, Director Retail Rewards and LivingWell, Alliance Data Retail Services

Highlights from Our Lines of Business

Alliance Data Retail Services

In 2013, Alliance Data Retail Services launched LivingWell, a unique initiative that takes a holistic approach to helping associates reach an optimal level of health and well-being by encompassing all facets of body, life, and work wellness. LivingWell facilitates initiatives that focus on a wide variety of wellness topics ranging from healthy eating to financial education to smoking cessation. Additionally, a newly launched LivingWell site on our intranet site provides associates with quick and easy access to resources, inspiring stories, and information on upcoming events.

Epsilon

As part of Epsilon’s ongoing commitment to training and development, they launched “Epsilon University,” where associates can take courses on having difficult conversations, developing an “effective edge,” project management, digital media, improving time management and business acumen. Every August and September, Epsilon University hosts a Back-to-School month in which associates are reminded of the offerings available to help sharpen their skills.

LoyaltyOne

LoyaltyOne recognized that fostering the leadership skills of female associates is critical to their success. In 2013, LoyaltyOne’s Women in Leadership Initiative (WLI) Committee invited top female leaders from a variety of industries to share their experiences and advice, and inspire both our female and male associates. The WLI also held their annual 9 & Dine Golf Tournament, a learn-how-to-network event, and ran a popular mentorship program for emerging leaders.

WHAT’S NEXT?

Like many organizations, our biggest challenge in the years ahead is being able to attract and retain people with the right skills and culture fit to match the needs of our growth. Because of this we are committed to ongoing enhancements in our culture, our internal learning and development programs, and our comprehensive benefits program. Our 2014 corporate responsibility goals show that we are committed to continual investments in making Alliance Data and each line of business a great place to work.
Giving back has always been a significant part of our culture and values. It’s never been about accolades or awards, but about strategically investing our time, talents, and treasure (i.e., money) in programs that have a real impact in our communities. Our enterprise-wide efforts, backed by a significant executive commitment, permeate throughout each of our lines of business.

Our associates play an active role in shaping and defining our “giving back” culture:

» Associates helped identify our philanthropic focus areas through an enterprise-wide poll in 2009.
» Our offices are filled with the spirit of competition around giving back campaigns — fun for our associates and good for the nonprofits that benefit.
» Team-building activities regularly revolve around volunteering or giving back. Our associates love to bond and have fun, and they choose to do so in ways that have a positive impact.

Awards

» North Texas Food Bank Triple Threat: Legacy Corporate Challenge
» Communitas Award (4th consecutive year)
» United Way of Metropolitan Dallas Outstanding Campaign Growth and Outstanding Leadership Campaign Pacesetter
» United Way of Central Ohio Corporate Philanthropy Award
» Nominated by Mid-Ohio Food Bank for its Corporate Caring Award

Our Commitment: Protect and nurture the vitality of our communities by investing in programs that demonstrate a measurable impact.
By the Numbers

2 for 1

During an annual 3-day campaign, Alliance Data matches associate charitable donations 2 for 1.

15,000

Number of total volunteer hours logged by our associates in 2013.

82%

Percentage of associates that feel they are encouraged to give back to their communities.

935

Number of volunteer hours logged by 126 associates over 8 days for Habitat for Humanity.

$4.5M

Amount invested in the community in 2013.

4

Teams of associates that were awarded $10,000 grants through our new Internal Grant program.

$532,298

Amount of associate donations matched through the Alliance Data matching gifts program.

Percentage of associates who believe that Alliance Data makes communities better places to live and work.
Community Investment

In 2013, we invested nearly $4.5 million in the community. This scale of giving doesn’t happen overnight — we put a lot of consideration into the level of our giving and how the money is being spent. We purposefully direct our resources to causes that support Education, Children, and Independent Living in an effort to bring about meaningful and measurable change. Key partnerships include: United Way, Kids Help Phone, Mid-Ohio Foodbank, Children’s Medical Center Dallas, motionball, Homeport, LaunchAbility, and Habitat for Humanity, among others.

Our associate volunteers also invested close to 15,000 hours of their time to local organizations in their communities.
Matching Gifts
We balance our strategically focused giving with a flexible, open choice matching gifts program that allows associates to direct money to the causes they care about the most. Year-round, associates have the opportunity to make donations to 501(c)3 designated charities of their choice, and Alliance Data matches them, dollar for dollar.

$688,812
Amount contributed by associates

1,062
# of associates participating

$532,298
Amount matched by Alliance Data

1,009
# of charities supported

Volunteer Rewards
Associates receive $300 dollars for every 30 hours of volunteer time they log that they can give to a charity of their choice. In 2013, our associates racked up $11,000 in donations for the personal time they spent giving back.

Internal Grant Program Launched in 2013
Teams of associates submitted applications to win one of four $10,000 internal grants for a nonprofit of their choice. Proposed initiatives must include volunteer time and fall within one of the three focus areas.

Highlights from Our Lines of Business
Each of our businesses manages its philanthropic activities independently and focuses on what matters most to their associates. We are extremely proud of the high level of associate engagement in our giving back programs across the enterprise and know that the positive impacts are felt among the charities we support, and across our associate population.

Alliance Data Retail Services
Alliance Data Retail Services joined many local community members and clients in Pelotonia, a charity bike ride that supports The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute. Last year, the Alliance Data Retail Services team raised $56,918 between its 25 riders and 27 volunteers. The business also reimburses associates for their entrance fee and gives an additional amount to each associate participating in the Pelotonia who reaches their fundraising target. In 2013, that was $79,000.
Epsilon

ECO, the Epsilon Community Outreach program, is fully managed and run by a group of volunteer associates. Not only do they sponsor and plan local volunteer events and fundraising drives, but they also review and approve donation requests from Epsilon associates.

In 2013, ECO approved nearly 70 grants and sponsorships to various nonprofits in which their associates were involved.

LoyaltyOne

For the past 6 years, LoyaltyOne’s offices have closed for CommunityOne Day, where associates give their time volunteering at various local charities. Last year, associates provided 4,500 volunteer hours to 15 different charities during this one impactful day. Activities range from planting trees and cleaning parks, to assembling prosthetic hands for amputees, as well as packing lunches and summer survival kits for the homeless.

WHAT’S NEXT?

Five years ago, we launched a more concerted effort to place greater focus around our philanthropic efforts. Today we are working to become even more strategic (and generous) in our investments to address widespread social issues. We recognize the impact our support can provide and realize the need for additional formality around how and where we contribute. Our 2014 goals highlight not only our commitment to increase our total giving budget and volunteer hours, but also to improve the way we measure the outcomes and impacts of our contributions and expand our reach both nationally and globally. This is a responsibility we take seriously, both as it relates to the communities we serve, and the shareholders to whom we are held accountable.
Every day our individual actions and business operations have a direct impact on the world we live in. To better understand our impacts and opportunities for improvement, we quantified our carbon footprint through an enterprise-wide GHG inventory, which enabled us to compare our performance against the baseline we set the year before. In addition to looking at our direct emissions (fuel), we expanded the scope of our GHG inventory in 2013 to include our Scope 3 emissions which includes emissions from associate travel, the manufacturing of paper, and freight. While we have less control and influence over these Scope 3 emissions, it was important to us to demonstrate leadership in our methodology and approach. We also believed that broadening our analysis could uncover additional opportunities to reduce our carbon footprint, by engaging in GHG reduction projects with our clients and business partners.

In 2014, we plan to establish a GHG reduction target and action plan based on the findings and recommendations resulting from our 2013 inventory. We have some opportunities to reduce emissions in our Scope 1 and 2 emissions; however, Scope 3 will be more challenging. Much of the growth planned for our business relates to increasing the number of strategic partnerships with our clients. We need to balance our client needs and expectations with sustainability considerations.

This year we also initiated a baseline waste survey to better understand waste management practices across the company and to identify opportunities for improvement. We will continue to measure and seek ways to strategically reduce our impacts, through environmentally responsible practices and decision-making. We are also committed to finding ways to educate, encourage, and support the environmentally responsible actions of our associates and business partners.

This year, and moving forward, we are focusing our efforts on three impact areas where we believe we have opportunities for improvement — Energy, Waste, and Paper. There are many interconnections between these impact areas as well. For example, if we find ways to reduce our overall paper consumption, we will also reduce our total carbon footprint.
Scope of 2013 GHG Inventory

<table>
<thead>
<tr>
<th>Activity</th>
<th>Included</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCOPE 1: Direct GHG Emissions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations owned or controlled by Alliance Data (e.g., combustion in owned or controlled boilers or furnaces; fleet gasoline/diesel combustion from owned vehicles).</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>» Approx. 80 locations across Corporate, LoyaltyOne, Epsilon, and Alliance Data Retail Services, consisting of call centers, data centers, industrial spaces, warehouse, and office space</td>
<td></td>
<td></td>
</tr>
<tr>
<td>» Alliance Data’s fleet including approx. 50 vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCOPE 2: Electricity Indirect GHG Emissions</strong></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Emissions from the generation of purchased electricity consumed by the company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCOPE 3: Other Indirect GHG Emissions</strong></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>An optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect sources include:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>» Associate travel (business travel as well as commuting to and from work) in vehicles not owned by Alliance Data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>» Relevant upstream (e.g., paper) and downstream (e.g., freight and small parcel shipments with third-party carriers, e.g. FedEx) emission sources from material and energy flows</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCOPE 3: Other upstream and downstream emissions sources</strong></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Emissions by Scope — Two Year Comparison

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>2,536</td>
<td>2,634</td>
<td>-0.03%</td>
</tr>
<tr>
<td>Scope 2</td>
<td>39,092</td>
<td>35,441</td>
<td>10%</td>
</tr>
<tr>
<td>Scope 3</td>
<td>45,243</td>
<td>27,277</td>
<td>66%</td>
</tr>
<tr>
<td>Total</td>
<td>86,871</td>
<td>65,352</td>
<td>33%</td>
</tr>
</tbody>
</table>

Activities

Activity 1: Energy

Alliance Data’s 2013 total GHG emissions were 86,871 tons CO$_2$e.

That figure represents a 33% increase compared to 2012, which can be attributed to the following factors:

» Significant growth in our business, which translated into an increase in number of associates (~1,000) and number of buildings (~13).
» Client demand fueled the continued growth in our digital print operations, which translated to increased paper purchases for client programs.
» Had a full year run-rate with a significant client where we managed its entire production buy for their direct mail campaigns.
» Better integration of data from our lines of business (LOB) in the 2013 GHG inventory, which also necessitated a restating of our 2012 baseline.¹

Our 2013 Scope 1 emissions account for less than 3% of the company’s total emissions profile.

Our primary GHG impacts result from our Scope 2 and 3 emissions — namely the electricity we use in our facilities and our external paper usage which is largely driven by our clients.

¹ Due to a lack of available data in 2012, we estimated the emissions from 18 buildings. In 2013, we were able to obtain this information which enabled us to update and increase the accuracy of the baseline.
Activity 1: Energy (cont.)

Carbon Footprint per Associate 2012–2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Total GHGs (MT CO₂e)</th>
<th>No. of Associates</th>
<th>GHG/Associate (MT CO₂e/Associate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>86,871</td>
<td>12,000¹</td>
<td>7.24</td>
</tr>
<tr>
<td>2012</td>
<td>65,352</td>
<td>11,000</td>
<td>5.94</td>
</tr>
</tbody>
</table>

¹ Associate numbers have been rounded to nearest 100.
Activity 2: Waste

We conducted a survey of our 2012 waste management activities that revealed a wide variety of waste reduction and diversion practices across our lines of business; from the use of reusable plates and utensils in cafeterias, to the collection and recycling of used batteries.

Some highlights from our locations:

» 80% of responding locations have recycling programs for office waste.

» 75% of responding locations are sending electronic waste to designated recycling programs or donating electronic equipment to charities and schools.

Survey results showed that some of our highest contributors of waste to landfills are paper towels, organics, plastic film, disposable cups, and office paper.

In 2014, we will further analyze the results of the survey to identify best practices, direct further waste diversion activities and to develop enterprise-wide performance measures.

Activity 3: Paper

In 2013, we sent 41,979 e-Invoices instead of paper invoices, which saved:

» 15 trees

» Enough oil to run the average car for 1,120 miles

» Enough energy to run the average home for 5 months

» 2 cubic meters of landfill space

» 53 pounds of air pollutants

Over the past 3 years, we have contributed $65,000 to American Forests, which has planted over 65,000 trees on our behalf. This has supported the offsetting of some of our paper use.

In 2014, we plan to further explore strategies to reduce our internal paper use by engaging suppliers in sustainable paper purchasing practices and continuing to innovate around our digital communications platforms.

1 These highlights are based on an overall survey response rate of 61%.
Highlights from Our Lines of Business

Epsilon

Optimizing Square Footage
Epsilon is focused on reducing the carbon footprint of its facilities while it continues to grow its business. This focus on efficiency is beneficial from both an environmental and financial perspective.

Responsible Disposal of Electronic Equipment
Epsilon promotes the responsible management and disposal of electronic waste (batteries, cell phones, computers, etc.) by hosting an annual event where associates are able to drop off electronics from their workplace and home. Electronics are then managed in an environmentally friendly and safe manner.

Removing Personal Printers
Removing personal printers from each associate’s office helped Epsilon to reduce unnecessary printing and subsequently cut paper consumption and minimize associated energy use.

Alliance Data Retail Services

Green Printing Practices
Alliance Data Retail Services conducted an analysis on its use of toner cartridges and began to implement more environmentally friendly copier practices in all offices (e.g., setting defaults to double-sided and black and white printing).

Establishing Green Teams
Associates in a number of Alliance Data Retail Services locations established Green Teams in 2013 to better promote environmental initiatives and behaviors throughout the company and in their local communities.

Green Purchasing
In 2013, Alliance Data Retail Services began integrating environmental considerations into its procurement process. They plan to build on this effort in 2014 with the development of a system for tracking greener purchases to enable reporting out of certain metrics (i.e., number of greener purchases, impact reduction, and benefits associated with those greener purchases, etc.).

A GreenSpot Distinction
Alliance Data Retail Services associates at four Columbus, Ohio, locations completed 6 months of course work required to achieve the GreenSpot distinction. Courses covered many topics, including waste efficiency, water use, energy conservation, and transportation.
Eliminating Styrofoam Cups
Alliance Data Retail Services successfully eliminated the Styrofoam cups previously used in their Customer Care centers in 2013 and provided each associate with a reusable mug and drink holder.

LoyaltyOne
Carbon Footprint Reductions
Over the past 5 years, LoyaltyOne has reduced its total GHG emissions by 34% from their 2009 baseline through:

» Purchasing green Natural Gas and Electricity from Bullfrog power for their Mississauga, Toronto, and Calgary offices.
» Supporting and implementing building retrofits and system upgrades made by property management at their Toronto office.
» Completing an intensive energy audit of their corporate head office to find new opportunities to reduce energy usage.

Going Electric
In 2013, LoyaltyOne added 2 additional electric vehicles (EVs) to its fleet, which brings them to a total of 3 EVs and 2 SMART cars. They also added 2 Level II Electric Vehicle (EV) charging stations to their corporate head office. The easy-to-use dual charging stations provide two 7.2 kW (208/240 V @ 30 A) Level 2 charging ports. Not only is LoyaltyOne providing associates with more sustainable transportation options, they’re also educating them on new, leading technologies.

Eliminating Waste
Using a wide variety of waste diversion and green purchasing practices, LoyaltyOne achieved an impressive rate of 87% diversion of waste from landfill at its main office location.

Annual Environmental Fair
LoyaltyOne hosts an annual event that raises associate awareness about new sustainable products and services available through its Sponsors, Reward suppliers, and Facility suppliers.

For additional information on what LoyaltyOne is working on, check out their 2013 Accountability Report.
What’s Next

As we continue to formalize and improve our enterprise-wide tracking of environmental data, we are dedicated to making our processes more accurate, efficient, and effective. As noted in the goals section of this report, we are also committed to reducing our carbon footprint and developing an enterprise-wide waste diversion and sustainable paper purchasing strategy in 2014.

It won’t be easy.

On the paper side there are perceptions that buying more sustainable paper will cost more and some concern that we may not be able to meet the needs of our clients and business partners if we substitute one form of paper for another. Accurately accounting for our energy and waste consumption can also be cumbersome across so many diverse facilities, and then implementing significant emissions reduction activities can also be challenging as we often share buildings with other organizations or lease space from property managers.

It is a journey, but one we are prepared to take. And we expect to continue to learn and evolve our approach along the way!
Looking Ahead
Our Journey

In 2013, we did some amazing things. As we look to the future, there will always be progress to make, but we’re up for the challenge and committed to doing business responsibly and efficiently.

Alliance Data has done extremely well from a financial perspective, but that in and of itself isn’t sufficient. Outside of our financial success, we want Alliance Data to be known as a company that associates consider the best place they have ever worked; as a company that is making a difference in the community; and as a trusted partner to our clients and their customers.

- We will continue to be a leader in the secure and responsible use of consumer data.
- We will annually increase our corporate giving budget at a rate that matches the profitability and growth of the company.
- We will strive to increase associate engagement and enablement scores and reduce our voluntary turnover rate.
- And, we’ll work to measurably reduce our carbon footprint.

Demonstrating and reporting on our commitments might be a journey, but in the end it’s pretty straightforward. Do the right thing. Because “all for good” isn’t just a tagline.

If you have comments or feedback about this report or our Corporate Responsibility efforts, please email allforgood@alliancedata.com.