

# ALLIANCE DATA SYSTEMS CORPORATION

## AUDIT COMMITTEE CHARTER

Revised as of December 10, 2009

### Function

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The Audit Committee is a committee of the Board of Directors (the “Board”) of Alliance Data Systems Corporation (the “Company”). Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing (1) the integrity of the Company’s financial statements; (2) the Company’s compliance with legal and regulatory requirements; (3) the external auditor’s qualifications and independence; and (4) the performance of the Company’s internal audit department and the external auditor.

### Responsibilities

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#### General

In meeting its responsibilities, the Audit Committee shall:

- Have the power to conduct or authorize investigations into any matters within the Audit Committee’s scope of responsibilities. The Audit Committee shall have unrestricted access to members of management and all information relevant to its responsibilities. The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting, or other advisors.
- Appoint, compensate and oversee the work of the external auditor. The external auditor shall report directly to the Audit Committee. The Audit Committee has the sole authority and responsibility to select, evaluate and, where appropriate, replace the external auditor (or to nominate the external auditor to be proposed for stockholder ratification in any proxy statement).
- Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by the external auditor.
- Resolve disagreements between management and the external auditor regarding financial reporting.
- Prepare annually a report of the Audit Committee for inclusion in the Company’s annual proxy statement. The report shall include information required by the Securities and Exchange Commission (the “SEC”) and the New York Stock Exchange Listed Company Manual.
- Discuss with the external auditor the matters required to be discussed by Statement on Auditing Standards No. 90.
- Review reports from management, the external auditor and internal audit regarding legal and regulatory matters that may have a material impact on the financial statements, related compliance policies, and programs and reports received from regulators.

- Discuss with management, the external auditor and internal audit the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- Regularly report Audit Committee actions to the Board with such recommendations as the Audit Committee may deem appropriate.
- Review the Audit Committee's own performance annually.
- Review the Audit Committee's charter annually and update when appropriate.
- The Audit Committee shall meet at least four times per year or more frequently as circumstances require. The Audit Committee shall meet periodically with management, the internal auditor, and the external auditor in executive sessions apart from management. The Audit Committee may request any officer or employee of the Company, or the Company's outside legal counsel or external auditor to attend the meeting.
- Minutes of each meeting are to be prepared and sent to Audit Committee members and the directors who are not members of the Audit Committee. If the secretary or assistant secretary of the Company has not taken the minutes, they should be sent to him or her for permanent filing.

#### **Financial Statements and Disclosure Matters**

- Review and discuss the financial statements with management and the external auditor, including:
  - Interim financial statements
  - Annual financial statements
  - External auditor's opinion
  - Disclosures made in management's discussion and analysis and other sections of the report
  - Earnings press releases and earnings guidance provided to analysts and rating agencies
- Recommend to the Board whether the audited financial statements should be included in the Annual Report on Form 10-K.
- Review and discuss reports from the external auditor on: (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and (c) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.

- Discuss with management and the external auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- Review any disclosures made to the Audit Committee by the Company's Chief Executive Officer and Chief Financial Officer regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

### **Oversight of the Company's Relationship with the External Auditor**

- Review and evaluate the experience and qualifications of the lead partner of the external auditor.
- Obtain and review a report from the external auditor at least annually regarding (a) the external auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the external auditor and the Company.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the lead audit partner or even the independent auditing firm itself on a regular basis.
- Make recommendations to the Board regarding the Company's hiring of employees or former employees of the external auditor who were engaged on the Company's account or participated in any capacity in the audit of the Company.
- Meet with the external auditor prior to the audit to discuss the scope, approach and staffing of the audit.
- Engage in dialogue with and obtain statements from the external auditor to assure that the external auditor remains independent and that the Audit Committee takes appropriate action when and as necessary to assure the external auditor's independence.
- Review the performance of the external auditor.

### **Oversight of the Company's Internal Audit Function**

- Review the appointment and replacement of the senior internal audit executive.
- Ensure there are no unjustified restrictions or limitations on internal audit.

- Review the significant reports to management prepared by internal audit and management's responses, including the timetable for implementation of the recommendations to correct weaknesses in internal controls.
- Discuss with the external auditor, management and the senior internal audit executive the budget and staffing of internal audit responsibilities, and any recommended changes in the planned scope of internal audit.
- Review the effectiveness of the internal audit function.

### **Compliance Oversight Responsibilities**

- Obtain from the external auditor assurance that Section 10A(b) of the Securities Exchange Act of 1934 (regarding discovery of illegal acts) has not been implicated.
- Obtain reports from management, the Company's senior internal audit executive and the external auditor with respect to applicable legal requirements and the Company's code of business conduct and ethics.
- 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 employees of concerns regarding questionable accounting or auditing matters.
- Discuss with management and the external auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.
- Review all proposed transactions by the Company with related persons and certain control persons pursuant to the Company's Policy Statement Regarding Related Party Transactions.
- Review and assess the adequacy of the Company's Policy Statement Regarding Related Party Transactions annually and recommend changes, if any, to the Board.
- Discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

### **Membership**

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The membership of the Audit Committee shall consist of at least three independent members of the Board who shall serve at the pleasure of the Board, as such independence is defined by the New York Stock Exchange listing requirements, the Sarbanes-Oxley Act of 2002, and rules and regulations of the SEC. Each member of the Audit Committee must be financially astute, and, unless otherwise disclosed in compliance with applicable rules, at least one member shall be a financial expert as defined by the SEC. Audit Committee members shall be designated by the

Board. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

The duties and responsibilities of a member of the Audit Committee are in addition to those duties set out for a member of the Board. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditor. Nor is it the duty of the Audit Committee to assure compliance with laws and regulations.

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Audit Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules, and the Audit Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.