



# **Bread Financial Credit Card Program Operating Procedure**

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# 1. Introduction

## 1.1 Credit Card Program Operating Procedure

The purpose of this document is to provide Brand Partner management and applicable personnel (hereafter referred to as “Brand Partner”) with information and procedures from Comenity Bank or Comenity Capital Bank (as applicable, “The Bank”), and the affiliated servicer, Comenity Servicing LLC (together with the Bank, “Bread Financial”), regarding the Credit Card Program (“Credit Card Program”) and the Program Agreement. The Bread Financial Credit Card Program Operating Procedure (“Operating Procedure”) applies to open-end credit account programs whether a physical access device (e.g. card) is issued in conjunction with that program or not. The Program Agreement and Operating Procedure require both parties to comply with all applicable laws, including federal and state legal and regulatory obligations.



**NOTE:**  
Please note that some sections may not be applicable to all aspects of the Brand Partner’s business.

Following the Operating Procedures helps both parties comply with obligations, and therefore protects our Brand Partners, as well as Bread Financial. If there are any questions, please contact your Bread Financial Client Partnership Team.

The Credit Card Program Operating Procedure will be published on an annual basis, or as updates are required. The publication date for each version is printed on the bottom of the pages, and the most recent version should be retained.

# 2. Brand Partner Associate Training and Conduct

## 2.1 Associate Training Requirement

All Brand Partner associates that will present or solicit the Credit Card Program, service, and/or facilitate the submission of a credit card application or credit card transaction must receive credit card training prior to being able to take those actions. This includes but is not limited to call center associates, in-store/onsite associates, and associates that may virtually assist individuals online. Thereafter, applicable associates shall receive refresher training on a no less than annual basis, and additional training if a material change is made to the program (e.g. full credit card benefit change) prior to the change becoming effective.

Brand Partner training program must at a minimum fully educate applicable associates on:

- Regulatory Requirements (e.g. Regulation Z including providing the credit card agreement and promotional plan terms, Fair Lending, UDAAP including sales practice risk, etc.);
- Operational/Procedural Requirements (e.g. application capabilities, transaction processing, account look- up, customer service contacts, etc.); AND



- Specific Program Details (e.g. promotional plan availability, reward programs, other benefits, etc.)

This includes distributing mandatory Bank required training material(s) PartnerPortal™ or Dealer Portal™ to applicable associates, ensuring associates review, and are trained accordingly. Examples include, but are not limited to - 3 Simple Steps, Standard Guidelines When Offering Credit, and Credit Contest & Incentive Quick Reference Guide.

## 2.2 Brand Training Through PartnerPortal™ or Dealer Portal™

Mandatory Bank required training materials are published throughout the year and distributed through PartnerPortal™ or Dealer Portal™. Brand Partners are required to distribute to all applicable parties (Home Office, Field/Stores, Call Center, Dealers, and Franchisee locations) and acknowledge action taken as requested by the due date.

Brand originated and/or owned Credit Card Program training materials must be reviewed annually and/or upon program changes by Bread Financial to ensure compliance and may require updating upon review. If training material is deemed out of date, non-compliant, or does not represent current Credit Card Program details the training material will be decommissioned from PartnerPortal™ or Dealer Portal™ while Brand Partner makes the required updates in order for the material to be used for associate training.

## 2.3 Associate Conduct

Associates must be inclusive and treat all customers fairly; don't discriminate or pick and choose to whom to offer the Credit Card Program.

All associates engaging in any aspect of a consumer credit interaction are required to comply with established Bread Financial policies and procedures, in part, to ensure consumers are protected from behavior that could be classified as Unfair, Deceptive or Abusive (further described below). Brand Partner associates must ensure the customer agrees to apply (i.e., provide their consent) without feeling pressured before submitting a credit application. Brand Partner shall fully cooperate with Bread Financial in investigating consumer allegations of associate behavior that raise concerns with respect to sales practices or associate misconduct. Investigations may require the Brand Partner to provide information, documentation, and recordings related to specific transactions or applications, and proof of associate training.

Brand Partner shall fully cooperate in investigating claims or indications of improper activity, including the provision of any sales video or recordings, or sales practices and shall implement such corrective actions as the Bank deems appropriate pending the outcome of the investigation. Consequences for improper behavior could include withholding of relevant incentives, exclusion of associate/store/region from participation in incentives, early termination of incentive, or prohibition from participation in Credit Card Program acquisition activities.

Bread Financial is committed to adding value to our Brand Partner relationships while providing individuals with financial services and products in a sustainable and ethical manner. If an associate feels that they are asked or pressured to engage in conduct that appears to be unethical, illegal, or otherwise in conflict with this Operating Procedure, they are required to contact the Bread Financial Brand Partner escalation line at 1-855-444-0183.

### Prohibition Against Unfair, Deceptive or Abusive Acts or Practices

Interactions and activities with individuals are prohibited by law from engaging in unfair, deceptive, or abusive acts or practices (UDAAP), as defined by the Dodd Frank Act. UDAAPs include improper sales activities such as but not limited to submitting applications for banking products or services, or enrolling individuals in online banking services without the individuals' knowledge and consent. **Consent must always be obtained before submitting an application for credit and before any banking product or service is sold, registered or issued to an individual.**

All instances of improper sales practices shall be directly escalated in a timely manner to Bread Financial via the escalation line at 1-855-444-0183.

UDAAPs also include:

- Representations, omissions, or acts or practices that mislead or are likely to mislead individuals, such as making misleading cost or price claims, offering to provide a product or service that is not in fact available, using bait-and-switch<sup>1</sup> techniques, omitting material limitations or conditions from an offer, failing to provide promised service; and
- Representations that convey more than one meaning to reasonable individuals, one of which is false.

## 3. Marketing the Credit Card Program

### 3.1 Communicating the Credit Card Program

It is important that the Credit Card Program is offered fairly, responsibly, and accurately to all individuals. If offering both Bread Pay™ and a Bread Financial Credit Card Program, ensure the customer can make an informed and educated decision as to which product or products are best for their needs.

For Credit Card Program communication such as email or direct mail, Brand Partner may not apply any exclusions or criteria unless first approved by Bread Financial. If a prescreen is conducted all pre-approved customers must be notified. When deploying the notification, Brand Partner is prohibited from modifying or scrubbing the files in any way.

The Credit Card Program must be offered in the English language, including the solicitation of applications. Brand Partner associates shall only discuss the Credit Card Program in English. All credit card marketing and servicing materials must be provided in English only.

Brand Partners with Frictionless Acquisition must display current credit card marketing as a non-verbal offer of the Credit Card Program on-site at Brand Partner locations.

Bread Financial **does not allow** the marketing of its products via Short Message Service (“SMS”) text messages or outbound calls, regardless of whether the campaign is conducted internally or by the brand partner/merchant.

### 3.2 Materials & Marketing

Materials that mention the Credit Card Program, including any acquisition or account related offers, must be reviewed, approved, and retained by Bread Financial prior to printing, displaying, distributing, and/or deploying to Brand Partner associates, consumers, and/or cardmembers. Examples include, but are not limited to, invitations to apply, credit card program application or information, promotional credit

<sup>1</sup> Bait and switch: It is illegal to advertise a product when the company has no intention of selling that item, but instead plans to sell an individual something else, usually at a higher price.

plans, rewards programs, application-based incentive compensation contests, associate selling behaviors, etc. This requirement applies to materials distributed through any channel. **Note:** For Brand Partner deployed emails, (i.e. the email is “From” the Brand Partner/in the “From” line), even if the email also contains some content relating to the Credit Card Program, Brand Partner is still considered the “sole sender” of the email as defined by CAN-SPAM<sup>2</sup> and its implementing regulations, and thereby required to adhere to those regulations for all commercial messages, including but not limited to maintaining an opt-out list of consumers who opt out of commercial email messages and scrubbing that list against any email transmissions.<sup>3</sup>



**NOTE:**

Brand Partner must contact Bread Financial prior to implementing or changing any material or capabilities related to the Credit Card Program.

Brand Partner associates are prohibited from marketing the credit card program in personal emails or media accounts. However, Brand Partner associates may use personal email and/or social media in relation to Credit Card Program recognition, so long as the guidelines outlined in the *Bread Financial Social Media Guidelines – Associate Recognition Credit Card Program* are followed.

If procedure is not followed, Brand Partner will fully cooperate in any action(s) needed due to non-compliant or non-approved pieces found in the market.

Bread Financial has developed a Bread Financial Disclosure Tool (“Disclosure Tool”) to assist the Brand Partner in developing marketing collateral. Brand Partner must use the Disclosure Tool for any marketing related items prior to sending to Bread Financial for review and approval. The Disclosure Tool is not a substitute for Bread Financials' review and approval of marketing materials. For specific Disclosure Tool procedures, please contact your Bread Financial Client Partnership team.

Bread Financial will adhere to specific Service Level Agreements (“SLAs”) for the review and approval of the materials provided by the Brand Partner. The type of Credit Card Program material determines the SLA. Contact Bread Financial Partners for more details on SLAs to ensure deployment dates are met.

### 3.3 Brand Partner Associate Performance Standards, Contests &/or Incentives

Regardless of which party funds the promotion, Brand Partner associate contests and incentive programs that are related to the Credit Card Program must be reviewed and approved by Bread Financial prior to execution.

Elements required for review and approval include the full program detail, structure, compensation and all communication materials. Associate contests and incentives must be transparent to the associate and achievable. Incentives requiring same day activation are prohibited. Contests and incentive programs may be monitored by Bread Financial to ensure compliance with the contest or incentive program documents as well as the Associate Conduct requirements set forth in Section 2.3 above. Consequences for improper behavior could include withholding of relevant incentives, exclusion of associate/store/region from participation in incentives, early termination of incentive, or prohibition from participation in Credit Card Program acquisition activities.

<sup>2</sup> 15 U.S.C. 7701–7713

<sup>3</sup> Brand Partners may refer to the following for additional CAN-SPAM guidance: <https://www.ftc.gov/tips-advice/business-center/guidance/can-spam-act-compliance-guide-business>

Brand Partners must follow contest and incentive guidance within Bread Financial's Contest & Incentive Quick Reference Guide and communication guidelines, including adding the Bread Financial escalation phone line to contest communication, and adding the Bread Financial contest disclosure statement. These documents are located in the PartnerPortal™ or Dealer Portal™ Brand Training Repository. Brand Partners must also acknowledge all the required Bread Financial annual training and disseminate to applicable parties prior to receiving approval from Bread Financial for a Credit Card Program contest. The annual training will be released through PartnerPortal™ or Dealer Portal™.

To ensure full cooperation and compliance by Brand Partner associates, Bread Financial will inspect and monitor applications for any indication of fraudulent activity weekly throughout the duration of the contest or incentive program.

Brand Partners may not employ policies that require associates to submit a specified number of credit card applications and/or open a certain number of accounts, nor may Brand Partners use minimum thresholds for submitting applications in associate performance reviews to avoid a high-pressured sales environment specific to offering the credit program.

## 4. Promotional Credit Plans

A Promotional Credit Plan allows a cardmember to make a purchase on their account using special financing terms for a specified time period, or for a particular recurring payment amount until the balance is paid (e.g. Waived Interest Plan). Below is a summary of important considerations. For full details please contact your Bread Financial Client Partnership team for the Promotional Plans Implementation Guide and Promo Plan Supplemental Guide available for associate training.

### 4.1 New Plans and Changes to Existing Plans

- Adding a new Promotional plan, or making changes to an existing Promotional Credit Plan, are subject to the terms of the Program Agreement.
- Brand Partner will work with Bread Financial to update the Brand Partner's disclosure materials with new or updated Promotional Credit Plan information.
- Any time a new Promotional Credit Plan is added, or a current Promotional Credit Plan is altered; advance notice must be given to cardmembers by updates made to the Credit Card Agreements (CCAs) as well as sending a Promotional Plan Periodic Notice (PPPN) to existing cardmembers.
- Ensure the following requirements are always met:
  - Promotional Credit Plans must be set up in both Brand Partner, and Bread Financial's system(s), and must be tested to ensure proper setup (promotional plan testing should be conducted for non-promotional plan related Point of Sale (POS) updates to ensure proper functionality).
  - Settlement file information must contain unique invoice number to correctly match returns to original purchase.
  - All references to the Promotional Credit Plan name must be consistent throughout training materials, disclosures, and other supporting documents.
  - CCAs must include full Promotional Credit Plan disclosures and be deployed in market prior to offering the promotional plan(s) (Digital and in-store CCAs must contain all Annual Percentage Rates (APRs) for tiered programs, and welcome kit CCAs must contain the cardmembers actual APR).
  - POS systems must have the ability to include the cardmember's applicable Promotional



- Credit Plan name.
- In-store POS must be able to print the Promotional Credit Plan name on the receipt matching back to the CCA and/or PPPN. The Plan name on the receipt will also tie to the billing statement with the Promotional Credit Plan disclosure.
- Web checkout processes must have the ability for the cardmember to select the Promotional Credit Plan they would like their purchase to be placed on and the ability to read and accept full disclosures prior to completion of the transaction.
- If a cardmember is making a Promotional Credit Plan purchase via the phone, the Brand Partner's associate must read the full Promotional Credit Plan disclosures to the cardmember, and Bread Financial will include messaging and disclosures on the cardmember's billing statement.

## 4.2 Minimum Data Requirements

In order to properly identify Promotional Credit Plan purchases, Brand Partners must send Bread Financial the correct plan data elements in the daily direct settlement file. These elements must also reside on the most recent settlement file specifications, including return match logic/Invoice Matching.

## 4.3 Monitoring and Oversight

To meet regulatory requirements, Bread Financial must have oversight into the purchasing processes where Promotional Credit Plans are offered. On an annual basis (or more often if deemed necessary), Bread Financial will request supporting documentation to demonstrate the processes through each channel. If it is determined changes need to be made to meet regulatory requirements, Bread Financial will collaborate with the Brand Partner on the changes needed, the timeline to update, and how to re-validate.

## 4.4 Auto-Enrollment

If a Brand Partner uses a promotional plan auto-enrollment process, in addition to other requirements, they are required to provide disclosures to the applicant/cardmember via their CCA, including minimum purchase amounts per plan. Applicable transactional disclosure(s) will be provided on the cardmember's billing statement.

# 5. Rewards Programs

Rewards programs for which use of the Credit Card Program is required to earn rewards, as well as Brand Managed and Hybrid multi-tender loyalty (MTL) programs in which use of the Credit Card Program acts as an accelerator to earning additional rewards, must comply with applicable laws and regulations. The provisions in Section 5.1 thru 5.3 apply to these programs.

## 5.1 Terms and Conditions

- All Rewards Programs involving the Credit Card Program must have terms and conditions detailing the rules, requirements, and guidelines that govern how the rewards program operates.
- All terms and conditions for Bread Financial Managed rewards programs must align with Bread Financial's Terms and Conditions Master Template. From time to time, Bread Financial may update the content of the Master Template. When this occurs, Bread Financial Managed programs must undergo a review and update its terms & conditions to align with the updates made to the Master Template. Timely review and compliance are required by Brand Partners

during this update process.

- All terms and conditions for Brand Managed and Hybrid MTL programs must include specific provisions contained in Bread Financial's MTL Template Insert document. This includes but is not limited to, earning and redemption, eligibility, enrollment, rounding algorithm, fulfillment delivery method, etc.
- All terms and conditions and any proposed changes require Bread Financial's **prior** review and approval.
- Terms and Conditions must be provided to cardmembers in their welcome kit package and online on Account Center and/or the Brand Partner's website, unless otherwise approved by Bread Financial, and must meet accessibility requirements.
- Any material changes to a rewards programs' terms and conditions that could potentially have a negative impact on cardmember participation in the program requires advance notice to cardmembers prior to the changes taking effect. This requirement applies to Brand Managed and Hybrid MTL programs.
  - **In no case shall notice to cardmembers be provided less than 45 days in advance unless approved by Bread Financial. When applicable, New York residents will be provided 90 days advance notice prior to the changes taking effect in compliance with Gen. Business Law § 520(e).**
- Annual review of rewards programs terms & conditions must be conducted to ensure alignment with the marketing and operation of the programs. Annual review must be conducted one (1) year from the approval date in Bread Financial's internal systems of any of the following activities, starting from the most recent: Program Launch, Program Change, or Master Template Update.
- Timely review and compliance are required by Brand Partners during the annual review process.

## 5.2 Promoting the Rewards Program

- Brand Partners must clearly communicate that the rewards program is a benefit of the Credit Card Program but must not misrepresent the Credit Card Program as just a "rewards program."
- Brand Partners must clearly communicate that use of the Credit Card Program is a means for earning rewards in the rewards program, if applicable.
- Brand Partners must not make inaccurate representations regarding the rewards program, such as when cardmembers will receive a reward, the value of a reward, whether expired rewards will be reinstated, etc.
- Brand Partners must clearly communicate any categories/stock keeping units (SKUs)/departments that are included/excluded in promotions, which may include the need to list Merchant Category Codes (MCCs), SKUs, locations or departments in disclaimers.
- In scenarios where cardmembers must choose between earning rewards and selecting a Promotional Credit Plan financing option, Brand Partners must ensure that cardmembers understand they must choose one of the offers; the point-of-sale (POS) system accurately reflects the choice and provide cardmembers with the correct disclosures in the Disclosure Tool Kit.

## 5.3 Minimum Data Requirements

All necessary data elements that enable Bread Financial to accurately execute, operate and monitor rewards programs it manages, or to oversee programs partially or fully operated by Brand Partners, in accordance with the Terms and Conditions and rewards program best practices, must be provided by the Brand Partner in a method and format acceptable to Bread Financial. This includes, but is not limited to, data associated with cardmembers, transactions, line-item detail, action triggers, earn, fulfillment,

redemption, and complaints/disputes.

Transaction Identifiers/Codes: Brand Partners must timely transmit to Bread Financial the necessary data points within settlement and authorizations (where applicable) to accurately identify brand transactions and calculate rewards program earn. This includes, but is not limited to:

- Card Acceptor Identifiers (CAIDs) and/or Merchant Indicators (MIDs) assigned to Brand Partner store locations, E-comm channels, individual cash registers or point-of-sale (POS) systems.
- CAIDs and/or MIDs, including original transaction identifiers/codes associated with a return.
- Line-item settlement data as needed for program calculations:
  - This includes important line-item details when a net transaction is calculated without all included line items (e.g., when a discount is applied, if tax is not included in calculation).
- Any data from Brand Partners to Bread Financial that is leveraged for a rewards calculation, qualification, or presentment.

For programs that do not directly settle with Bread Financial, Brand Partners must provide Bread Financial with all applicable CAIDs and/or MIDs for proper calculation of rewards earnings, as set forth in Section 11.4. This also applies to non-brand locations that Brand Partners choose to include in its accelerated earning structure.

Brand Partners must provide Bread Financial the CAIDs/MIDs assigned for each store location, E-comm channel, individual cash register or POS system during program implementation, as well as **15** days prior to:

- A new store location opening, new E-comm channel, or whenever a new cash register or POS system is added within a store location, or
- When store locations change payment processors.

## 6. Brand Partner Add-On Products/Services

### 6.1 Offering Add-On Products or Services

Marketing of fee-based add-on products and/or services offered through the Brand Partner must not refer to the Credit Card Program. If the Brand Partner offers a fee-based add-on product or service, they must indicate that enrollment in such product or service is not a requirement for obtaining credit and does not have any impact on the credit decision. This includes any tender-neutral (purchases made via any standard form of payment) fee-based product or service that is offered and marketed to individuals. Examples include fee-based subscription services, fee-based loyalty or “VIP” programs, magazines, etc.

Notwithstanding the payment method, if the Brand Partner intends to offer a fee-based add-on product or service, it must engage Bread Financial prior to implementation to ensure the appropriate risk mitigation strategies are in place and meet the expectations of Bread Financial, the Bank, and regulators.

If the Brand Partner markets an add-on product or service solely to cardholders, or through the use of Bread Financial’s cardholder list, or allows the credit card to be used to purchase such add-on product or service, the Brand Partner must provide to Bread Financial all relevant program materials, including, but not limited to: all marketing, advertising, enrollment, billing, cancellation, general servicing, and vendor engagement information.

Brand Partner is solely liable for all such add-on product or service offers. Accordingly, the Brand Partner must adhere to all applicable laws and regulations (including, but not limited to UDAAP and sales practices principles) associated with the offering and servicing of such add-on product or service.

## 7. Credit Card Applications

### 7.1 Application Channels

Bread Financial supports acquisition, which includes all applications, pre-screen offers of credit, and pre-qualification, through a variety of channels including at location point of sale, digital, mail, and phone. Establishing and/or modifying these acquisition channels requires system programming, development, testing, and/or modified disclosures or documentation unique to that acquisition channel.

In the event of a Credit Card Program wind-down, Brand Partner shall cooperate with ceasing acquisition in all application channels in a reasonable timeframe prior to the agreed upon Credit Card Program end date, but in **no case less than thirty (30) days prior**.

### 7.2 Application Requirements

Brand Partner associates shall:

- Offer the credit card to individuals in a fair and consistent manner (this will help avoid claims of discrimination or bias), and in a manner that must not discourage any individual from applying for credit.<sup>4</sup>
- Refrain from making any type of inquiry with regard to an applicant's race, sex (including sexual orientation or gender identity), color, religion, marital status or national origin; plans for having or raising children; or whether any income is derived from, but not limited to, alimony, child support, veteran benefits, welfare, social security or separate maintenance. The aforementioned are considered Prohibited Basis groups covered under the Equal Credit Opportunity Act (ECOA) and failure to comply with the requirements or discriminate based upon any of the Prohibited Bases is a violation of Regulation B.
- Provide the individual with account opening information (e.g. application brochure with disclosures, the Credit Card Agreement and Privacy Notice, and/or any other required Bread Financial documentation).
- Obtain the individual's consent **prior** to submitting an application for credit.
- Conduct all consumer credit interactions in a forthright and honest manner and in compliance with all requirements of the Associate Conduct section 2.3 set forth herein. Consequences for improper behavior related to contest and incentives could include withholding of incentives, exclusion of associate/store/region from participation in incentives/contests, early termination of incentive/contest, or prohibition from participation in Credit Card Program acquisition activities.
- Where required by applicable state law, ensure the customer is fully submitting the application on their own.

<sup>4</sup> Prohibited Basis: Acts or practices directed at prospective applicants that could discourage a reasonable person, on a prohibited basis, from applying for credit are not permitted by law. Regulation B and other regulations are intended to prevent applicants from being discriminated against in any aspect of a credit transaction through the usage of prohibited basis criteria. The definition of prohibited basis varies based on the specific regulation. The possible prohibited bases are: race or color, religion, national origin, gender or sex (including gender identity or sexual orientation), marital status, age (provided the applicant has the capacity to contract), receipt of income from public assistance, exercise of rights under the Consumer Credit Protection Act (CCPA), handicap, or familial status.

Individuals wishing to apply for an account are required to provide their personal information in order to process the credit card application. The following information is required to be provided at the time of application:

- First and last name;
- Date of birth (month, day, year);
- Phone number;
- Address: physical residential or business street address. If a physical address is not available for the individual or their next of kin, a rural route or APO/FPO mailing address is acceptable. A P.O. Box address is not an acceptable address;
- Identification number:
  - U.S. Citizen – Social Security Number
  - Non-U.S. Citizen – Social Security Number/Tax Identification Number, passport number and country of issuance, alien identification card number, or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard
- Upon request, a valid government-issued photo identification (ID)



NOTE: Applicants under the age of 21 are required to submit a written application. This may include Paper Applications, Point of Sale (POS) pin pad, Web, or Mobile applications.

Acceptable Forms of ID for U.S. Citizens	Acceptable Forms of ID for Non-U.S. Citizens
<ul style="list-style-type: none"> <li>○ Driver's License</li> <li>○ State ID</li> <li>○ Federal Government Photo ID</li> <li>○ Military Photo ID</li> <li>○ Passport</li> </ul>	<ul style="list-style-type: none"> <li>○ Passport</li> <li>○ State ID (not driver's license)</li> <li>○ Military ID</li> <li>○ Border Crossing Card</li> <li>○ US Legal Resident Alien ID</li> </ul>

All information requested within the application must be valid and accurate.

In the event that any personally identifiable information (e.g., name, address, phone number, driver's license, etc.) is written down at any time during the application process, the Brand Partner associate must shred the document immediately after use. If shredding equipment is not available, the Brand Partner associate must give the document containing personally identifiable information back to the consumer.

The Brand Partner associate is permitted to apply for an account in his or her own name. If applying in-store, another associate or manager/ supervisor must process the application, unless the associate applies through Frictionless Mobile Credit or on their personal device. The application will be processed in accordance with Bread Financial standard credit granting procedures if, while processing an application, the Brand Partner associate believes a fraudulent situation is occurring, the application should be processed as instant credit via phone (if available). If the application has already been processed, the Brand Partner associate should immediately contact Bread Financial Store Services ("Store Services") and notify them of the perceived fraudulent activity. An application could be fraudulent if:

- The photo ID looks altered, mutilated, or taped together.
- The photo or physical description on the identification does not match the appearance of the applicant presenting the identification.

Bread Financial will inspect and monitor applications for any indication of fraudulent activity on a monthly



basis, as well as weekly throughout the duration of any contest or incentive program. Should reporting indicate any potentially fraudulent activity, Bread Financial will share detailed information with Brand Partner in order to mitigate any ongoing risk.

## 7.3 Acquisition Compliance

Brand Partners must maintain adequate procedures to ensure the required Credit Card Program collateral (e.g. Credit Card Brochure, Credit Card Agreement (“CCA”), Point of Sale (“POS”) disclosures, tear pads, buckslips, etc.) is displayed properly and provided to the consumer prior to applying. Brand Partners may receive updated educational material loaded to PartnerPortal™ and Dealer Portal™ informing of Prime Rate change or Change in Terms (CIT) has occurred and action is required. Brand Partners are required to display (on location or digitally) the most up-to-date and accurate version of the terms. The Brand Partner is required to download and acknowledge the material within PartnerPortal™ or Dealer Portal™ and take action on the appropriate updates in accordance with the Prime Rate or CIT. Brand Partner store management is required to:

- Follow established procedures for ordering additional or updated stock; and
- Once current collateral is received, destroy any outdated Credit Card Program collateral by shredding or discarding as applicable to your store location. The collateral should be destroyed only once the new collateral is placed out in accordance with the date specified on the sticker included with the new collateral. If you are unsure if your location has the correct materials, please contact Bread Financial Partners.

To ensure compliance with applicable laws, if you are a Brand Partner that maintains Credit Card Program collateral, Bread Financial performs POS Compliance audits. Audits are performed in locations by obtaining collateral samples from locations or by obtaining sample Credit Card Program application calls from the Brand Partner. Bread Financial will either discuss any findings and opportunities with the Brand Partner or the brand will receive results through PartnerPortal™ to acknowledge. The Brand Partner must remedy any out of compliance findings in an expedited manner.

## 8. Credit Authorizations

### 8.1 Authorizations

A valid, Bread Financial-issued authorization number must be obtained for every account purchase prior to providing or delivering goods and/or services to the individual. If a purchase is not authorized at the time of the sale, the purchase amount is subject to chargeback. See Section 12 for chargeback related information.

Some situations may require either the Brand Partner associate or the cardmember to speak with a Bread Financial Store Services representative. Verify the cardmember’s valid (unexpired) government-issued photo ID before calling Store Services.



**NOTE:**

Verify the cardmember’s valid (unexpired) government-issued photo ID prior to calling Store Services. See Section 7.2 for acceptable forms of ID.

### 8.2 Store Services

In some cases, an interactive voice response (IVR) system is provided to assist Brand Partner

associates with authorizations and account inquiries. When the Brand Partner associate connects to the IVR system, the following services include but are not limited to:

- Obtain cardmember account number (private label only);
- Obtain balance and payment information;
- Request cardmember's available credit at the time of purchase;
- Obtain voice authorization for account purchases, as directed; and
- Report a card lost or stolen.

#### Using the IVR

- To access the IVR, dial the Store Services phone number and follow the voice prompts.
- When using the IVR, it is critical to follow the prompts and fully confirm that the identification matches the name of the cardmember before completing the transaction. Ensure accurate and up-to-date information is entered and validated through the IVR. Failure to comply with this detail could result in an incorrect account number being given and a chargeback to the Brand Partner.
- Some situations may require either the Brand Partner store associate or the cardmember to speak with a Bread Financial Store Services representative. Additional account-related questions may need to be referred to Customer Care. If applicable, the Bread Financial Store Services representative can provide the Brand Partner associate with the correct Customer Care phone number. The phone number for Store Services should not be provided to individuals or cardmembers.

## 9. Credit Transactions

### 9.1 At-Location Account Purchases

The account may be used as payment for goods and/or services by a cardmember or an authorized buyer on the account. Charging an account for goods and services not yet provided ("Pre-funding") is not permitted (e.g. charging for goods and/or services that will be received at a later date, etc.). Transaction receipts shall not display the full components of the credit account; therefore, must display masked (or truncated.) If the cardmember makes a purchase using a promotional credit plan at a retailer or dealer location, then certain disclosure requirements apply. See Section 4 for additional information on promotional credit plan requirements.

If a person other than the cardmember is attempting to pay for goods and/or services without a credit card in their name, call Store Services to confirm the person is an authorized buyer on the account.

#### Accepting Temporary Credit Cards/Authorized Buyers/Cardmember Shopping Without a Credit Card

Bread Financial supports various methods of obtaining an account number ("account lookup") when a cardmember or authorized buyer is shopping without a credit card. The methods and procedures for which to use are established in partnership between the Brand Partner and Bread Financial. When the cardmember or authorized buyer is shopping without the credit card, there are additional procedures the Brand Partner associate must follow to verify the identity of the cardmember or authorized buyer (as described below). The situations that require identity verification include the following:

- **Temporary card/Temporary shopping pass** – The temporary credit card may be used for one or multiple purchases (based on the Brand Partner set-up). Advise the individual to destroy the temporary credit card once the new credit card is received in the mail. Temporary shopping passes could also work as a push provision or digital wallet.

- **Authorized buyer** – For accounts with an authorized buyer that only have a corresponding credit card in the primary cardmember's name.
- **Card not present** – The Brand Partner may still be able to process a transaction by performing an account lookup.
- **Mobile Account Lookup**- A customer may utilize their personal mobile device to return a DSP (digital shopping pass) to facilitate an account lookup.

If any of the above situations occur:

1. Request a valid (unexpired) government issued photo ID from the cardmember or authorized buyer. (See chart in section 7.2)
2. Based on the situation, follow the appropriate procedures below:
  - a. Temporary card—if the card presented is a temporary credit card, verify that the name on the temporary credit card matches the name and signature on the individual's valid (unexpired) government-issued photo ID. If no signature is on the temporary credit card, follow the procedure for an authorized buyer or card not present listed below in 2b and 3c.
    - If a match is found, proceed to step 3.
    - If a match is not found, determine if the individual is an authorized buyer on the account by calling Store Services.
      1. If so, follow the step 3.
      2. If not, transaction cannot be authorized.
  - b. Authorized buyer (card not present or card in primary cardmember's name)—Obtain account number (if card not present) and/or validate authorized buyer.
    - If the validation is completed, proceed to step 3.
    - If the individual is not listed on the account as the primary cardmember or an authorized buyer, transaction cannot be authorized.
  - c. Card not present—Perform an account lookup of the cardmember or authorized buyer's information and verify the individual's valid (unexpired) government issued photo ID (See chart in section 7.2).
    - If an account is found and the information matches the photo ID, proceed to step 3.
    - If an account is found and the information does not match the photo ID, then follow procedure for authorized buyer in 2b above.
    - If an account is not found, try a second time to eliminate keying errors. If the account is still not found, transaction cannot be authorized.
  - d. Mobile Account Lookup - If the customer performs a mobile account lookup via their personal mobile device and returns a DSP (digital shopping pass), verify the individual's valid (unexpired) government issued photo ID. (See chart in section 7.2).
    - If the validation is completed, process the transaction.
    - There is no requirement to record the ID of the cardmember due to the controls built into the mobile account lookup service.
3. Process the transaction- Driver's license account look up functionality should be used when enabled. When a manual account look up must be performed, in order to confirm the identity, on the valid and unexpired government issued photo ID of the cardmember or authorized buyer, the following information must be either hand- written or electronically recorded legibly on the sales draft along with the signature of the cardmember or authorized buyer and be retained for at least **18 months**:
  - a. State ID or driver's license
    - Clear documentation of the name from the ID used to verify the identity of the individual as the cardmember
    - Clear indication of the type of valid photo ID checked, without abbreviations



- State of issuance for the ID presented, postal abbreviations acceptable
- b. Government Issued Military ID, Passport and all other forms of ID
  - Clear documentation of the name from the ID used to verify the identity of the individual as the cardmember.
  - Clear indication of the type of valid photo ID checked, without abbreviations
  - Expiration date of the ID, including month and year.

**NOTE: See Section 7.2 for acceptable forms of identification. Student and employment IDs are not acceptable. Driver's license information may not be recorded in all states or under certain circumstances. Brand Partner should consult Legal counsel to determine applicable requirements and restrictions.**

## 9.2 At-Location Purchase Pickup

Under these circumstances, a valid and unexpired government issued photo ID must be viewed and documented in accordance with section 9.1 excluding the signature requirement. Documentation will be captured electronically or may be submitted manually when electronic capture is unavailable, and must be retained for at least **18 months from the later of** (a) the transaction date (b) the pickup date or (c) the last day of the promotional credit plan to confirm the identity of the person authorized to pick up the merchandise. If the cardmember is unable to present a valid ID for documentation, fulfillment of the order is done so at the risk of the Brand Partner and is subject to chargeback if there is a resulting fraud claim.

Claims from transactions that were purchased online but delivered to a store for pick-up will be the liability of the merchant when the pickup person is not the account holder or authorized buyer.

## 9.3 At-Location Account Payments

For Brand Partners that accept payments at location, the Brand Partner must have procedures to process payments made at their location. Acceptable forms of payment are limited to cash, check, or debit.

In addition to established procedures, if the Brand Partner accepts cash payments totaling greater than \$10,000 in a single day by or on behalf of a cardmember, IRS Form 8300 must be filed for each such payment or set of payments.

Follow the Brand Partner established process for filing IRS Form 8300<sup>5</sup> and send a copy of the completed and filed IRS Form 8300 for the cardmember payment to [BSALeadership@breadfinancial.com](mailto:BSALeadership@breadfinancial.com). The Bank Enterprise Financial Crimes Compliance Department is required to monitor large cash transactions.

## 9.4 Returns and Credits

Cardmembers will receive a credit to their account if merchandise is returned that was originally purchased with the same account and the original receipt is provided. If a cardmember does not have their original receipt, the return is subject to the Brand Partner return policy.

<sup>5</sup> Brand Partner needs to capture the name, identification number, date of birth, and other necessary information of the individual making the payment whether or not that individual is the cardmember.

## 10. Account Servicing

### 10.1 Overview

Bread Financial provides the servicing functions for all accounts opened under the Credit Program, including providing the card (if applicable), responding to complaints, disputes, billing errors, and inquiries, receiving payments, performing account maintenance, and sending mailings such as statements and regulatory notices (other than those required to be given at time of sale).

### 10.2 Statements

Bread Financial sends statements to the cardmember on a monthly basis in accordance with regulations. Statements contain information such as the balance on the account, the minimum payment required and the due date, description of transactions, finance charges, fees, promotional plan details, billing rights, etc. The statements are sent by the United States Postal Service unless the applicant has requested paperless statements, in which case electronic notices are sent by email to notify cardmembers that their statement is ready to be viewed online. There are some instances in which a monthly statement may not be sent, such as when the account balance has been charged off or if there has been returned mail from the cardmember's address.

### 10.3 Payments

There are numerous methods by which a cardmember can make a payment to their account. Some Brand Partners allow cardmembers to make payments in the store, and the payment is then forwarded to Bread Financial via settlement. Other methods of payment directly to Bread Financial include mail, phone, online, or through Account Center. The information for using each of these methods and the cutoff times for making payments are contained on the second page of each billing statement.

### 10.4 Account-Related Questions and Inquiries

The Brand Partner associates must refer cardmembers to Bread Financial Customer Care department for any account-related questions. The website and phone number for Customer Care ("Customer Service") is located on the back of the credit card and billing statement. Cardmember inquiries made directly to the Brand Partner must be emailed to Bread Financial at [cardholderinquiries@breadfinancial.com](mailto:cardholderinquiries@breadfinancial.com). Inquiries to be referred to Customer Care include but are not limited to:

- General inquiries (account balance, purchase and payment inquiries, change of address, adding or removing authorized buyers, replacement cards, etc.)
- Credit balance refunds
- Estate/Trustee account inquiries
- Lost/stolen credit cards
- Closed accounts or requests to close an account
- Claims of unsolicited applications/accounts
- Questions about finance charges, fees or promotional plans

### 10.5 Billing Error Dispute Requirements

A cardmember may contact the Brand Partner to seek resolution for an alleged billing error (an error on their statement) or other complaint. If the cardmember believes there is an error with respect to any debit or credit on their statement, direct the cardmember to the "What To Do If You Think You Find A Mistake



On Your Statement” section on the second page of their billing statement for the way to contact Bread Financial and the requirements and timing for filing a billing error dispute, if necessary.

To prevent potential billing errors, the Brand Partner must:

- Be clear on promotion details, structure and eligibility;
- Key transactions carefully and accurately; and
- Provide the cardmember with all material documentation about the sale, including the receipt and promotional plan disclosures, if applicable
- For all timeshare related disputes, provide documentation including contract with cancellation policy, application and applicable acknowledgement forms

## 10.6 Disputes Regarding the Quality or Non-Receipt of Goods or Services

Brand Partners are expected to attempt to resolve cardmember issues regarding the quality or non-receipt of goods and services purchased from the Brand Partner, such as defective merchandise or non-receipt of goods or services, even though a cardmember has a right to submit a claim or defense to Bread Financial when they feel the Brand Partner did not properly resolve the issue. In these instances, direct the cardmember to the “Your Rights If You Are Dissatisfied With Your Credit Card Purchases” section on the second page of the billing statement for information about the way to contact Bread Financial and the instructions for filing this type of billing error.

## 10.7 Fraud Claim

In scenarios in which the cardmember is claiming a charge on the account is fraudulent, they should be directed to the Statement of Billing Rights on the second page of their billing statement for methods to contact Bread Financial, steps to filing a claim, and the information required to be submitted with the claim. Cardmembers with fraud claims can also contact Bread Financial’s Account Protection (Fraud) Department directly at 1-800-888- 1726.

## 10.8 Credit Report Disputes

Bread Financial reports credit information on our accounts to the credit reporting agencies. If a cardmember believes there is an error in the information being reported, direct the cardmember to the “Notice of Credit Report

Disputes” section on the second page of their billing statement for the way to contact Bread Financial and the instructions for filing a dispute.

## 10.9 Complaints and Brand Partner Obligations

The Brand Partner associates should refer cardmembers to Bread Financial Customer Care department for any account related inquiries or complaints. The phone number for Customer Care (“Customer Service”) is located on the back of the credit card and the second page of the billing statement. Brand Partners can notify Bread Financial immediately of any cardmember complaints received or complaints of which the Brand Partner becomes aware. Cardmember inquiries and complaints made directly to the Brand Partner must be emailed to Bread Financial at [cardholderinquiries@breadfinancial.com](mailto:cardholderinquiries@breadfinancial.com). The email



to Bread Financial is not for individual use and should contain specific elements about the complaint and the following cardmember information:

- Complete account number
- Any previous name used
- Any previous addresses used
- Primary telephone number
- Date the complaint / inquiry occurred

Some of the disputes and claims described above and some complaints that are submitted through other channels will be escalated to Bread Financial's Complaints Management Team for handling.

Frequently, while resolving cardmember complaints, Bread Financial will need additional information and/or documentation from the Brand Partner. The Brand Partner shall cooperate in investigating and remediating any complaints that Bread Financial or the Brand Partner receives to ensure timely resolution. The Brand Partner must respond to complaint related requests for information and documentation within **two (2) business days** from the date of Bread Financial's request due to regulatory expectations that include thoroughly researched and documented complaint investigations. Failure to do so may result in chargeback to the brand. For all timeshare related complaints, provide documentation including contract with cancellation policy, application and applicable acknowledgement forms. In addition, all medical/dental related complaints must include the date of service provided. When providing documentation that may contain HIPAA-related information, ensure it is redacted or removed prior to providing it to Bread Financial.

Further, in order to respect our cardholder's privacy, there are certain guidelines that the Complaints Management Team will follow when providing cardholder complaint and inquiry information to the Brand Partner.

## 11. Accounting Procedures

### 11.1 Settlement

Bread Financial processes settlement files/transmissions on a daily basis, 365 days per year. The Brand Partner shall promptly transmit all transaction records after the transaction date without undue delay, unless the settlement data is captured via Host Data Capture or Comenity Business Center ("CBC"), in which case Bread Financial will promptly create the settlement file. Files must be received based on contractual terms (e.g. file format and timelines).

### 11.2 Suspense Processing

Bread Financial monetary system has a number of checks that transactions must pass before posting to the appropriate accounts. If the transaction does not pass these checks, it is referred to as a suspended transaction.

Bread Financial will deliver documentation relative to suspended sales and returns or in-store payments to the designated Brand Partner contact to request correct information.

Upon receipt of this documentation, the Brand Partner should review it, locate the correct information, and return the updated documentation so that the transactions can be posted to the correct account. The Brand Partner has **15 business days** to supply correct information before transactions will be deleted from suspense and charged back. Questions regarding suspense reporting or correction requests may be

sent to [suspenseinq@breadfinancial.com](mailto:suspenseinq@breadfinancial.com). See Section 12 Chargeback Procedures for additional information.

## 11.3 At-Location Returned Checks (if applicable)

Returned checks incurred by the Brand Partner as a result of an at-location payment can be sent to Bread Financial via the daily settlement file. Please see the Client Settlement File Layout Document for details. Payments returned by the Brand Partner due to insufficient funds (NSF) or a non-error should utilize transaction code 460.

Brand Partner errors that result in a returned payment (e.g., a mis-keyed bank account number or incorrect amount) should utilize transaction code 452.

## 11.4 Merchant Identification Numbers

For Programs whose purchases travel through the card network(s) and do not directly settle with Bread Financial, the Brand Partner must provide Bread Financial a complete and accurate list of Brand Partner's applicable Merchant Identification Numbers ("MID") prior to Program launch. Thereafter, the Brand Partner must provide Bread Financial any new or updated Merchant Identification Numbers **at least 10 days** prior to the numbers going into effect. Bread Financial will not be held responsible for performance of obligations relating to missing or inaccurate Merchant Identification Numbers.

# 12. Chargeback Procedures

## 12.1 Bread Financial Request for Documentation

The Brand Partner is required to provide copies of sales drafts or other relevant documentation, as appropriate based on the dispute, as requested by Bread Financial to determine general transaction details, payment details, sales videos and recordings, and/or delivery confirmation details for disputed or possible fraudulent transactions. Required documentation must be provided within **21 calendar days for Disputes and two (2) Business days for Complaints**, or the total amount of the original charge will be charged back to the Brand Partner. The Brand Partner must retain these documents for each transaction for at least **18 months** from the later of (a) the transaction date (b) the pickup date or (c) the last day of the promotional credit plan (d) date of last service.

## 12.2 Dispute and Fraud Claim Research

Bread Financial will initiate fraud claim investigations on behalf of Bread Financial, including chargeback reviews, in response to an individuals' claim of fraud. Bread Financial will initiate a dispute-related chargeback review after any of the following occurs: (a) Bread Financial receives a complaint or some other notice of a dispute from or about a cardmember; and/or (b) Bread Financial discovers or receives notice of information believed to be the basis of a chargeback or warrants a chargeback investigation. In either case, Bread Financial will send an encrypted email to the designated contact at the Brand Partner, which shall identify the documentation that Bread Financial needs to conduct the fraud claim investigation or chargeback review. For all timeshare related disputes and fraud claims, provide documentation including contract with cancellation policy, application and applicable acknowledgement forms.

## 12.3 Chargeback Terms

Chargebacks could result from failure by the Brand Partner to (a) comply with any term or condition of the Program Agreement; (b) if there is a failure by the Brand Partner to comply with applicable law; or (c) for any chargeback reason as set forth in the Credit Card Program Operating Procedures.

Bread Financial reserves the right to charge back the Brand Partner the amount of any purchase, including the unpaid principal balance, applicable sales tax, accrued and billed finance charges, fees, charges, and any of such amounts written off by Bread Financial and any royalty paid by Bread Financial to the Brand Partner, relating to any such purchase.

Bread Financial reserves the right to request sales drafts for disputed or fraudulent transactions for up to **18 months** from the later of (a) the transaction date (b) the pickup date or (c) the last day of the promotional credit plan (d) date of last service. See Sections 12.4 and 12.5 for examples of chargeback eligible transactions.

### Chargeback Dispute Procedure

Any chargeback keyed by Bread Financial, which the Brand Partner is disputing, should be handled in the following manner:

- Brand Partner's review of the chargeback is required within **14 calendar days** of the settlement date.
- Brand Partner disputes after **14 calendar days** are not subject to review or reversal.
- Chargebacks will be reflected on the daily settlement file and will show as a specific line item.

The daily settlement package will include reporting, which provides information on each individual chargeback. All requests for chargeback review/dispute should be sent to [GlobalSupportSMI@breadfinancial.com](mailto:GlobalSupportSMI@breadfinancial.com) and [fraud.chargebacks@breadfinancial.com](mailto:fraud.chargebacks@breadfinancial.com) for research. Include the following information in the email:

- Account number/information
- Reason for dispute
- Transaction amount
- Transaction code

## 12.4 Non-Fraud Related Chargebacks

Bread Financial is entitled to chargeback a purchase related to a non-fraud dispute when that purchase does not comply with one or more of the circumstances listed below or other applicable chargeback rights according to the Program Agreement (e.g., any improper use of transaction codes such as a sales return sent with a sales transaction code or a sales return sent with a payment transaction code).

### Duplicate Sales Draft

The sales draft related to the purchase is a duplicate of one already paid and/or the price on it differs from the price on the cardmember's copy.

### Charges Not Authorized by Bread Financial

A valid Bread Financial-issued authorization number was not provided and/or Bread Financial did not grant authorization on the subject transaction.

Failure to Supply

For Disputes: The Brand Partner does not return the requested sales draft within the **21-calendar day** timeframe stated in Section 12.1, Bread Financial Request for Documentation.

For Complaints: The Brand Partner does not return the requested sales draft within **2 business days**. Note: This chargeback also qualifies for Fraud Related Chargebacks, Section 12.5.

Illegible Copy.

Illegible or incorrect receipt or sales draft is submitted (e.g., account number), and/or Bread Financial mistakenly paid based on illegible/incorrect documents.

Services that are Incomplete, Unacceptable, or Not Received as Promised (including for example, medical procedures), if applicable.

Services that are contracted for but not delivered, contracted for but the cardmember argues are unacceptable or not received as promised, or the cardmember has been billed for services that were never performed.

Incorrectly Posted Transaction

Brand Partner associate incorrectly keys a transaction at point of sale.

Right to Reject

When an account is opened via a channel that does not allow the cardmember to review the Terms and Conditions in the CCA (catalog/call center phone from home), the cardmember has the right to reject the credit card within 25 calendar days of opening the account. If cardmember rescinds, Bread Financial will chargeback the purchase and the Brand Partner will be responsible for obtaining alternative payment information for the transaction.

Goods and/or Services-Related Disputes

Brand Partner fails to resolve dispute of (a) an alleged breach of warranty or representation by the Brand Partner or manufacturer in connection with the sale of goods and/or services by the Brand Partner to cardmember; and/or (b) a goods and/or services dispute, and Bread Financial directs cardmember to the Brand Partner or manufacturer to resolve the dispute. Refer to bill of rights on back of statement for cardmember's rights. If Brand Partner fails to resolve any such dispute within the applicable chargeback time frames set forth in the Card Network rules, for Co-Brand or other programs subject to the Card Network chargeback process, or within **six months** following the transaction date, for Private Label programs, any such transaction shall be automatically charged back to Brand Partner.

Brand Partner-Requested Refund

Brand Partner requests a credit to a cardmember's account. For example, crediting late fees or billed finance charges at Brand Partner's request.

Multiple Transactions Processed

Cardmember charged (or credited) more than once because a sale or return was processed more than once.

Mispasted Returns

A return transaction posted to an improper account. For example, the Brand Partner indicates charge belongs to someone else's account and we are unable to locate an account for the individual making a return.

Card Not Present / Card Not Swiped and At-Location Merchandise Pick-Up

Under these circumstances, a valid (unexpired) government-issued photo ID must be viewed at both point of sale transaction and at-location merchandise pick-up to confirm the identity of the cardmember. In the case of fraudulent transactions, merchandise picked up in store by anyone other than the cardmember will be the liability of the merchant. If the cardmember has been issued a credit card but the credit card is either not presented, presented but not swiped, or a temporary card is presented the Brand Partner should refer to Section 9.1 for transaction information that must accompany the sales draft. In the instance where Mobile Account Lookup is enabled, a valid (unexpired) government-issued photo ID must be viewed at both point of sale & self-checkout transaction.

In instances where self-checkout is available, the Brand Partner must either be able to identify a scanned DSP to trigger an ID check OR accept risk and assume responsibility for a chargeback.

When driver's license account look up is enabled, all account lookups should be facilitated utilizing this functionality to avoid presentation of fraudulent identification. When driver's license account look up is available but not utilized, use of manual account look up will transfer liability of transactions that result in claims of fraud.

Mispasted Retail Payment

A payment posted to an improper account. For example, the Brand Partner indicates payment belongs to someone else's account and we are unable to locate an account for the individual making payment.

Unauthorized Signature

At the point of transaction, the Brand Partner obtains either a hand-signed or electronically recorded signature on the sales draft by an unauthorized individual (not the accountholder or authorized buyer) on the account at the time of the purchase.

Invalid Signature

At the point of transaction, the Brand Partner obtains either a hand-signed or electronically recorded signature on the sales draft that, due to a lack of decipherability of the manual or electronically captured signature, cannot be interpreted to be the name of either the cardmember or anyone who was an authorized buyer on the account at the time of the purchase.

Electronic Merchandise Transactions

The Brand Partner will have chargeback liability for web, mobile, or phone order transactions where fulfillment/delivery of that transaction occurred via web, email, or another form of electronic fulfillment. This includes such merchandise as electronic gift cards, cash/reward cards, and services for which physical delivery is not required. This also qualifies for Fraud Related Chargebacks, Section 12.5.

Shipped Transaction Liability

Bill to/Ship to inconsistency: The confirmed delivery address of shipped item(s) is different than the cardmember's current billing address at the time of the shipment. This includes instances





where either the items are held at the courier's facility, items shipped to the merchant for in store pickup, or the delivery address is changed after shipment.

No verified Identification with Purchase Pick Up: With merchandise pickup, the Brand Partner fails to deliver merchandise to the cardholder. Confirmation of pickup person should be documented in alignment with the bank operating procedures and provided upon request to investigate a claim of fraud.

No signature at delivery: The Brand Partner and/or shipping courier did not obtain a signature at the point of delivery for a shipped transaction. The signature obtained may be that of any party. Alternate forms of delivery confirmation captured and provided by the courier are accepted.

Merchant order cancellation requests: Brand Partners are required to submit both phone and email contact information to allow Bread Financial to provide notice of open/pending orders on accounts for which potential fraudulent activity has been detected. These contacts must be regularly maintained, with prompt notice being provided to Bread Financial when updated contact information is needed. Failure to submit and/or maintain updated contacts may result in chargeback liability on orders for which opportunity for cancellation and/or re-direction is available, but adequate action is not taken.

#### No Signature at Point of Sale

At the point of transaction for an in-store purchase, the Brand Partner fails to provide confirmation that a signature was obtained on the sales draft.

#### No verified Identification with Purchase Pick Up

With merchandise pickup, the Brand Partner fails to confirm the identity of the person authorized to pick up the merchandise.

## 12.5 Fraud Related Chargebacks

Bread Financial is entitled to charge back a purchase related to a fraud claim when that purchase does not comply with one or more of the circumstances listed below or other applicable chargeback rights according to the Program Agreement. Billed finance charges and late fees related to the purchase will also be eligible for chargeback. The following section details applicable fraud chargeback reasons and their descriptions.

#### Failure to Supply

Brand Partner does not return the requested sales draft, transaction detail, and/or delivery confirmation information within the **21 calendar-day time** frame stated in Section 12.1, Bread Financial' Request for Documentation. Chargeback adjustment will be made in a manner consistent with the Program Agreement.

#### Account Number Displayed on the Web

If the Brand Partner either displays the cardmember's account number in real time upon approval OR retains the account number on the web or mobile interface upon approval for a new account and the transaction is subject to a fraud claim, the first web, mobile, or phone order transaction will be exempt from chargeback.

Any subsequent fraud-claimed web, mobile, or phone order transactions **within 30 days**, regardless of sales channel, will be eligible for chargeback due to risk associated with this display and/or storage of the cardmember's account number.

In-store transactions where the displayed account number is used will be treated as card-not-present transactions, requiring compliance with the applicable account lookup and card-not-present procedures.

#### No Signature at Point of Sale

At the point of transaction for an in-store purchase, the Brand Partner fails to provide confirmation that a signature was obtained on the sales draft.

#### Unauthorized Signature

At the point of transaction, the Brand Partner obtains either a hand-signed or electronically recorded signature on the sales draft that cannot be interpreted to be the name of either the cardmember or any of the authorized buyers on the account (at the time of the purchase).

#### Invalid Signature

At the point of transaction, the Brand Partner obtains either a hand-signed or electronically recorded signature on the sales draft that cannot be interpreted to be the name of either the cardmember or any of the authorized buyers on the account (at the time of the purchase) due to a lack of decipherability of the manual or electronically captured signature.

#### Electronic Merchandise Transactions

The Brand Partner will have chargeback liability for all fraud-claimed web, mobile, or phone order transactions where fulfillment/delivery of that transaction occurred via web, email, or another form of electronic fulfillment. This includes such merchandise as electronic gift cards, cash/reward cards, and services for which physical delivery is not required.

#### Card Not Present/ Card Not Swiped or At-Location Purchase Pickup

Under these circumstances, a valid (unexpired) government-issued photo ID must be viewed at both point of sale transaction and at-location merchandise pick-up to confirm the identity of the cardmember. In the case of fraudulent transactions, merchandise picked up in store by anyone other than the cardmember will be the liability of the merchant. If the cardmember has been issued a credit card but the credit card is either not presented, presented but not swiped, or a temporary card is presented, or if merchandise is picked up to fulfill a Buy Online Pick Up In Store (BOPIS), the Brand Partner should refer to Section 9.1 for transaction information that must accompany the sales draft. In the instance where Mobile Account Lookup is enabled, a valid (unexpired) government-issued photo ID must be viewed at both point of sale & self-checkout transaction. In instances where self-checkout is available, the Brand Partner must either be able to identify a scanned DSP to trigger an ID check OR accept risk and assume responsibility for a chargeback.

When driver's license account look up is enabled, all account lookups should be facilitated utilizing this functionality to avoid presentation of fraudulent identification. When driver's license account look up is available but not utilized, use of manual account look up will transfer liability of transactions that result in claims of fraud.

#### Cardless Portfolio Transactions

If a credit portfolio does not issue a credit card, the Brand Partner will be subject to chargeback for all



transactions on which a valid fraud claim has been made. The Brand Partner must be able to confirm that, at the point of transaction and/or service, a valid and authorized signature was obtained and an approved form of state or U.S. government-issued photo ID was viewed to confirm the identity of the cardmember.

*First-Purchase Exception for Newly Opened Accounts*

Transactions occurring within two hours of opening a new account, in the same store where the new account was opened, will not be subject to chargeback for card not present as long as the Brand Partner is able to confirm that the account was opened under the direct supervision of a store associate, and that associate confirmed the identity of the applicant by viewing a valid government issued photo ID. This exception is not applicable to applications opened through unattended terminals, such as kiosks or mobile tablets.

*Mobile Virtual Card Transactions*

Mobile Virtual Card transactions that are not conducted in accordance with the Mobile Virtual Card procedures will be subject to chargeback for card not present/card not swiped or any other applicable reasons.

*Brand Partner Associate Fraud*

The Brand Partner will be subject to chargeback if either the Brand Partner's internal security team or Bread Financial identifies the Brand Partner associate to have either perpetrated or facilitated fraud.

*Fraud—Services Not Rendered*

The cardmember has indicated that a transaction was fraudulent and has been billed for services that were not authorized at the point of transaction.

*Shipped Transaction Liability*

Bill to/Ship to inconsistency: The confirmed delivery address of shipped item(s) is different from the cardmember's current billing address at the time of the shipment. This includes instances where either the items are held at the courier's facility, items shipped to the merchant for in store pickup, or the delivery address is changed after shipment.

No verified Identification with Purchase Pick Up: With merchandise pickup, the Brand Partner fails to deliver merchandise to the cardholder. Confirmation of pickup person should be documented in alignment with the bank operating procedures and provided upon request to investigate a claim of fraud.

No signature at delivery: The Brand Partner and/or shipping courier did not obtain a signature at the point of delivery for a shipped transaction. The signature obtained may be that of any party. Alternate forms of delivery confirmation captured and provided by the courier are accepted.

Merchant order cancellation requests: Brand Partners are required to submit both phone and email contact information to allow the Account Protection team to provide notice of open/pending orders on accounts for which potential fraudulent activity has been detected. These contacts must be regularly maintained, with prompt notice being provided to Bread Financial when updated contact information is needed. Failure to submit and/or maintain updated contacts may result in chargeback liability on orders for which opportunity for cancellation and/or re-direction is available, but adequate action is not taken.

## 13. Brand Partner Location, System and Security

### 13.1 System Issue Resolution

If the Brand Partner is attempting to resolve a reporting or systems-related issue, please follow these steps:

1. Ensure the problem has been reported to the Brand Partner's internal help desk.
2. Brand Partner's help desk will initiate a call to Bread Financial's help desk once it has been determined that Bread Financial's assistance is necessary.

To contact Bread Financial's help desk, call 1-800-378-1255. Please ensure as many details as necessary surrounding the problem have been captured (e.g., what process is failing, where is it failing, the number of locations affected, when did the failure begin, etc.). The issue will be prioritized based on the business impact. The Bread Financial Help Desk will ensure that the appropriate resources are contacted and a trouble ticket will be opened. Retain the ticket number for reference when communicating with Bread Financial, until the question or issue has been resolved.

### 13.2 Location Set-Up, Move, or Closure

Bread Financial must be notified **at least 21 business days prior** to (a) the opening of a new location, (b) the move from an existing location, or (c) the closing of a location. Send the following information in the Bread Financial approved format. Such information may include: Request Type (Add / Update / Close) and date of change

- Client Name / Division Number
- Store number
- Logo Number (Only required if the Brand uses Logo)
- Store Address / City / State / Zip / Country
- Main Phone Number
- Authorization Tran Location (Web or Retail)
- Store Type Indicator (Web or Retail)
- Card Acceptor ID (also known as the Merchant ID)- this is a unique value for each merchant location and/or terminal
- Merchant Name (may be the same as the Store Name)
- Merchant Address / City / State / Zip / Country (may be the same as the Store Address, etc.)

### 13.3 ANI Call Routing/Blocking

In order to reduce fraud, Bread Financial utilizes Automatic Number Identification (ANI) Routing/Blocking. ANI Routing/Blocking is designed to block, or route where appropriate, non-authorized phone numbers from completing calls to Store Services.

Calls from unauthorized phone numbers are either blocked or routed to the appropriate department. Blocked calls receive a recording similar to "You are not authorized to dial this number, please contact your operations team for assistance."

Use the "Bread Financial ANI Update Request" to submit phone number changes (contact Bread Financial Partners for this document).

If the Brand Partner location feels that phone calls are being blocked or rerouted incorrectly, call the



Bread Financial Help Desk at 1-800-378-1255. Have a count of locations affected and all phone numbers associated with each location experiencing issues.

## 13.4 Brand Partner System Modifications

Bread Financial can request the Brand Partner to make modifications, at their own expense, to the systems utilized by the Brand Partner to facilitate the Credit Card Program. The Brand Partner must make every reasonable effort to ensure the proposed action plan meets the timing requirements directed by Bread Financial. Test accounts are provided to Brand Partners when a certification of system changes is requested and performed. Certifications can consist of either connectivity or functionality testing in the testing environment. Test accounts can be used only for the duration of the certification and holders of the test accounts are required to sign a Test Account Agreement with Bread Financial. Once signed, test agreements are valid for the length of each applicable test agreement. Bread Financial cannot perform end-to-end certification in our test environment for Co-Brand divisions that indirectly authorize and settle.

## 13.5 Test Plastics

In the normal course of business, it may be necessary to produce test plastics for Credit Card Program execution. This may include purposes such as internal and external routing for quality checks, personalization set-up/testing, mail seeds, client displays, photo shoots, and sales efforts. Plastics must contain fictitious information and may be requested in any quantity. The following Standards are in place due to a realized risk of perpetrators re-encoding the data on these plastics with fraudulent intent:

Standards: The following options are defined in order of preference; however, all have been rendered acceptable methods of practice. We have approved standards in which we produce test plastics.

- If the magnetic stripe cannot be devalued prior to shipping by the fulfillment vendor:
  - The plastics should be shipped via secured courier to Bread Financial. The Bread Financial associate will devalue the plastics immediately upon receipt.
  - In the event the business has determined plastics must be sent to an approved Brand Partner directly from the fulfillment vendor, the Brand Partner must visibly damage the magnetic stripe upon receipt. The Brand Partner must provide acknowledgement of this action in writing.
  - For any Co-Brand plastic (EMV chip and non-EMV chip) the test plastics must be stamped with the word VOID.

If applicable, plastics are produced, and sent to the Brand Partner, the Brand Partner must return the plastics by the agreed-upon method and by the agreed-upon return date.

## 13.6 Shared/Generic User IDs

The Bread Financial Information Security Policy prohibits the use of shared/generic user IDs. Shared user IDs and passwords take away accountability of actions performed and often result in a user account with privileges beyond what is required for each user. Refer to the Password Requirements Policy for password requirements.

## 13.7 Protecting Cardmember Data

To adhere to the guidance of the Federal Financial Institutions Examination Council (FFIEC) Handbook for outsourcing technology services, Bread Financial requires Brand Partners, who function in the



capacity of a service provider on Bread Financial's behalf (call centers, web host providers, database marketing services, etc.), to make Bread Financial aware of any potential outsourcing. There is an obligation to manage risks and to ultimately protect data associated with outsourced services. Brand Partners, who are considering outsourcing services, must make Bread Financial aware and obtain approval from Bread Financial prior to doing so.

## 13.8 Email & Information Exchange Procedures

Bread Financial facilitates secure communication of sensitive messages via the following:

- Secure email web portal
- Transport Layer Security (TLS) encrypted email
- Secure file transfer via SFTP, FTPS, or HTTPS (EST)

The Brand Partner shall contact Bread Financial Partners to complete the setup for TLS encrypted email or secure file transfer.

Annually, Brand Partners will validate data files shared by Bread Financial are still required. Additionally, a PCI Attestation of Compliance should be provided to demonstrate that controls are in place to protect the data being sent. If brand partner is not required to comply with PCI due to outsourcing their authorization and new account acquisition functions, brand partner shall complete Bank's Third Party Technology Risk Assessment Questionnaire instead.