



ALLIANCE DATA

2017 Materiality
Assessment Overview

Being in business carries with it duties to the **clients we serve** and to the **people who invest in our company**, those who work with us and for us, and those whose communities we share. We play our part by **engaging constructively** with key stakeholders and **acting on what matters most**.

Materiality Assessment Overview

As a company committed to sustainable growth, Alliance Data understands that living up to our values and delivering on what matters most to our stakeholders will ultimately determine our success.

Our approach to corporate responsibility (CR) – which for us includes economic, social, environmental and governance aspects of our company's performance – is rooted in engaging constructively with key stakeholders to understand their needs and expectations, as well as our business risks and opportunities.

In 2016, we embarked on a formal, non-financial materiality assessment with Anthesis Group to identify and evaluate the topics that are most critical to our business and our stakeholders. This exercise was an update to an assessment conducted in 2012/2013 and followed the recommended process outlined in the Global Reporting Initiative (GRI) Standards.

The assessment will be used to:

- Inform our CR strategy and programs;
- Monitor potential risks, opportunities and emerging issues that could affect our future business success and stakeholder relationships; and
- Ensure a balanced and reasonable presentation of our CR performance in our public reporting.

Read more about our corporate responsibility strategy and focus areas on our [website](#).



Data



People



Community



Environment



Approach

We followed a three-step process for identifying our most significant topics:



1. TOPIC IDENTIFICATION

We developed a range of potential topics in the context of our economic, social, environmental and governance impacts, based on input from internal and external sources.

From a list of 48 topics of general importance to society, we singled out the most relevant ones for further analysis by key internal and external stakeholders.

EXTERNAL SOURCES

Peer companies (11)

Client requests for ESG information (9)

Regulatory context

Industry and societal trends

Best practice standards:

- Global Reporting Initiative
- CDP (formerly Carbon Disclosure Project)
- Bloomberg's ESG rating
- DJSI/RobecoSam's ESG questionnaire
- Relevant SASB Standards for the sectors we operate in:
 - Standard for Professional Services
 - Standard for Advertising & Marketing
 - Standard for Financial Services

INTERNAL SOURCES

Business priorities and objectives

Subject matter experts and senior leadership

Previous corporate responsibility reports

Enterprise risk assessments



2. PRIORITIZATION

Stakeholders were invited to participate in a perception survey and rank the topics in terms of their significance to our stakeholders and the potential impact to the long-term sustainability of Alliance Data's business. Topics were ranked on a five-point scale and plotted on a materiality matrix.

We then interviewed 20 internal and external stakeholders to gain insights into why they felt certain topics were more significant than others, and what they thought we could be doing to better prepare for, or respond to, those topics.



3. VALIDATION

The outcomes of the prioritization were validated through an in-person workshop with members of our Senior Leadership Team, and in one-on-one conversations with CR Council members and representatives from our lines of business.

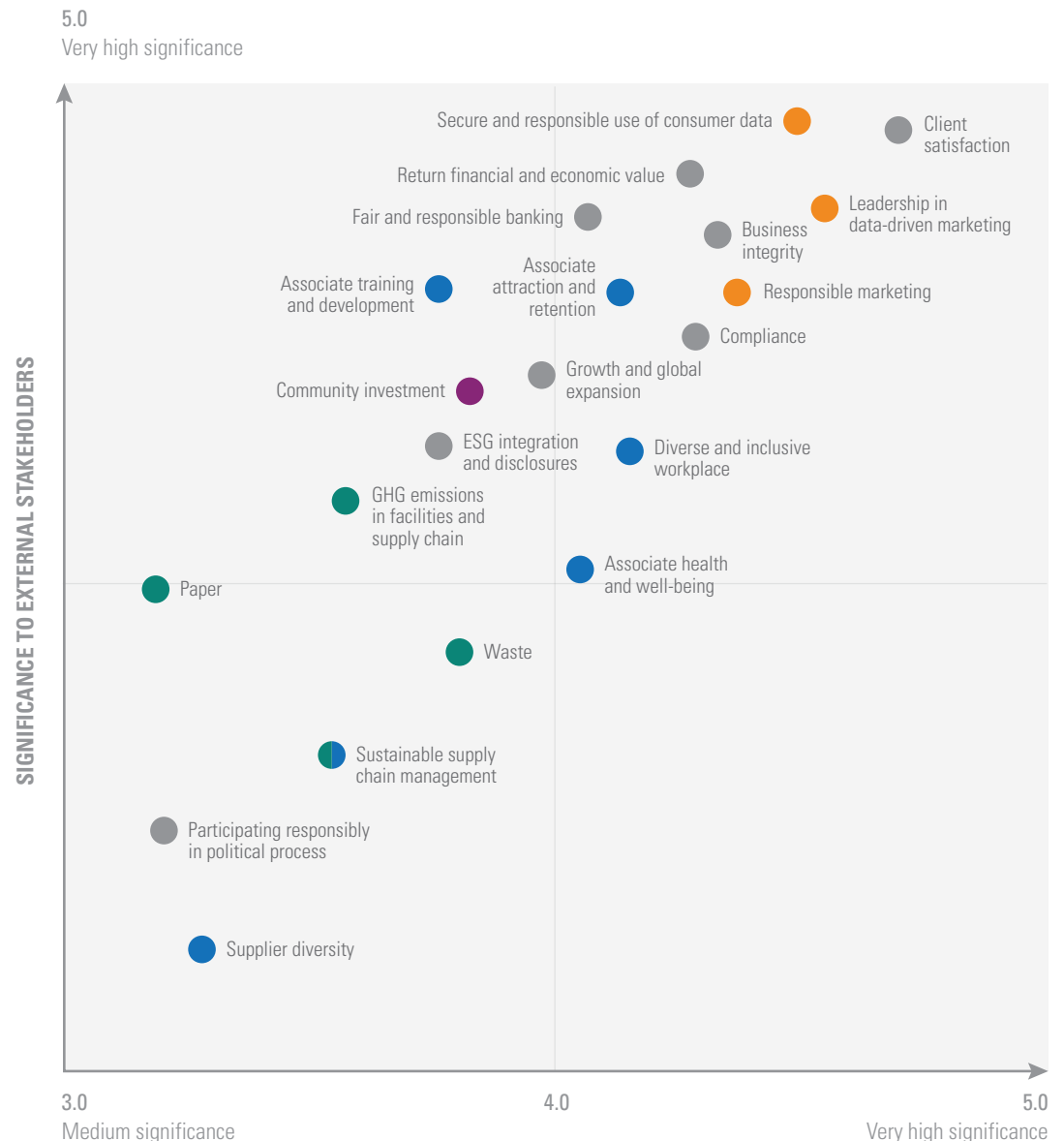
Our top priorities – client satisfaction, leadership in data-driven marketing, the secure and responsible use of data.

Outcomes

The matrix presents priority topics plotted per their significance to internal and external stakeholders. We have color coded the topics to align with our four focus areas and added a fifth topic related to how we deliver value to our stakeholders.

ANALYSIS

- Our priority topics were widely endorsed by stakeholders as a good summary of essential factors driving the company's success. All topics received medium ranking or above and therefore all are critical for us to manage.
- Internal and external stakeholders were closely aligned on the sustainability topics of greatest significance. This provides great validation for the topics we need to focus on.
- Three topics emerged through the exercise that were not initially included in the list used for the survey. Based on stakeholder feedback through the survey and interviews, we added them to our matrix. Those aspects include: compliance, fair and responsible banking, and global business expansion and growth. Without any semi-quantitative rankings from the survey, our management team discussed and plotted these topics where we believe they best fit in terms of significance to our stakeholders. We will further validate them in future materiality exercises.
- Our most significant topics relate to the company's value proposition – what we do and how we do it. The second grouping of topics of high significance to both the company and external stakeholders relates to initiatives in place to develop and support our people. We understand that our key stakeholders want to hear more about how our company is managing these topics and we will focus on them in our reporting.
- While some aspects were not ranked as being of high significance – namely, environmental performance areas; environmental, social and governance (ESG) integration and disclosure; and supplier diversity – they are still relevant and important for us to manage. It's an expected (and increasingly necessary) component of how we do business for some of our key stakeholders, in particular our clients and investors.



● Data
 ● People
 ● Community
 ● Environment
 ● Our Service Ethos

Our Top 12 Priorities

RELEVANCE TO THE BUSINESS	GOAL
<p>1 CLIENT SATISFACTION</p> <p>Client satisfaction has been critical to the growth we've experienced throughout our history. Our diversified client base of more than 1,800 companies consists primarily of large consumer-based businesses, across a broad range of end-markets, including well-known brands such as Bank of Montreal, Sobeys Inc., Shell Canada Products, Hilton, Bank of America, General Motors, FedEx, Walgreens, Kraft, Victoria's Secret, Lane Bryant, Pottery Barn, J. Crew, and Ann Taylor. We believe the comprehensive breadth and quality of our service offerings have enabled us to establish and maintain long-standing client relationships.</p>	<p>Maintain a client-centric approach in everything we do, leveraging analytics-based insights that enable us to better anticipate and meet the needs of our clients and their customers, and support our clients' profitable growth.</p>
<p>2 LEADERSHIP IN DATA-DRIVEN MARKETING</p> <p>As consumer-based businesses continue to shift their marketing spend to data-driven marketing strategies, we believe we are well positioned to acquire new clients and sell additional services to existing clients based on our extensive experience in capturing and analyzing clients' customer transaction data to develop targeted multichannel marketing programs. We believe our comprehensive portfolio of highly effective targeted marketing and loyalty solutions provides a competitive advantage with higher ROI over other marketing services firms with more limited service offerings. We seek to extend our leadership position by continuing to improve the breadth and quality of our products and services.</p>	<p>Continue to invest in data-driven digital technologies that allow us to further capitalize on the shift in traditional advertising and marketing spend to highly targeted loyalty and marketing programs.</p>
<p>3 SECURE AND RESPONSIBLE USE OF CONSUMER DATA</p> <p>Data is at the center of everything we do, and our commitment to information security and the responsible use of consumer data requires constant vigilance. We maintain a comprehensive information security program that includes extensive administrative, technical and physical safeguards relating to customer information. As the topic of privacy continues to take shape globally, we must ensure our internal practices continue to satisfy evolving privacy standards and requirements in all markets where we conduct business.</p>	<p>Make ongoing, substantial investments in proactive measures to strengthen our internal controls and invest in best-practice technologies to monitor for and prevent data breaches. Collaborate with industry peers and policy makers globally to monitor emerging legislation, inform regulation and help shape responsible standards for the industry.</p>
<p>4 BUSINESS INTEGRITY</p> <p>Alliance Data's reputation is built on a solid foundation of honesty, integrity, results and accountability. We cannot allow our high standards of ethics and accountability slip. We know that the only way to secure our stakeholders' trust and our long-term success is by demonstrating sound, ethical business conduct. The key to that is creating a culture of integrity and accountability, where our associates understand that it's not about success at all costs, it's about doing the right thing, always.</p>	<p>Maintain the highest standards of ethics and integrity throughout all levels of the company.</p>

Our Top 12 Priorities (continued)

RELEVANCE TO THE BUSINESS	GOAL
<p>5 RESPONSIBLE MARKETING</p> <p>Through our integrated, multichannel, data-driven marketing services, we design and implement strategies that assist our clients in acquiring and retaining valuable repeat customers. We work with our clients to create marketing campaigns rooted in the responsible collection and use of data that results in relevant, meaningful offers for the end-consumer. We strive for transparent marketing practices, providing information about our marketing practices and allowing consumers choice in receiving marketing messages.</p>	<p>Continue to align with standards and best practices related to responsible, data-driven marketing.</p>
<p>6 RETURN LONG-TERM FINANCIAL AND ECONOMIC VALUE TO KEY STAKEHOLDERS</p> <p>Our key stakeholders expect us to return financial and economic value. Our shareholders want to ensure they are getting a good return on their investments. Our associates want the confidence of knowing they can grow and contribute to the success of the company, and be paid fairly for their work. Our local communities look to us to be a respected employer that provides competitive employment benefits, and to invest in the socio-economic and environmental well-being of those communities. These types of returns are expected of a large successful company like Alliance Data, and we intend to maintain our track record of financial success so that we can continue to deliver on these expectations.</p>	<p>Sustain long-term economic growth so that we can continue to reinvest in the business, return value to our shareholders, and invest in our people and our local communities.</p>
<p>7 FAIR AND RESPONSIBLE BANKING</p> <p>While we aren't a traditional bank, our Card Services business partners with some of the best-known retailers in extending their brand with consumers through private label and/or co-brand credit card programs. This area of our business places us in a position of responsibility related to issuing credit, collecting payments and overall cardholder care. Everything we do in this space is highly regulated, but meeting the highest standards related to those regulations, and going above and beyond what is expected from a compliance perspective, reinforces our high standards of our underwriting efforts and related customer care – and that is our number one priority.</p>	<p>Provide value to our clients and their cardholders while protecting their interests and treating them with respect.</p>
<p>8 ASSOCIATE ATTRACTION AND RETENTION/ ASSOCIATE TRAINING & DEVELOPMENT</p> <p>As a service-based business, we know that our associates are fundamental to our success. We need to continue to attract and retain top talent who will enable us to maintain our leadership position in a competitive market. For Alliance Data, the challenge of attracting talent is compounded by the company's extraordinary growth. As a result of turnover and growth, we're adding 25% to 30% new people each year. Additionally, many other companies, and not just our direct competitors, need the same type of specialized, in-demand talent our business requires to succeed.</p>	<p>Manage voluntary turnover, with a focus on associate retention and enablement. Invest in talent development programs through training courses, coaching and academic advancement opportunities.</p>

Our Top 12 Priorities (continued)

RELEVANCE TO THE BUSINESS	GOAL
<p>9 COMPLIANCE</p> <p>Compliance isn't a matter of choice, it's table stakes for our business. Federal and state laws and regulations extensively regulate the operations of all our subsidiaries. We conduct our operations in a manner that we believe not only complies with these regulations, but in many cases, goes above and beyond. In a marketplace full of evolving regulation and legislation, we must be informed and in front of legislation that affects our business. Our clients trust that our recommendations and solutions comply with rules related to consumer privacy and information security, responsible marketing, and fair and responsible banking.</p>	<p>Compliance with all laws and regulations relevant to our business (e.g., banking, responsible marketing, information security, consumer privacy, labor rights).</p>
<p>10 GLOBAL BUSINESS EXPANSION AND GROWTH</p> <p>Global reach is increasingly important as we and our clients expand internationally, and branch into new markets. We believe we are well positioned with significant opportunity to increase our global presence, with both legacy and new, innovative offerings. We have had success in Canada, Europe and Latin America, and intend to put additional focus on our global expansion strategy to capitalize on market opportunities. As we expand, we will need to evolve and adapt our operations to ensure we are able to meet national and regional regulations, apply the same high ethical standards wherever we do business, partner with local groups to understand priority issues to help direct our community giving, and are aware of cultural sensitivities as they relate to communications and working environments.</p>	<p>Expand our global footprint by leveraging our core competencies in new international markets.</p>
<p>11 COMMUNITY INVESTMENT</p> <p>Giving back to the communities where we live and work, whether through time, talent or financial support, is embedded in our values and a big part of our identity. It's one of our responsibilities as a profitable company. But it's also much more than that – our investments help strengthen local economies, engage our workforce and build a vibrant, more resilient society. While there are many admirable causes, we focus our efforts on the priorities of our associates and the pressing needs in their communities.</p>	<p>Invest \$60 million globally by 2020 in the communities where we live and work, and \$20 million in "data for good" programs that help nonprofits build mission-critical capacity and improve measurable community impact by leveraging data-driven insights.</p>
<p>12 DIVERSITY AND INCLUSION</p> <p>To meet the changing needs of our clients and their customers in a global economy, it's critical that our organization be inclusive and reflect the diversity of the markets and segments we serve. We also state clearly in our Code of Ethics that we will not discriminate based on race, color, religion, religious dress and grooming, gender, pregnancy, age, national origin, disability, sexual orientation, marital status, citizenship, veteran status, gender identity, transgender status, or any other status protected by law or by Alliance Data policy. We define diversity as a collection of different skills, experiences, talents and cultural backgrounds, while inclusion is defined as the ability to value and leverage these differences to drive value and successful outcomes.</p>	<p>Promote a culture of inclusion, where associates have a voice and diverse perspectives are celebrated.</p>

What's Next

Alliance Data will use the outcomes of this materiality assessment to inform the following activities:

- Evaluate how well our current programs are addressing the top issues through a gap assessment exercise.
- Discuss materiality assessment outcomes with members of our management team and representatives of each line of business to determine how we can best address any identified gaps.
- Work with our enterprise risk team to align the language and criteria used to assess the significance of business risks.
- Refresh our overall CR strategy.
- Hone in on the issues that matter most for our business in our reporting.

Progress on the activities above will be presented in our future CR reports.

To learn more about existing programs addressing each of our top priorities, please visit our [website](#) and our 2016 CR Report.

To learn more about Alliance Data and our CR strategies and accomplishments, visit alliancedata.com/corporate-responsibility or email allforgood@alliancedata.com.



AllianceData®

Alliance Data® (NYSE: ADS) is a leading global provider of data-driven marketing and loyalty solutions serving large, consumer-based industries. Alliance Data helps its clients create and increase customer loyalty through solutions that engage millions of customers each day. An S&P 500 and Fortune 500 company headquartered in Plano, Texas, Alliance Data consists of three businesses that together employ more than 17,000 associates at approximately 100 locations worldwide.

Investor information about Alliance Data's businesses may be found at AllianceData.com. Follow Alliance Data on Twitter, Facebook, LinkedIn and YouTube.