ALLIANCE DATA SYSTEMS CORP
Form DEF 14A
April 20, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a 6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a 12

Alliance Data Systems Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
No fee required.
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL
MEETING OF STOCKHOLDERS

DATE & TIME:	PLACE:	RECORD DATE:
Wednesday, June 6, 2018 9:00 a.m., local time	7500 Dallas Parkway, Suite 700 Plano, Texas 75024	April 9, 2018

ITEMS OF BUSINESS:

01 / to elect nine directors

02 / to hold an advisory vote on executive compensation

03 / to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the company for 2018

04 / to transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof

HOW TO VOTE:

You are cordially invited to attend the meeting, but whether or not you expect to attend in person, we urge you to grant your proxy to vote your shares by telephone or through the Internet by following the instructions included on the Notice of Internet Availability of Proxy Materials that you received, or if you received a paper copy of the proxy card, to mark, date, sign and return the proxy card in the envelope provided. You may still vote in person if you attend the meeting, even if you have given your proxy. Please note, however, that if a broker or other nominee holds your shares of record and you wish to vote at the meeting, you must obtain from that registered holder a proxy card issued in your name.

ADMISSION:

Important Notice Regarding Admission to the 2018 Annual Meeting of Stockholders: Stockholders or their legal proxy holders who wish to attend the annual meeting must preregister. Requests for preregistration must be received by us no later than 5:00 p.m. CT on Friday, June 1, 2018. Due to security considerations, we are not able to admit the guests of either stockholders or their legal proxy holders. For complete instructions for preregistering, see page 53 of this proxy statement.

The Notice of Internet Availability of Proxy Materials or, in some cases, this proxy statement and the accompanying proxy card, notice of meeting and annual report on Form 10-K for the year ended December 31, 2017 were first mailed on or about April 20, 2018 to all stockholders of record as of April 9, 2018. Our only voting securities are shares of our common stock, of which there were 55,469,291 shares outstanding as of April 9, 2018. We will have a list of stockholders available for inspection for at least ten days prior to the annual meeting at our principal executive offices at 7500 Dallas Parkway, Suite 700, Plano, Texas 75024 and at the annual meeting.

By order of the Board of Directors,

/s/ Joseph L. Motes III

Joseph L. Motes III Corporate Secretary	April 20, 2018 Plano, Texas

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on June 6, 2018: This proxy statement and annual report on Form 10-K for the year ended December 31, 2017, are available at www.edocumentview.com/ads or on the Securities and Exchange Commission's, or SEC's, website at www.sec.gov.

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AGENDA AND VOTING RECOMMENDATIONS

Proposal 01 / Election of Directors

√ The board of directors unanimously recommends that stockholders vote FOR the election of each of the following nine director nominees:

Bruce K. Anderson
Roger H. Ballou
Kelly J. Barlow
E. Linn Draper, Jr., Ph.D.
Edward J. Heffernan
Kenneth R. Jensen
Robert A. Minicucci (Chair)
Timothy J. Theriault
Laurie A. Tucker

Proposal 02 / Advisory Vote on Executive Compensation

√ The board of directors unanimously recommends that stockholders vote FOR the compensation paid to our named executive officers as disclosed in this proxy statement.

Proposal 03 / Ratification of the Selection of the Independent Registered Public Accounting Firm

√ The board of directors unanimously recommends that stockholders vote FOR the ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the company for 2018.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE HIGHLIGHTS:

We believe that effective corporate governance should include regular constructive discussions with our stockholders. We have a proactive engagement process that encourages feedback from our stockholders. This feedback helps shape our governance practices, which include:

- √ Independent chair of the board of directors
- √ Declassified board of directors
- √ Majority voting to elect directors
- √ All independent director nominees, except CEO
- √ Independent directors frequently meet in executive session
- √ Active board engagement in managing talent and long-term succession planning for executives
- √ 97% attendance at 2017 board and committee meetings
- √ Adoption of proxy access
- √ Active board oversight of risk and risk management
- √ Annual board and committee self-assessments
- √ Active stockholder outreach
- √ Commitment to social responsibility with respect to data, our people, the community and the environment
- √ Engagement in multi-year board succession plan, including advancement of board diversity
- √ All financially literate audit committee members and three audit committee financial experts in 2017

BOARD OF DIRECTORS AND COMMITTEES:

We are managed under the direction of our board of directors. Under our bylaws, the size of our board of directors may be between six and twelve directors. We currently have ten directors, including nine non-employee directors. Upon receipt of the stockholder approval with respect to Proposal One: Election of Directors, our board of directors will be decreased from ten to nine and will include eight non-employee directors, which decrease was authorized by our board of directors.

All directors are elected annually and serve a one-year term. Our board of directors presently has four regular committees, consisting of the audit committee, the compensation committee, the nominating & corporate governance committee and the executive committee. The charters for each of these committees, as well as our Corporate Governance Guidelines and our Codes of Ethics for our senior financial officers, our board members and our associates, are posted on our website at http://www.alliancedata.com.

During 2017, the board of directors met eight times, the audit committee met 13 times, the compensation committee met six times and the nominating & corporate governance committee met five times. Each of our directors attended at least 75% of the meetings of the board of directors and their respective regular committees. It is our policy that the director nominees who are up for election at the annual meeting attend the annual meeting, and all director nominees attended the 2017 annual meeting of stockholders.

Audit Committee /
Members: Roger H. Ballou • Kelly J. Barlow • D. Keith Cobb • Kenneth R. Jensen • Timothy J. Theriault
Chair: D. Keith Cobb
2017 Meetings: 13
2017 Attendance: 91%
The primary function of the audit committee is to assist our board of directors in fulfilling its oversight responsibilities by reviewing:
· the integrity of our financial statements;
· our compliance with legal and regulatory requirements;
· the independent registered public accounting firm's qualifications and independence; and
· the performance of both our internal audit department and the independent registered public accounting firm.

In addition, the audit committee has sole responsibility to:
· prepare the audit committee report included in this proxy statement;
· appoint, retain, compensate, evaluate and terminate our independent registered public accounting firm;
· approve audit and permissible non-audit services to be performed by our independent registered public accounting firm;
· review and approve related party transactions; and
· establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by associates of concerns regarding any questionable accounting or auditing matters.

Throughout the year, the audit committee meets with and receives reports from, among others, representatives of the company's independent registered public accounting firm, the company's enterprise risk management leader, head of internal audit, General Counsel, Chief Financial Officer, Chief Accounting Officer and Chief Information Security Officer. These meetings and reports cover a wide variety of topics, including, among others, audit, accounting, information technology, cybersecurity, risk management, financial results and regulatory and compliance matters. Also, as discussed under the caption "Risk Oversight Function of the Board of Directors" below, the audit committee has the primary responsibility for overseeing the company's enterprise risk framework, evaluating the risk information provided by management and reporting to the full board of directors those material strategic, financial, compliance, operational and enterprise risks, including cybersecurity risks, that the audit committee believes appropriate for review by the full board of directors.

Assuming the stockholders elect our director nominees, the 2018 audit committee will consist of Roger H. Ballou, Kelly J. Barlow, Kenneth R. Jensen and Timothy J. Theriault, and Mr. Ballou will commence his term as the chair. All of the members of the audit committee are, and will continue to be, independent as defined by the New York Stock Exchange, or NYSE, the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission rules and regulations.

Our board of directors has determined that all members of the audit committee are, and will continue to be, financially literate and each of Mr. Ballou and Mr. Jensen possess accounting or related financial management expertise within the meaning of the listing standards of the NYSE and are audit committee financial experts within the meaning of applicable SEC rules.

Compensation Committee /
Members: Bruce K. Anderson • E. Linn Draper, Jr. • Robert A. Minicucci
Chair: E. Linn Draper, Jr.
2017 Meetings: 6
2017 Attendance: 100%
The compensation committee's primary function is to oversee matters relating to compensation and our benefit plans. Specifically, the compensation committee's responsibilities include, among other duties, the responsibility to:
· annually review the compensation levels of our executive officers;
· approve all compensation for our non-CEO executive officers, and, together with the other independent directors, approve the compensation of our chief executive officer;
· determine target levels of incentive compensation and corresponding performance objectives for our non-CEO executive officers, and recommend such matters to the board of directors with respect to our chief executive officer;
· review and approve our compensation philosophy, programs and plans for associates;
· periodically review director compensation practices and recommend appropriate revisions to the board of directors;
· administer specific matters with respect to our equity and certain other compensation plans;
· review disclosure related to executive and director compensation in our proxy statements and discuss the Compensation Discussion and Analysis annually with management; and
· prepare the compensation committee report included in this proxy statement.

For additional information on the roles and responsibilities of the compensation committee, see the Compensation Discussion and Analysis below. For a discussion about the compensation committee's risk oversight in our compensation program design, see "Assessment of Risk in Compensation Program Design" contained in the Compensation Discussion and Analysis below.

Assuming the stockholders elect our director nominees, the 2018 compensation committee will consist of Bruce K. Anderson, Roger H. Ballou, E. Linn Draper, Jr. and Robert A. Minicucci, and Dr. Draper will continue as the chair. All members of the compensation committee are, and will continue to be, independent as defined by applicable requirements of the NYSE, the SEC and the Internal Revenue Service. No member of the compensation committee is or has ever been one of our officers or other associates. No interlocking relationship exists between our executive officers or the members of our compensation committee and the board of directors or compensation committee of any other company. For additional information on the independence of our directors, see "Director and Director Nominee Independence" below.

Nominating & Corporate Governance Committee /
Members: Roger H. Ballou • Robert A. Minicucci • Laurie A. Tucker
Chair: Roger H. Ballou
2017 Meetings: 5
2017 Attendance: 100%
The primary functions of the nominating & corporate governance committee are to:
· assist the board of directors by identifying qualified board members and to recommend to the board of directors the director nominees for the next annual meeting of stockholders (or to fill vacancies);
· recommend to the board of directors the director nominees for each committee;
· develop and recommend to the board of directors a set of corporate governance principles applicable to us; and
· lead the board of directors in its annual review of both the board of directors' performance and the corporate governance guidelines.

The nominating & corporate governance committee develops criteria for the selection of directors, including procedures for reviewing potential nominees proposed by stockholders. The nominating & corporate governance committee reviews with the board of directors the desired experience, mix of skills and other qualities, including diversity of race/ethnicity and gender, to assure appropriate board of directors composition, taking into account the current directors and the specific needs of our company and the board of directors. The nominating & corporate governance committee also reviews and monitors the size and composition of the board of directors and its committees to ensure that the requisite number of directors are "independent directors," "non-employee directors" and "outside directors" within the meaning of any rules and laws applicable to us. For additional information on the role of the nominating & corporate governance committee with respect to the selection of directors, see "Director Selection Process" below.

Assuming the stockholders elect our director nominees, the 2018 nominating & corporate governance committee will consist of Robert A. Minicucci, Timothy J. Theriault and Laurie A. Tucker, and Ms. Tucker will commence her term as the chair. All members of the nominating & corporate governance committee are, and will continue to be, independent as defined by applicable requirements of the NYSE and rules and regulations of the SEC.

Executive Committee /
Members: Roger H. Ballou • Edward J. Heffernan • Kenneth R. Jensen • Robert A. Minicucci
2017 Meetings: 0
2017 Attendance: N/A
The executive committee has the authority to approve acquisitions, divestitures, capital expenditures and leases that were not included in the budget approved by the board of directors, with a total cost of up to $20 million, provided that prior notice of all acquisitions is given to the full board of directors. The executive committee did not meet during 2017.

EXECUTIVE SESSION:

We regularly conclude our board of directors' meetings with executive sessions. First, the chief executive officer leads the board of directors in a director-only executive session. After the chief executive officer leaves the meeting, Mr. Minicucci, the chair of the board, then leads the non-management members of the board of directors in an executive session. Each committee meeting may also conclude, at the election of such committee members, with an executive session.

BOARD OF DIRECTORS LEADERSHIP STRUCTURE:

Section 4.6 of our bylaws requires the board of directors to select a chair of the board from among the directors. Since December 2009, Mr. Minicucci has served as non-executive chair of the board. Mr. Minicucci has been a board member since our inception and had previously served in the lead director capacity since 2002. As stated in our corporate governance guidelines, we believe having a non-executive chair is the best practice.

DIRECTOR SELECTION PROCESS:

Identification and Selection of Candidates for Nomination to the Board of Directors
The nominating & corporate governance committee identifies nominees by first evaluating the current members of our board of directors willing to continue in service. The nominating & corporate governance committee developed and maintains a skills matrix to assist in the consideration of the appropriate balance of experience, skills and attributes required of a director and to be represented on the board of directors as a whole. The skills matrix is based on the company's strategic plan and is reviewed and updated by the nominating & corporate governance committee on a regular basis. The nominating & corporate governance committee evaluates candidates against the skills matrix when determining whether to recommend candidates for initial election to the board of directors and when determining whether to recommend currently serving directors for re-election. Current members of our board of directors with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of our board of directors with that of obtaining relevant new skills, experience or perspective.

The nominating & corporate governance committee has two primary methods, other than those proposed by our stockholders, as discussed below, for identifying new candidates for possible inclusion in our recommended slate of director nominees. First, on a periodic basis, the nominating & corporate governance committee solicits ideas for possible candidates from a number of sources — members of our board of directors, individuals personally known to either our senior level executives or the members of the board of directors, and research, including database searches. Second, the nominating & corporate governance committee may from time to time use its authority under its charter to retain, at our expense, one or more third-party search firms to identify candidates. If the nominating & corporate governance committee retains one or more search firms, they may be asked to identify possible candidates who meet the minimum and desired qualifications, to interview and screen such candidates (including conducting appropriate background and reference checks), to act as a liaison among the board of directors, the nominating & corporate governance committee and each candidate during the screening and evaluation process, and thereafter to be available for consultation as needed by the nominating & corporate governance committee.

Nomination to the Board of Directors by Stockholders
In addition to the methods described above, any of our stockholders entitled to vote for the election of directors may nominate one or more persons for election to our board of directors at an annual meeting of stockholders if the stockholder complies with the nomination requirements set forth in our bylaws and any applicable rules and regulations of the SEC. In accordance with Section 3.4 of our bylaws, for consideration at our 2019 annual meeting, such nominations must be made by notice in writing and received by our Corporate Secretary no sooner than January 7, 2019 and no later than February 6, 2019. Such nominations will not be included in the proxy statement and form of proxy distributed by the board of directors.

Further, any stockholder, or a group of up to 20 stockholders, owning continuously for at least 3 years shares of our company representing an aggregate of at least 3% of the voting power entitled to vote in the election of directors, may nominate and include in our proxy materials director nominees constituting up to 20% of our board, provided that the stockholder(s) and the nominee(s) satisfy the requirements in our bylaws. In accordance with Section 3.5 of our bylaws, for consideration at our 2019 annual meeting, such proxy access nominations must be made by notice in writing and received by our Corporate Secretary no sooner than November 21, 2018 and no later than December 21, 2018. Each such notice must comply with the requirements set forth in our bylaws. Further, a stockholder who wishes to recommend a prospective nominee for our nominating & corporate governance committee to consider for election to our board of directors may notify our Corporate Secretary as set forth below in writing with whatever supporting material the stockholder considers appropriate. Nominations and recommendations should be addressed to: Joseph L. Motes III, Corporate Secretary, Alliance Data Systems Corporation, 7500 Dallas Parkway, Suite 700, Plano, Texas 75024.

Evaluation of Candidates for Nomination to the Board of Directors
The nominating & corporate governance committee will consider all candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria. Once the nominating & corporate governance committee has identified a candidate, the nominating & corporate governance committee makes an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on information provided to the nominating & corporate governance committee with the recommendation of the candidate, as well as the nominating & corporate governance committee's own knowledge of the candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional board members to fill current or future vacancies or expand the size of the board of directors and the likelihood that the candidate can satisfy the minimum and desired qualifications set forth in our corporate governance guidelines, as well as the applicable qualification requirements of the NYSE and the SEC. There are no firm prerequisites to qualify as a candidate for our board of directors, but we seek a diverse group of candidates who possess the requisite background, knowledge, experience, expertise and time, as well as, where appropriate, diversity with respect to race/ethnicity and gender, that would strengthen and increase the diversity, skills and qualifications of the board of directors as set forth in the skills matrix. We seek director candidates with time to make a significant contribution to the board of directors, to our company, and to our stockholders. Each member of our board of directors is expected to ensure that other existing and planned future commitments do not materially interfere with his or her service as a director. Directors are expected to attend meetings of the board of directors and the board committees on which they serve and to spend the time needed to prepare for meetings. If the nominating & corporate governance committee determines, in consultation with the chair of the board of directors and other board members as appropriate, that additional consideration is warranted, it may request a third-party search firm to gather additional information about the candidate's background and experience and to report its findings to the nominating & corporate governance committee.

The nominating & corporate governance committee also considers such other relevant factors as it deems appropriate, including the current composition of the board of directors, the balance of management and independent directors and the need for audit committee expertise. In connection with this evaluation, the nominating & corporate governance committee determines whether to interview the candidate, and if warranted, one or more members of the nominating & corporate governance committee, and others as appropriate, will interview candidates in person or by telephone. After completing this evaluation and interview, and the evaluations of other candidates, the nominating & corporate governance committee makes a recommendation to the full board of directors as to the persons who should be nominated by the board of directors, and the board of directors determines the nominees to be recommended to our stockholders after considering the recommendation and report of the nominating & corporate governance committee.

DIRECTOR SUCCESSION AND RETIREMENT POLICY:

Director succession planning is also a focus of the nominating & corporate governance committee with an emphasis on striking a balance between board refreshment and the need for new or additional skill sets with maintaining the institutional knowledge about our business and operating history. Our corporate governance guidelines provide a mandatory retirement age of 75, but allow directors turning 75 to complete their term. As part of our multi-year board succession plan, Mr. Cobb will not stand for re-election as a director at the 2018 annual meeting. Our guidelines also allow the nominating & corporate governance committee and the board of directors to nominate for re-election a director who has surpassed the age of 75 if it is in the best interests of the company and its stockholders. Consistent with this retirement policy, in March 2018 the nominating & corporate governance committee recommended, and the board of directors unanimously nominated, two of our director nominees for re-election who are age 75 or older, specifically Bruce K. Anderson and E. Linn Draper, Jr., Ph.D., taking into account ongoing succession planning, the significant contributions of each to the company's governance and the results of the annual board and committee self-assessment processes. The board of directors determined that each of Mr. Anderson and Dr. Draper possesses the capabilities and judgment necessary for a director, extensive executive-level experience in regulated, banking or financial industries, and experience as a director for other companies of similar size or scope that continues to be of great value to the board of directors and that their continued service would be in the best interests of the company and its stockholders. Mr. Anderson remains active in WCAS, a firm he co-founded and that formed the company. Dr. Draper is active as the chair of the compensation committee. For specific information on each of Mr. Anderson's and Dr. Draper's qualifications, please see their biographical information on pages 11 and 12 of this proxy statement.

RISK OVERSIGHT FUNCTION OF THE BOARD OF DIRECTORS:

Management is responsible for the day-to-day handling of risks our company faces, while our board of directors, as a whole and through its committees, has overall responsibility for the oversight of risk management. The audit committee of the board of directors has the primary responsibility for overseeing the company's enterprise risk framework, evaluating the risk information provided by management and the risk management group and reporting to the full board of directors those material risks appropriate for escalation that might adversely affect the achievement of our strategic, financial, compliance, operational and enterprise objectives. For example, the board of directors provides oversight of management's efforts to address cybersecurity risk through the periodic receipt of reports at meetings of the audit committee as well as presentations at the board level. These reports focus on, among other things, the evolving threat environment, vulnerability assessments, specific cyber incidents and management's efforts to monitor, detect and prevent cyber threats to the company. Our risk management group consists of enterprise risk personnel, as well as dedicated personnel within each business segment. Collectively, this group works with the segment business leaders to identify, assess, respond to and monitor internal and external risks.

Further, consideration is given to interrelated risks and emerging risk themes across the enterprise to provide an integrated risk view and enhanced reporting to the audit committee regarding key risks faced by the enterprise and highlighting those critical risks that may be appropriate for deeper review by the board of directors, based on a combination of the likelihood of occurrence of the risk, the potential impact of the risk and the presence of mitigating controls. This summary is provided to the audit committee and the board of directors and reviewed in-depth with the audit committee at least semi-annually. In addition, the board of directors is informed of each committee's risk oversight and related activities through regular oral reports from each committee chair and committee meeting minutes are available for review by any director. Finally, on at least an annual basis, our board of directors reviews our long-term strategic plans, including discussion of strategic, operational and competitive risks.

For a discussion about risk oversight in our compensation program design, see "Assessment of Risk in Compensation Program Design" contained in Compensation Discussion and Analysis on page 17.

DIRECTOR AND DIRECTOR NOMINEE INDEPENDENCE:

We have adopted general standards for determination of director independence that are consistent with the NYSE listing standards. For a director to be deemed independent, the board of directors must affirmatively determine that the director has no material relationship with us or our subsidiaries, affiliates or any member of our senior management or his or her affiliates. Our board of directors annually reviews the independence of its non-employee directors and we disclose the board's determination in the proxy statement for each annual meeting of our stockholders. In making this determination, the board of directors considers relationships and transactions during the past three years between each director or any member of his or her immediate family, on the one hand, and our company, our subsidiaries, affiliates and senior management, on the other hand. For relationships not covered by certain bright-line criteria set forth in the listing standards of the NYSE, the determination of whether the relationship is material and, therefore, whether the director would be independent, is made by the board of directors. Directors have an affirmative obligation to inform the board of directors of any material changes in their circumstances or relationships that may impact their designation as "independent." Additional independence requirements established by the SEC and the NYSE apply to members of the audit committee and compensation committee.

The board of directors undertook a review of director independence and considered transactions and relationships between each of the director nominees and us (including our subsidiaries, affiliates and senior management). As a result of this review, the board of directors affirmatively determined that none of Anderson, Ballou, Barlow, Draper, Jensen, Minicucci, Theriault, or Tucker has a material relationship with us and, therefore, each is independent as defined by the rules and regulations of the SEC, the listing standards of the NYSE and Internal Revenue Code, or IRC, Section 162(m), as in effect for 2017.

STOCKHOLDER ENGAGEMENT:

Stockholder engagement is an important part of our corporate governance practices. Our executive management team, including our chief executive officer and chief financial officer, regularly engage in meaningful dialogue with our stockholders through our quarterly earnings calls, investor meetings and conferences and other channels for communication. In 2016, the chair of our board engaged stockholders collectively representing over one third of our outstanding shares to discuss our corporate governance structure and planning, to answer questions and to get a better understanding of investor perspective. During 2017, we used the information and viewpoints gathered in those discussions to help inform our governance practices, including the board refreshment plan developed by the nominating & corporate governance committee. In 2018, members of our board and executive management team will again reach out to representatives of our largest stockholders as part of our stockholder engagement program, ensuring an ongoing, constructive dialogue with investors to guide our corporate governance practices.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS:

We welcome and encourage stockholder communication with the board of directors. The board of directors provides a process for stockholders and interested parties to send communications to the board of directors or any individual director. Stockholders and interested parties may forward communications to the board of directors or any individual director through the Corporate Secretary. Communications should be addressed to Joseph L. Motes III, Corporate Secretary, Alliance Data Systems Corporation, 7500 Dallas Parkway, Suite 700, Plano, Texas 75024. All communications will be compiled by the office of the Corporate Secretary and submitted to the board of directors or the individual directors on a periodic basis. Stockholders and interested parties may also submit questions or comments, on an anonymous basis if desired, to the board of directors through our Ethics and Compliance Helpline at (877) 217-6218. Concerns relating to accounting, internal control over financial reporting or auditing matters will be brought to the attention of the audit committee and handled in accordance with our procedures with respect to such matters.

CODE OF ETHICS:

We have adopted codes of ethics that apply to our senior financial officers, our board of directors and our associates. The Alliance Data Systems Code of Ethics for Senior Financial Officers, the Code of Ethics for Board Members and the Code of Ethics for associates and directors are posted on our website, found at http://www.alliancedata.com. A copy of each is also available upon written request directed to Joseph L. Motes III, Corporate Secretary, Alliance Data Systems Corporation, 7500 Dallas Parkway, Suite 700, Plano, Texas 75024. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to or waiver from a provision of our code of ethics, if any, by posting such information on our website.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS:

Since the beginning of the last fiscal year, the company has not entered into any transactions, nor are there any proposed transactions, in which the company was, or is to be, a participant and in which any related person had or is expected to have a direct or indirect material interest.

Our board of directors has adopted a written related party transactions policy, which prohibits us from entering into any "related party transaction" unless the audit committee approves such transaction in accordance with the guidelines set forth in the policy, or the transaction is approved by a majority of disinterested directors of the company. In approving any related party transaction, the audit committee must determine that the transaction is beneficial to the company and the terms of the related party transaction are fair to the company.

For purposes of our related party transactions policy, a related party is: (1) any director, director nominee or executive officer of the company, (2) any five percent or greater stockholder of the company or (3) any immediate family member of any of these persons. A "related party transaction" includes any transaction (including any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness)), or series of related transactions, or any material amendment to any such transaction, in which the company, or any of its subsidiaries, is a participant, the aggregate amount of which exceeds $120,000 and in which the related party has or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10 percent beneficial owner of another entity). Our related party transactions policy deems the following transactions to be pre-approved and does not require further review: (1) compensation of directors that has been approved in accordance with the compensation committee charter; (2) employment and compensation of an executive officer that has been approved in accordance with the compensation committee charter; (3) a transaction in which the interest of the related party arises solely from the ownership of a class of the company's equity securities and all holders of that class receive the same benefit on a pro rata basis; (4) transactions involving certain indemnification payments and payments under directors and officers liability insurance policies; (5) a transaction in which the rates or charges involved therein are determined by competitive bids; (6) a transaction that involves services as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture, or similar services; and (7) certain company charitable contributions.

At each audit committee meeting, management shall recommend any related party transactions, if applicable, to be entered into by the company. After review, the audit committee shall approve or disapprove such transactions and at each subsequently scheduled meeting, management shall update the audit committee as to any material change to those approved transactions. The audit committee shall establish such guidelines as it determines are necessary or appropriate for management to follow in its dealings with related parties in related party transactions.

All related party transactions of which management is aware are required to be disclosed to the audit committee. If management becomes aware of an existing related party transaction that has not been pre-approved by the audit committee, management is required to promptly notify the chair of the audit committee and such transactions shall be submitted to the audit committee for its review and determination of whether to ratify such transaction. If management, in consultation with the company's chief executive officer or chief financial officer, determines that it is not practicable to wait until the next audit committee meeting, the chair of the audit committee has the delegated authority during the period between audit committee meetings, to review and determine whether any such transaction should be approved, or ratified, as the case may be. The chair of the audit committee shall report to the audit committee any transactions reviewed by him or her pursuant to this delegated authority at the next audit committee meeting.

POLITICAL CONTRIBUTIONS AND ACTIVITY:

Engagement in the political, legislative and regulatory process is important to the success of the company. The company has adopted a Political Contributions and Activity Policy that sets forth the ways by which the company and its associates may participate in the political, legislative and regulatory process. All political contributions and activities comply with applicable laws, and we disclose our contributions publicly as required by law. Eligible associates may also voluntarily participate in the political process by supporting the company's non-partisan political action committee, the Alliance Data - Epsilon Political Action Committee, which is governed by comprehensive federal regulations that require the filing of reports with the Federal Election Commission among other reporting and disclosure requirements. Compliance and oversight over the Company's political engagements is provided by the Company's General Counsel. For further information, please see our Political Contributions and Activity Policy, available on the Corporate Responsibility page of our website at http://www.alliancedata.com.

01 /
PROPOSAL ONE:
election of directors

Our nominating & corporate governance committee evaluated and recommended to our board of directors, and our board of directors has nominated, the following nine individuals, Bruce K. Anderson, Roger H. Ballou, Kelly J. Barlow, E. Linn Draper, Jr., Ph.D., Edward J. Heffernan, Kenneth R. Jensen, Robert A. Minicucci, Timothy J. Theriault and Laurie A. Tucker, for election as a director, each to hold office for a term of one year until the annual meeting of stockholders in 2019 and until his or her respective successor is duly elected and qualified. Each of the director nominees is currently serving as a member of our board of directors.

The nominating & corporate governance committee and the board of directors determined that each nominee brings a strong and unique background and set of skills to our board of directors, enhancing, as a whole, our board of directors' competence and experience in a variety of areas, including executive management and board service, internal controls and corporate governance, financial acumen, data security and privacy, an understanding of industries in which we operate, as well as risk assessment and management. Specifically, in nominating these nine directors for election at the 2018 annual meeting of our stockholders, consideration was given to such directors' past service on our board of directors and its committees, as applicable, and the information discussed in each of such directors' individual biographies set forth below. Our board of directors unanimously recommends that our stockholders vote in favor of each of these director nominees.

The following sets forth information regarding each director nominee, including proposed committee memberships.

Name	Independent	Committee Membership			
		Audit	N&CG	Compensation	Executive
Bruce K. Anderson	√			√	
Roger H. Ballou	√	Chair		√	√
Kelly J. Barlow	√	√			
E. Linn Draper, Jr., Ph.D.	√			Chair	
Edward J. Heffernan					√
Kenneth R. Jensen	√	√			√
Robert A. Minicucci (Chair)	√		√	√	√
Timothy J. Theriault	√	√	√		
Laurie A. Tucker	√		Chair		

* D. Keith Cobb currently serves as the chair of the audit committee, but is not listed in the table above as he is not standing for re-election as a director at the annual meeting. See "Director Not Standing for Re-Election" below.

- Bruce K. Anderson /
  Compensation Committee • Age: 78

  Mr. Anderson has served as a director since August 1996. He co-founded the investment firm Welsh, Carson, Anderson & Stowe, or WCAS, and has been a general partner of WCAS since March 1979. Prior to that, he served for nine years with Automatic Data Processing, Inc., or ADP, where, as executive vice president and a director of ADP and president of ADP International, he was active in corporate development and general management. Before joining ADP, Mr. Anderson spent four years in computer marketing with International Business Machines Corporation, or IBM. He holds a Bachelor's degree from the University of Minnesota. Mr. Anderson's qualifications include data industry and global operations experience, service on public company boards, financial and information technology expertise, demonstrated executive leadership and extensive, first-hand knowledge and understanding of our company gained from serving on our board since the company's inception. Our board of directors believes Mr. Anderson's skills and experience bring unique perspective and insight to the board and make him well-qualified for re-election as a director. Please see Director Succession and Retirement Policy on page 7 of this proxy statement with regard to the board's determination with respect to Mr. Anderson's nomination for re-election.

- Roger H. Ballou /
  Audit Committee (Chair) • Compensation Committee • Executive Committee • Age: 66

  Mr. Ballou has served as a director since February 2001. Mr. Ballou served as the chief executive officer and a director of CDI Corporation, a public company engaged in providing staffing and outsourcing services, from October 2001 until January 2011. He was a self-employed consultant from October 2000 to October 2001. Before that time, Mr. Ballou had served as chairman and chief executive officer of Global Vacation Group, Inc. from April 1998 to September 2000. Prior to that, he was a senior advisor for Thayer Capital Partners from September 1997 to April 1998. From April 1995 to August 1997, he served as vice chairman and chief marketing officer, then as president and chief operating officer, of Alamo Rent-a-Car, Inc. Mr. Ballou served as a director of Fox Chase Bank from 2005 until 2016. Mr. Ballou is currently a director of RCM Technologies, Inc. and Univest Corporation of Pennsylvania. Mr. Ballou holds a Bachelor's degree from the Wharton School of the University of Pennsylvania and an MBA from the Tuck School of Business at Dartmouth. Our board of directors values Mr. Ballou's significant executive and public company board experience as well as his audit committee financial expertise which, together with his global operations and banking industry experience, strengthen and diversify the mix of skills represented on the board and demonstrate his qualifications for re-election as a director.

• Kelly J. Barlow /
Audit Committee • Age: 49

Mr. Barlow has served as a director since June 2017. Mr. Barlow has been a partner of ValueAct Capital, an investment partnership engaged in public and private equity investing, since August 2003. Prior to joining ValueAct Capital, Mr. Barlow worked at EGM Capital from 1997 to 2003, where he served primarily as portfolio manager of the firm's long/short equity fund. Prior to EGM Capital, Mr. Barlow worked at Wells Capital Management, a wholly owned subsidiary of Wells Fargo Bank, in the small capitalization equity department from 1993 to 1997. Mr. Barlow previously served as a director of Adobe Systems, Inc. from December 2012 to April 2016 and of KAR Auction Services, Inc. from December 2011 to September 2013. Mr. Barlow holds a Bachelor's degree from California State University, Chico and is a CFA Charterholder. A seasoned investor with financial expertise and public company board experience, Mr. Barlow brings to the board a major investor's point of view. Our board benefits from Mr. Barlow's skills and the unique perspective and insights he contributes, qualifying him as a candidate for re-election as a director.

E. Linn Draper, Jr., Ph.D. /

Compensation Committee (Chair) • Age: 76

Dr. Draper has served as a director since February 2005. Dr. Draper served as chairman of the board of American Electric Power Company, Inc., or AEP, for 11 years until his retirement from AEP in 2004, and served as president and chief executive officer of AEP from 1993 to 2003. He was the president of the Ohio Valley Electric Corporation from 1992 until 2004, and was the chairman, president and chief executive officer of Gulf States Utilities Company from 1987 to 1992. Dr. Draper currently serves as a director of NorthWestern Corporation. Dr. Draper also serves on the University of Texas Engineering Advisory Board. Dr. Draper was a director of TransCanada Corporation from 2005 until 2013, and of Alpha Natural Resources, Inc. from 2004 until 2016. He holds two Bachelor's degrees from Rice University and a Doctorate from Cornell University. Dr. Draper has financial expertise and extensive experience serving as a senior executive, advisor and public company director, including compensation committee experience. In addition, Dr. Draper served in senior leadership roles in a highly-regulated industry. Dr. Draper's combination of skills and experience, as well as the continuity he brings as member of our board, make him a well-qualified candidate for re-election as a director. Please see Director Succession and Retirement Policy on page 7 of this proxy statement with regard to the board's determination with respect to Dr. Draper's nomination for re-election.

Edward J. Heffernan /

President • Chief Executive Officer • Executive Committee • Age: 55

Mr. Heffernan, president and chief executive officer, joined us in May 1998, and has served as a director since June 2009. From May 2000 until March 2009, Mr. Heffernan served as an executive vice president and chief financial officer and, prior to that, he was responsible for mergers and acquisitions. Before joining us, he served as vice president, mergers and acquisitions, for First Data Corporation from October 1994 to May 1998. Prior to that, he served as vice president, mergers and acquisitions for Citicorp from July 1990 to October 1994, and prior to that he served in corporate finance at Credit Suisse First Boston from June 1986 until July 1990. Mr. Heffernan's other board activities are focused solely in the not-for-profit sector, and specifically those areas identified by our associates as most meaningful to them: children's health and education. He is currently chairman of the board of Children's Health System of Texas (parent company of Children's Medical Centers), serves on the board of trustees of The Shelton School of Dallas (for learning different children) as well as holding board positions in higher education at Wesleyan University and Columbia Business School. Mr. Heffernan holds a Bachelor's degree from Wesleyan University and an MBA from Columbia Business School. Mr. Heffernan's role as our former chief financial officer and current chief executive officer provides a link to the company's management and a unique level of insight into the company's operations. His financial expertise, data and loyalty/marketing industry and global operations experience add important and relevant diversity to the board's overall mix of skills, and the board believes Mr. Heffernan is well-qualified for re-election as a director.

Kenneth R. Jensen /

Audit Committee • Executive Committee • Age: 74

Mr. Jensen has served as a director since February 2001. Mr. Jensen has served as a business consultant and strategic advisor for a number of companies since July 2006. Mr. Jensen served as the executive vice president, chief financial officer, treasurer and assistant secretary of Fiserv, Inc., a public company engaged in data processing outsourcing, from July 1984 until June 2006. He was named senior executive vice president of Fiserv in 1986. Mr. Jensen was a director of Fiserv, Inc. from 1984 until 2007, of United Capital Financial Partners, Inc. from 2008 until 2013, and of Transfirst Group Holdings, Inc. from 2009 until 2014. Mr. Jensen holds a Bachelor's degree from Princeton University in Economics, an MBA from the University of Chicago in Accounting, Economics and Finance and a Ph.D. from the University of Chicago in Accounting, Economics and Finance. Mr. Jensen possesses strong academic credentials and has extensive leadership experience both as a public company director and in multiple senior officer roles at a public company operating in the data industry. Mr. Jensen also has banking industry and information technology experience and significant expertise in accounting and finance. Collectively these skills and experiences enhance the board's ability to successfully oversee the company's assessment and management of risk, and the board believes Mr. Jensen is well-qualified for re-election as a director.

Robert A. Minicucci /

· Chair of the Board • Compensation Committee • Executive Committee • Nominating & Corporate Governance Committee • Age: 65

Mr. Minicucci, chair of the board, has served as a director since August 1996. Mr. Minicucci joined Welsh, Carson, Anderson & Stowe, or WCAS, in August 1993, served as a general partner of WCAS and continues to serve as a general partner for certain of the WCAS limited partnerships. Before joining WCAS, he served as senior vice president and chief financial officer of First Data Corporation from December 1991 to August 1993. Prior to joining First Data Corporation, Mr. Minicucci was treasurer and senior vice president of American Express Company. Mr. Minicucci was a director of Paycom Software, Inc. from 2007 until 2016, serving as its chairman from 2013 until 2016, and of Retalix Ltd. from 2009 until 2013. Mr. Minicucci is currently the chairman of the board of directors of Amdocs Limited. Mr. Minicucci holds a Bachelor's degree from Amherst College and an MBA from Harvard Business School. Mr. Minicucci's qualifications include data industry, information technology and global operations experience, service on public company boards, financial expertise and demonstrated executive leadership at companies operating in the data and credit card industries. In addition, Mr. Minicucci has extensive, first-hand knowledge and understanding of our company gained from serving as a founding member of our board. Our board of directors believes Mr. Minicucci's strong leadership and unique insight strengthen the board and make him well-qualified for re-election as a director.

- Timothy J. Theriault /
Audit Committee • Nominating & Corporate Governance Committee • Age: 57
Mr. Theriault has served as a director since October 2016. Mr. Theriault served as an advisor to the chief executive officer of Walgreens Boots Alliance, Inc. from June 2015 until November 2016. Prior to that, he served as executive vice president and global chief information officer of Walgreens Boots Alliance, Inc. from July 2014 to June 2015. He served in senior leadership positions with increasing responsibility at Walgreen Co. from October 2009 to July 2014, including as senior vice president and chief information, innovation and improvement officer. Prior to that, Mr. Theriault was employed by Northern Trust Corporation, where he served in various executive and management positions with increasing responsibility in the area of information technology from May 1991 to October 2009 and July 1982 to October 1989. Mr. Theriault served as director of end user computing and advanced technologies for S. C. Johnson & Son, Inc., from October 1989 to May 1991. He currently serves as a director of Vitamin Shoppe, Inc. Mr. Theriault holds a Bachelor's degree from Illinois State University and completed the Harvard Business School advanced management program. Mr. Theriault brings significant expertise in information technology to our board. Together with his financial sophistication, banking and global business and operations experience gained as a senior executive in the financial services, health care and retail industries, Mr. Theriault's expertise and experience broaden the board's skill set and enhance its ability to understand and oversee risk, including those associated with information technology, cyber-security and bank regulatory matters. The board believes Mr. Theriault is well-qualified for re-election as a director.

- Laurie A. Tucker /
Nominating & Corporate Governance Committee (Chair) • Age: 61
Ms. Tucker has served as a director since June 2015. Ms. Tucker has served as the founder and chief strategy officer for marketing consultancy firm, Calade Partners LLC since January 2014. Ms. Tucker served as the senior vice president-corporate marketing of FedEx Services, Inc., a subsidiary of FedEx Corporation, a public company engaged in transportation, e-commerce and business services, from 2000 to 2013 and was employed by FedEx in various capacities of increasing experience and responsibilities since 1978. Ms. Tucker was a director of Iron Mountain Incorporated from 2007 until 2014. Ms. Tucker holds a Bachelor's degree and an MBA from the University of Memphis. Ms. Tucker's qualifications include financial expertise, global operations experience and strong leadership skills developed as a public company board member and as a senior executive serving in various roles at a large multinational public company. These credentials, together with her expertise and experience in e-commerce, technology, customer service and corporate marketing, add significant value to the board and make Ms. Tucker a well-qualified candidate for re-election as a director.

Charles L. Horn and Laura Santillan, and each of them, as proxies, will have full discretion to cast votes for other persons in the event any nominee is unable to serve. Our board of directors has no reason to believe that any nominee will be unable to serve if elected. If a quorum is present, directors are elected by a majority of the votes cast, in person or by proxy. This means that the nine nominees will be elected if they receive more "For" votes than "Against" votes. In accordance with Section 3.3.1 of our bylaws, any nominee who is currently serving as a director and does not receive a majority of votes cast shall immediately tender his or her resignation for consideration by our board of directors. Our board of directors will evaluate whether to accept or reject such resignation, or whether other action should be taken. The board of directors will publicly disclose its decision to accept or reject such resignation and its rationale within 90 days from the date of certification of the director election results.

√ The board of directors unanimously recommends that stockholders vote FOR the election of each of the nine director nominees.

DIRECTOR NOT STANDING FOR RE-ELECTION:

Despite Mr. D. Keith Cobb's extensive qualifications and experience, as part of a multi-year board succession plan and as Mr. Cobb exceeds the retirement age in our corporate governance guidelines, the nominating & corporate governance committee has not nominated Mr. Cobb for re-election at the 2018 annual meeting. The board wishes to thank Mr. Cobb for his significant contributions during his nearly 14 years of service on the board, including, most recently, for his 12 years of service as chair of the audit committee.

EXECUTIVE OFFICERS

- Edward J. Heffernan /
President • Chief Executive Officer • Director • Executive Committee • Age: 55
Mr. Heffernan's biographic information appears under Proposal One: Election of Directors in this proxy statement.

- Charles L. Horn /
Executive Vice President • Chief Financial Officer • Age: 57
Mr. Horn, executive vice president and chief financial officer, joined us in December 2009. From 1999 to November 2009, he served as senior vice president and chief financial officer for Builders Firstsource, Inc. From 1994 to 1999, he served as vice president, finance and treasury, for the retail operations of Pier 1 Imports, Inc. and as executive vice president and chief financial officer of Conquest Industries from 1992 to 1994. Mr. Horn served as a director and the chair of the audit committee of Moody National REIT I, Inc. from 2012 until 2017 when it was acquired by Moody National REIT II, Inc. where Mr. Horn is currently a director and the chair of the audit committee. Mr. Horn holds a Bachelor's degree in business administration from Abilene Christian University and an MBA from the University of Texas at Austin. Mr. Horn is a Certified Public Accountant in the state of Texas.

- Bryan J. Kennedy /
Executive Vice President • President, Epsilon • Age: 49
Mr. Kennedy, executive vice president and president, Epsilon, joined our wholly-owned subsidiary, Epsilon, in June 1996. Mr. Kennedy has served as president of Epsilon since January 2009 and of Conversant since December 2014. Prior to that, he served as chief operating officer for Epsilon since October 2001 along with various senior management and executive positions within Epsilon. Mr. Kennedy held senior management positions with Capstead Mortgage Corporation from June 1990 to August 1994. Mr. Kennedy holds a Bachelor's degree from Wheaton College and an MBA from Harvard Business School.

- Melisa A. Miller /
Executive Vice President • President, Card Services • Age: 59
Ms. Miller, executive vice president and president, Card Services, joined us in February 2006 and assumed her current position in September 2011. Prior to assuming her current position, she served as senior vice president, chief client officer. Before joining us, Ms. Miller held a similar role with Experian, and prior to that she held several positions with Experian where she gained increasing responsibility in sales and client services roles during her 22 years of service.

- Joseph L. Motes III /
Senior Vice President • General Counsel • Secretary • Age: 56
Mr. Motes, senior vice president, general counsel and secretary, joined us in July 2015. Before joining us, Mr. Motes was with Akin, Gump, Strauss, Hauer & Feld, LLP for nearly 20 years, and was the partner and lead relationship manager for Alliance Data. Mr. Motes holds a Bachelor's degree in geology from Trinity University and a J.D. from Southern Methodist University Dedman School of Law, where he served as editor-in-chief of the SMU Law Review.

- Bryan A. Pearson /
Executive Vice President • President, LoyaltyOne • Age: 54
Mr. Pearson, executive vice president and president, LoyaltyOne, joined our wholly-owned subsidiary, LoyaltyOne, Co., in November 1992 and assumed his current position in 2006. Mr. Pearson served as president for the AIR MILES® Reward Program from March 1999 until October 2006 and from January 2015 until September 2017, and prior to becoming president, he held various senior management and executive positions within the AIR MILES Reward Program. Mr. Pearson held management positions with Alias Research Inc. from June 1991 until October 1992. Prior to that, he worked in brand marketing at Quaker Oats Company of Canada from July 1988 until June

1991. Mr. Pearson holds a BScH degree and an MBA from Queen's University.

- Laura Santillan /
Senior Vice President • Chief Accounting Officer • Age: 46

Ms. Santillan, senior vice president and chief accounting officer, joined us in February 2004 and assumed her current position in February 2010. Ms. Santillan has served in various capacities of increasing responsibility, most recently as vice president, finance since October 2007 and senior vice president, finance since December 2009. Before joining the company, she served as senior manager of reporting for Dresser, Inc. from February 2002 to February 2004 and director of financial reporting for Wyndham International, Inc. from 1997 to 2002. Prior to that, she was with Ernst & Young LLP from 1993 to 1997. Ms. Santillan holds a Bachelor's degree from Southern Methodist University and is a Certified Public Accountant in the state of Texas.

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

This report has been furnished by the current members of the compensation committee.

E. Linn Draper, Jr., Chair
Bruce K. Anderson
Robert A. Minicucci

COMPENSATION DISCUSSION AND ANALYSIS

OVERVIEW:

We consider our total executive compensation package integral to our ability to grow and improve our business. In determining appropriate compensation for our executive officers, the compensation committee uses the philosophies and methodologies described in this Compensation Discussion and Analysis. By design, we have tailored, with the guidance of external compensation consultants, a mix of compensation elements appropriate for our business. Our executive compensation program, assuming sustained above industry-average performance, is designed to reward executive officers at competitive levels. Our program, however, is also structured to significantly reduce rewards for performance below expectations. The compensation committee believes that this design will attract, retain and motivate executive officers with the quality and profile required to successfully lead the company and each of its segments in our highly competitive and evolving industries.

Our compensation programs, practices and policies are reviewed and evaluated on an ongoing basis to address evolving best practices and changing regulatory requirements. We list below some of the more significant best practices we have adopted and the practices we have avoided.

	What We Do		What We Don't Do
√	<u>Performance-Based Pay</u>. We emphasize pay for performance. For 2017, an average of 84.4% of the principal compensation components for our NEOs (89.3% for our chief executive officer) was tied to performance.	×	<u>No Pledging</u>. Our non-employee directors and executive officers are prohibited from holding company securities in a margin account or otherwise pledging company securities as collateral for a loan.
√	<u>Independent Compensation Committee</u>. Each member of our compensation committee meets the independence requirements under SEC rules and NYSE listing standards.	×	<u>No Hedging</u>. Our non-employee directors, executive officers and associates are prohibited from engaging in hedging transactions with respect to our securities.
√	<u>Independent Compensation Consultant</u>. The compensation committee engages an independent compensation consultant.	×	<u>No Excessive Perquisites</u>. We provide only limited perquisites to our executive officers.
√	<u>Clawback Provisions</u>. Our equity incentive plans include clawback provisions that allow us to "clawback" executive incentive compensation in certain circumstances.	×	<u>No Speculative Trading</u>. Our non-employee directors and executive officers are prohibited from trading in puts or calls or engaging in short sales with respect to our securities.
√	<u>Double-Trigger Change in Control</u>. We use double trigger acceleration provisions upon a change in control in our equity incentive plans and in the change in control severance protection agreement with our chief executive officer.	×	<u>No Tax Gross-Up Provisions</u>. We have no excise tax gross-up arrangements with any of our executive officers or associates and we have a policy prohibiting entry into such arrangements in the future.
√	<u>Significant Stock Ownership</u>. Our non-employee directors and executive officers have significant stock ownership requirements.	×	<u>No Employment Agreements</u>. We do not have employment agreements with our executive officers.
√	<u>Balanced Compensation Structure</u>. We utilize a balanced approach to compensation, which combines fixed and variable, short-term and long-term, and cash and equity components.	×	<u>No Excessive Risk-Taking</u>. We regularly review our compensation program to ensure that the program does not promote unnecessary or excessive risk-taking.

Named Executive Officers

Our compensation committee, and with respect to the chief executive officer, the board of directors, annually approves compensation for our named executive officers, or NEOs, which for 2017 included the following:

Name	Title
Edward J. Heffernan	President and Chief Executive Officer
Charles L. Horn	Executive Vice President and Chief Financial Officer
Bryan J. Kennedy	Executive Vice President and President, Epsilon
Melisa A. Miller	Executive Vice President and President, Card Services
Bryan A. Pearson	Executive Vice President and President, LoyaltyOne

Objectives of Compensation

The objectives of our executive compensation program are to retain our executive officers, to reward our executive officers for meeting our growth and profitability objectives and to align the interests of our executive officers with those of our stockholders. Total direct compensation for our executive officers in 2017 was a combination of three components:

We use each component of compensation to satisfy one or more of our compensation objectives. The compensation committee places a significant portion of the overall target compensation for our executive officers "at risk" in the form of performance-based non-equity incentive compensation and long-term equity incentive compensation, without encouraging excessive or unnecessary risk-taking. According to the survey results provided by our external executive compensation consultant, our target percentage of executive compensation "at risk" for 2017 was consistent with our proxy peer group.

Retention. We believe that continuity in our executive leadership is critical to our long-term success. To encourage executive retention and foster a focus on long-term results, the vast majority of the long-term equity incentive compensation granted to our executive officers is subject to multi-year vesting schedules. In addition, the compensation committee has occasionally granted special retention awards designed to encourage retention of our executive officers. Further details of these compensation practices are included below under the caption "Elements of Executive Compensation."

Pay for Performance. Historically, we have tracked metrics such as revenue growth, income before income taxes, or EBT, growth, adjusted EBITDA growth and core earnings per share, or core EPS, growth. The compensation committee selects target performance measures for performance-based non-equity incentive compensation and long-term equity incentive compensation that it believes are integral to achievement of these and other growth and profitability objectives. This performance-based compensation generally pays out or vests only upon achievement of a threshold performance target. Further details of these compensation practices are included below under the caption "Elements of Executive Compensation."

Assessment of Risk in Compensation Program Design. The compensation committee reviewed the design of our compensation program for both our executive officers and other officers and key contributors who receive performance-based compensation and assessed the potential for our compensation program to encourage excessive risk-taking. The compensation committee considered the following characteristics of our compensation program, among others:

- a balance of both short- and long-term performance-based incentive compensation;
- a balance within equity incentive compensation of both time-based restricted stock units and performance-based restricted stock units, some of which may also be subject to further time-based vesting restrictions;
- the use of multiple performance metrics in incentive compensation, including the use of both consolidated and segment-specific performance measures;
- the definition of performance metrics at the beginning of the performance period;

- inclusion of maximum payout limitations under our 2015 Omnibus Incentive Plan;
- stock ownership guidelines applicable to certain key executives;
- standardized equity grant and forfeiture procedures;
- ability of the compensation committee to apply negative discretion in determining payouts for incentive compensation; and
- clawback provisions contained in various executive compensation plans and agreements.

As a result of this review, the compensation committee believes that the design of our compensation program provides multiple, effective safeguards against and does not promote unnecessary or excessive risk-taking that is reasonably likely to have a material adverse effect on Alliance Data.

Clawback Provisions. Under both the 2015 Omnibus Incentive Plan and 2010 Omnibus Incentive Plan, if our financial statements are required to be restated due to errors, omissions, fraud or misconduct, the compensation committee may direct the company to recover all or a portion of any award or any past or future compensation from any participant or former participant with respect to any fiscal year of the company for which financial results are negatively affected by such restatement. Such recoveries will be limited to those participants or former participants who had knowledge or reasonably should have had knowledge of such errors, omissions, fraud or misconduct and failed to take reasonable steps to bring it to the attention of the appropriate individuals, or who personally and knowingly engaged in practices that materially contributed to the restatement. Further, under the 2015 Omnibus Incentive Plan, 2010 Omnibus Incentive Plan and the 2005 Long Term Incentive Plan, the compensation committee has the authority to cancel or require repayment of an award in the event a participant or former participant breaches any non-solicitation, non-competition or confidentiality agreement entered into with us.

Alignment with Stockholders. We believe that our directors and executive officers should maintain at least a minimum position in our common stock so that their interests are aligned with those of our stockholders. Our stock ownership guidelines require our directors and executive officers to maintain an investment position in our common stock equal to a multiple of his or her base salary or annual retainer, as applicable. These investment positions must be met within five years from the January 1st following the time a director or executive officer first becomes subject to the stock ownership guidelines. In addition to our stock ownership guidelines, each grant of restricted stock units to our non-employee directors contains restrictions that lapse on the earlier of 10 years from the date of grant or upon termination of the director's service on our board of directors. Given these restrictive terms, our stock ownership guidelines permit these restricted stock units to be included when calculating the investment position for non-employee directors.

The following table shows the stock ownership guideline for each of our NEOs and non-employee directors, as well as their current ownership position as of April 9, 2018:

Name	Stock Ownership Guideline	Stock Ownership Position[(1)]
Edward J. Heffernan	6 times base salary	38 times base salary
Charles L. Horn	3 times base salary	6 times base salary
Bryan J. Kennedy	3 times base salary	39 times base salary
Melisa A. Miller	3 times base salary	6 times base salary
Bryan A. Pearson	3 times base salary	41 times base salary
Bruce K. Anderson	5 times retainer	2,713 times retainer
Roger H. Ballou	5 times retainer	27 times retainer
Kelly J. Barlow[(2)]	5 times retainer	2 times retainer
D. Keith Cobb	5 times retainer	22 times retainer
E. Linn Draper, Jr., Ph.D.	5 times retainer	65 times retainer
Kenneth R. Jensen	5 times retainer	208 times retainer
Robert A. Minicucci	5 times retainer	149 times retainer
Timothy J. Theriault[(3)]	5 times retainer	3 times retainer

Laurie A. Tucker[4]	5 times retainer	8 times retainer

(1) The share price used for ownership calculations is calibrated periodically under our stock ownership guidelines. The 12-month average fair market value of our common stock as of December 29, 2017, the last date on which we calibrated the stock price used to determine the retained value required by the stock ownership guidelines, was $237.69 and is the basis for the stock ownership positions shown in this table.

(2) Mr. Barlow joined the board of directors in June 2017 and has until January 1, 2023 to meet the required investment position.

(3) Mr. Theriault joined the board of directors in October 2016 and has until January 1, 2022 to meet the required investment position.

(4) Ms. Tucker joined the board of directors in June 2015 and has until January 1, 2021 to meet the required investment position.

2017 "Say-on-Pay" Advisory Vote on Executive Compensation. At our 2017 annual meeting of stockholders, stockholders expressed substantial support at 98.4% approval for the "say-on-pay" advisory vote on the compensation of our NEOs. We believe these results represent strong investor support for our overall compensation philosophy and decisions. The compensation committee evaluated the results of the 2017 "say-on-pay" vote together with the other factors discussed in this Compensation Discussion and Analysis, including the committee's assessment of retention of executives, alignment of performance targets with growth and profitability objectives and the analysis of pay practices of our proxy peer group, each of which is evaluated in the context of the committee's fiduciary duty to act as such directors determine is in the best interests of our stockholders. Based on its analysis, the compensation committee did not make any changes to the executive compensation program or policies as a direct result of the 2017 "say-on-pay" advisory vote, but continued its utilization of multiple performance-based metrics, including a metric with a multi-year performance period for 2018. See "Looking Forward: Fiscal Year 2018 Long-Term Incentive Compensation" on page 25 of this proxy.

We currently provide stockholders an annual "say-on-pay" advisory vote on the compensation of our NEOs and will continue to do so through our next stockholder advisory vote regarding the frequency of holding advisory votes on executive compensation, which will be no later than our annual meeting of stockholders in 2023.

Determining Compensation

Role of the Compensation Committee. The compensation committee reviews and approves the compensation for our non-CEO executive officers, and, together with the other independent directors, approves the compensation of our chief executive officer. The compensation committee typically sets the total direct compensation targets for our executive officers immediately prior to the beginning of each year. This timing allows us to consider the performance of the company and each potential recipient in the prior year, as well as expectations for the upcoming year. Performance-based non-equity incentive compensation and long-term equity incentive compensation are awarded as early as practicable in the year, contingent upon the availability of the prior year's financial results, in order to maximize the time period over which the applicable performance incentives apply. Consistent with our practice of granting equity-based awards for new hires, promotions and associates that have joined the company as a result of a merger or acquisition on a date certain each month (currently the 15th of each month), long-term equity incentive compensation awards for executive officers are made on February 15 (or if February 15 falls on a weekend or holiday, the next business day) of each year, or such other pre-determined date following release of the company's earnings for the prior fiscal year as is appropriate. In the event there exists material information that we have not yet disclosed, the compensation committee may delay or defer the grant of any equity-based awards until all disclosures are current. Material changes to pay levels for individuals are typically made only upon a significant change in job responsibilities.

Role of the Chief Executive Officer. Typically, our chief executive officer makes compensation recommendations to the compensation committee with respect to our non-CEO executive officers. The compensation committee may accept or adjust the chief executive officer's recommendations in its sole discretion and also makes a recommendation regarding the chief executive officer's compensation to the full board of directors. The chief executive officer does not make any recommendations to the compensation committee or to the board of directors relating to performance measures, targets or similar items that affect his own compensation. Moreover, the chief executive officer recuses himself from discussions of his own compensation during board of directors and compensation committee meetings.

Role of the Compensation Consultant. In 2017, the compensation committee directly engaged the assistance of an external executive compensation consultant, Meridian Compensation Partners, LLC, or Meridian, for their industry knowledge and experience in advising on executive compensation matters. The compensation committee has considered and assessed all relevant factors, including, but not limited to, those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that could give rise to a potential conflict of interest with respect to Meridian. Based on this review, we are not aware of any conflict of interest that has been raised by the work performed by Meridian. In particular, Meridian assisted the compensation committee in 2017 with competitive market analysis, peer assessment, consultation and review of compensation policies and practices.

Competitive Considerations

In determining appropriate levels of compensation, the compensation committee considers the competitive market for talent and compensation levels provided by comparable companies to minimize significant differences that could negatively impact our ability to attract and retain exceptional executive officers. As mentioned above, the