synchrony

TCFD REPORT

APRIL 2024

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ABOUT THIS REPORT

This is Synchrony Financial's report under the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations and should be read together with our 2023 Environmental, Social and Governance (ESG) Report published in April 2024. This report covers the period from January 1, 2023, to December 31, 2023, and all data in this report is as of December 31, 2023, except as otherwise noted.

The disclosures in our ESG Report and this TCFD Report are voluntary disclosures. The definition of materiality used for our filings with the U.S. Securities and Exchange Commission (SEC) is not the same as that used for our voluntary ESG and climate-related disclosures. It should not be assumed that information included in this TCFD Report is material under the definition of materiality established under the U.S. federal securities laws.

This TCFD Report includes certain non-financial data and information which is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

This TCFD Report contains forward-looking statements that are provided under the "safe harbor" protection of the Private Securities Litigation Reform Act of 1995, including statements regarding our ESG and climate-related goals, impacts, programs, and other business plans, initiatives and objectives. Forward-looking statements include all statements that do not relate solely to historical or current facts and involve a number of known and unknown risks, uncertainties and other important factors that may cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, without limitation, those described in our recent filings with the SEC, including, without limitation, in Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. If a circumstance occurs after the date of this TCFD Report that causes any of our forward-looking statements to be inaccurate, whether as a result of new information, future developments or otherwise, we undertake no obligation to announce publicly the change to our expectations, or to make any revision to our forward-looking statements, to reflect any change in assumptions, beliefs or expectations, or any change in events, conditions or circumstances upon which any forward-looking statement is based, unless required by law.

INTRODUCTION

Synchrony Financial (Synchrony) is a premier consumer financial services company delivering one of the industry's most complete digitally-enabled product suites. Our experience, expertise and scale encompass a broad spectrum of industries including digital, health and wellness, retail, telecommunications, home, auto, outdoor, pet and more. We have an established and diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers, which we refer to as our "partners." We connect our partners and consumers through our dynamic financial ecosystem and provide them with a diverse set of financing solutions and innovative digital capabilities to address their specific needs and deliver seamless, omnichannel experiences. We offer the right financing products to the right customers in their channel of choice.

At Synchrony, we are driven by our vision to improve everyday quality of life and business through our growing ecosystem of financial products and experiences. This vision powers all facets of our business, including our ESG initiatives. Doing what's right on the ESG topics most significant to our business and our stakeholders has earned Synchrony places on lists such as *Fortune's* 100 Best Companies to Work For® and Best Workplaces in Financial Services & Insurance™ list; JUST Capital's annual list of America's Most JUST Companies, including #2 for Workers and #3 for Communities in our assigned industry; and PEOPLE's Companies that Care list.

To deliver on our vision, we have a responsibility to understand our climate-related risks and opportunities and to do our part to address climate change. The publication of our inaugural report under the TCFD recommendations in 2022 marked a significant milestone in our journey. We continue to believe that implementation of the TCFD recommendations over the coming years will sharpen our focus and support integration of climate-related considerations in our business processes. Our climate journey remains centered on the maturation and enhancement of our processes for identifying, evaluating and better understanding climate-related risks and opportunities for our business and stakeholders, which in turn will help Synchrony navigate the transition to a more sustainable economy. Our journey to identify, understand and manage climate-related financial risks is also informed and supported by the Principles for Climate-Related Financial Risk Management for Large Financial Institutions issued by our bank regulators, the Office of the Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (FRB) in October 2023.

Our responses to the TCFD recommendations in this report are organized into sections that align with the TCFD framework: Governance; Strategy; Risk Management; and Metrics and Targets. Our report reflects input from subject matter experts from multiple functions and outreach into several areas of our business.

GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities

BOARD OVERSIGHT

Active engagement on the ESG topics most significant to Synchrony, as a consumer financial services company, and to our stakeholders is the right thing to do and can reduce risk and support long-term value creation for our customers, partners, employees, suppliers and communities.

Our full Board of Directors (Board) receives regular updates on ESG topics, including climate-related matters, as well as committee reports throughout the year. ESG materiality assessments conducted in 2018 and 2021 helped us identify the most significant ESG topics for Synchrony as a consumer financial services company: fair lending; responsible marketing; financial inclusion and access; information security and data privacy; human capital management (including equity, diversity, inclusion and citizenship); and community investment. Our ESG materiality assessments incorporate both internal and external inputs. Among other resources, we considered our strategic priorities and plans; our enterprise risk assessments; feedback from a cross-functional group of our senior leaders; statements on ESG priorities from our regulators; policy statements and direct feedback from our stockholders; and topic guidelines for our industry sector under ESG disclosure frameworks.

Our Board delegates primary responsibility for more frequent and direct oversight of Synchrony's ESG strategy and performance to our Nominating and Corporate Governance Committee (NCGC). The NCGC receives updates from management on ESG matters at least four times per year, including periodic discussions on climate-related matters. At the same time, all Board committees engage in matters that impact our ESG strategy, risk assessment and mitigation, and performance through the various activities that are overseen at the board level.

For example, ESG is an area of increased emphasis in the operation of our Enterprise Risk Governance Framework, which the Risk Committee of our Board oversees, and reviews and approves at least annually. Many risks associated with our most significant ESG topics are covered by our key risk governance processes, and our Risk Committee oversees ongoing efforts by our Enterprise Risk team to identify and understand ESG elements across our Enterprise Risk Assessment (ERA) process as described under the "Risk Management" section.

MANAGEMENT'S ROLE

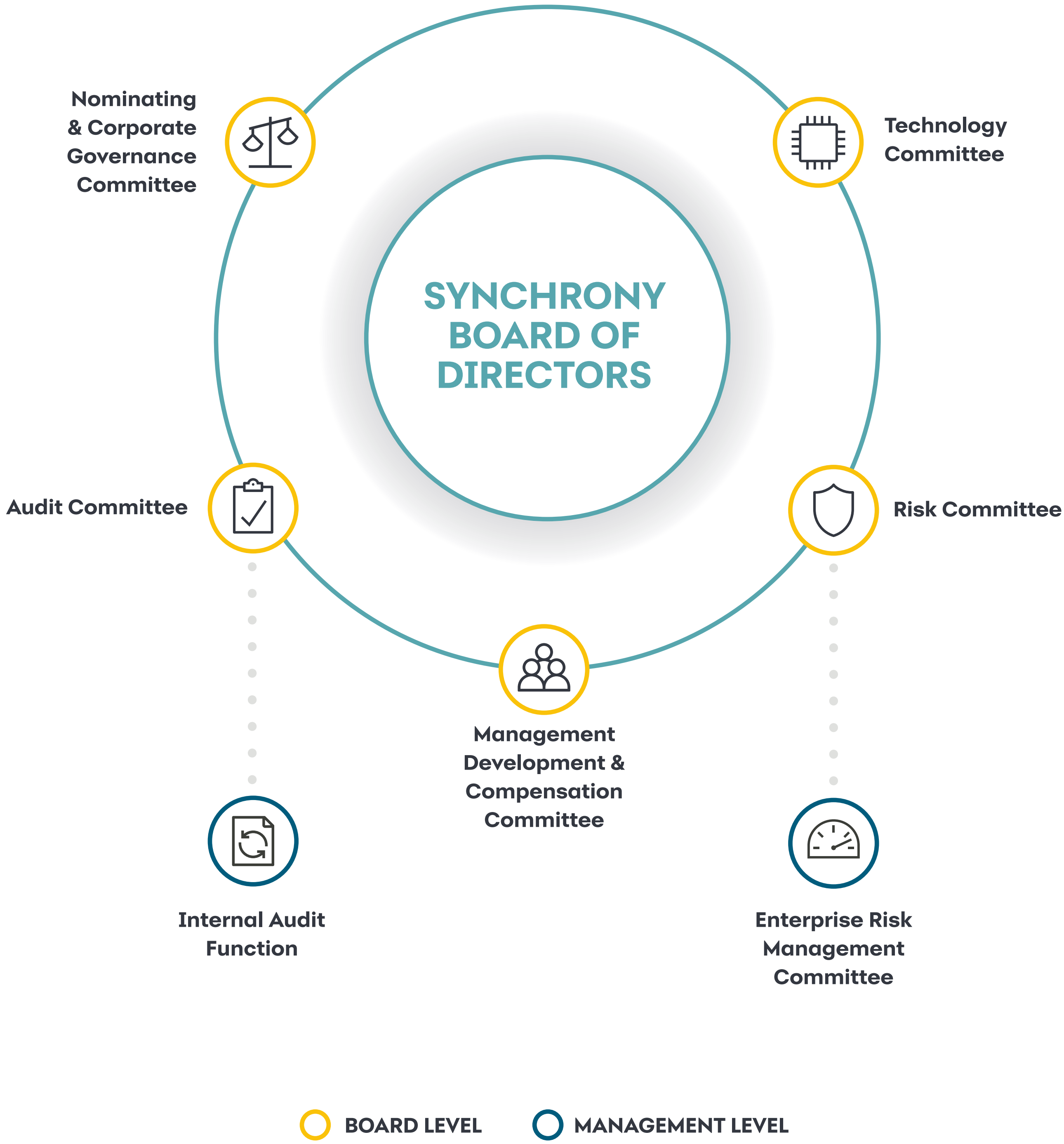
Synchrony's executive leadership team directly engages in our ESG strategy and initiatives. We maintain a cross-functional ESG Working Group comprised of senior executives and other employees who monitor our current ESG progress, including our ongoing efforts to develop processes to identify, evaluate and better understand our climate-related risks and opportunities. In addition to developing our ESG strategy, the working group partners with our business and operational leaders to further integrate ESG across our company.

Our ESG Working Group includes representatives from the Environmental, Health and Safety (EHS) team directly responsible for improving the energy efficiency of our operations, reducing our consumption of natural resources and waste generation, and reducing our greenhouse gas (GHG) emissions. In addition, beginning in 2023, we maintain an Environmental Working Group with leaders from several functions, including Crisis Management, EHS, Facilities, Procurement and Real Estate, to facilitate more direct attention and leadership on our sustainability efforts.

Our EHS and Operational Resilience teams are led by our Chief Technology and Operating Officer, who is responsible for building our technology and operations strategy, and plays a key role in assessing and monitoring external pressures on our operations including climate-related implications. This role provides governance and oversight to support resilience, and response capabilities are developed, implemented and maintained to help safeguard our employees, customers and products and services.

Our Chief Risk and Legal Officer (CRLO) manages our independent risk management team and, as the chair of our Enterprise Risk Management Committee (ERMC), is responsible for establishing and implementing standards for the identification, management, measurement, monitoring and reporting of risk, including any ESG risks, on an enterprise-wide basis. Our ERMC is a management committee, which reports to the Risk Committee of our Board and provides oversight and ensures the effectiveness of risk management governance and activities across our business and functions. Our ESG leader and dedicated ESG manager operate from within the office of the CRLO. Both are invited to attend all NCGC meetings, providing the committee with ESG updates at least four times a year. They lead our ESG Working Group and are members of our Environmental Working Group.

Our Chief Audit Executive, who functionally reports to the chair of the Audit Committee of our Board, and the Internal Audit function creates an Annual Internal Audit Plan, which identifies areas of our business that will be audited in the coming year. Coverage of ESG is a consideration in the formulation of the Annual Internal Audit Plan.



SYNCHRONY BOARD OF DIRECTORS
Nominating & Corporate Governance Committee
Technology Committee
Audit Committee
Risk Committee
Management Development & Compensation Committee
Internal Audit Function
Enterprise Risk Management Committee
BOARD LEVEL
MANAGEMENT LEVEL

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is financially material

To date, climate-related risks have not been determined through our risk management processes to be material to our operations at this time, because Synchrony is a financial services company primarily focused on consumer lending with geographically dispersed partners, consumers and employees. Additionally, we operate our deposits platform online only without physical branches. We continue to monitor closely both internal and external developments to identify potential impacts of climate-related risks and opportunities.

Synchrony continues to believe that every company has a role to play in the transition to a more sustainable economy. For our part, we seek to:

- improve the environmental sustainability of our operations through initiatives to improve energy efficiency, reduce consumption, conserve resources and lower emissions and waste;
- monitor and address our suppliers' ESG practices, including their climate-related initiatives, as part of our overall supplier management program;
- improve visibility, efficiency and sustainability decision-making within our supply chain through engagement with our key stakeholders and suppliers;
- identify and mitigate climate-related risks that may impact our business; and
- identify and investigate climate-related opportunities that align with our strategic initiatives and are in line with our risk appetite.

To enable the continued development and maturity of our climate strategy, we are making investments to build our internal capacity for climate-related data collection and calculation, risk management and reporting. We are leveraging a third party to support our assessments of our ESG practices, with a focus on climate risk, across areas of risk management and governance—including evaluation of our risk identification, reporting and governance activities. The assessments will build upon our previous work to understand relevant climate considerations across risk categories specified in our Enterprise Risk Governance Framework. We expect the output from our assessment efforts to include a high-level roadmap for addressing both near and long-term actions relative to our climate approach across risk frameworks.

We utilize enterprise-wide processes to develop strategic plans and strategic imperatives that are informed by our risk processes and are in line with our risk appetite. Historically, our consideration of potential climate-related risks has been undertaken at a regular interval, primarily through our ERA. Looking ahead, we will continue to seek opportunities for incorporating potential impacts of climate-related risks and opportunities within our processes to inform our business, strategic and financial planning. For instance, we continue to evaluate the potential use and benefits of climate-related risk event scenarios within our capital planning and stress testing process.

Climate-related risks that may implicate our business include:

- Operational risks arising from:
  - acute physical risks, such as reduced revenue from business disruptions or restoring damaged facilities;
  - chronic physical risks, such as increased costs associated with greater need for heating or cooling due to changing temperatures;
  - technology transition risks, such as increased costs related to data center resiliency; or
  - regulatory transition risks, such as increased costs of utilities due to any new fuel and energy taxes and regulations applicable to our utility providers; and
- Reputational risks arising from certain transition risks, such as changes in regulator, investor, consumer and other stakeholder expectations or preferences.

The climate-related opportunities we seek include reducing operating costs by improving the energy efficiency of our facilities and reducing our consumption of resources such as water, paper and plastics. We also actively pursue opportunities to innovate our products and product strategies to address consumer preferences with respect to climate change. Past examples include providing holders of the Sam's Club Mastercard issued by Synchrony Bank 5% back in Sam's Cash on electric vehicle (EV) charges at eligible charging stations in the United States and enabling use of our Synchrony Car Care™ credit card at EV charging stations in the United States.

RISK MANAGEMENT

Disclose how the organization identifies, assesses and manages climate-related risks

Responsibility for risk management flows to individuals and entities throughout Synchrony, including our Board, various board and management committees, and senior management. Our corporate culture and values, in conjunction with the risk management accountability incorporated into the integrated Enterprise Risk Governance Framework, which includes governance structure and three distinct Lines of Defense, facilitates the evolution of an effective risk presence across Synchrony.

OUR LINES OF DEFENSE

1. Our “First Line of Defense” consists of the business areas whose day-to-day activities involve decision-making and associated risk-taking for our company. As the business owner, the first line is responsible for identifying, assessing, managing and controlling that risk, and for mitigating our overall risk exposure. The first line formulates strategy and operates within the risk appetite and risk governance framework.

2. Our “Second Line of Defense,” also known as the independent risk management organization, provides oversight of first line risk-taking and management. The second line assists in determining risk capacity, risk appetite and the strategies, policies and structure for managing risks. The second line owns the risk governance framework.

3. Our “Third Line of Defense” is comprised of Internal Audit. The third line provides independent and objective assurance to senior management, our Board and the Audit Committee of our Board that the first and second line risk management and internal control systems and its governance processes are well-designed and working as intended.

Synchrony utilizes several risk management programs to assess and manage our climate-related risks.

ENTERPRISE RISK MANAGEMENT (ERM) PROGRAM

Our enterprise risk management philosophy is to ensure that all relevant risks are appropriately identified, measured, monitored and controlled. Our approach in executing this philosophy focuses on leveraging risk expertise to drive enterprise risk management using a strong Enterprise Risk Governance Framework structure, a comprehensive ERA process and an effective risk appetite framework.

We organize our risk management around our primary risk categories: Strategic Risk, Credit Risk, Market Risk, Liquidity Risk, Operational Risk (including Compliance), Reputational Risk and Concentration Risk. ESG, including climate-related risk, has historically been addressed primarily in Operational Risk and Reputational Risk.

Operational Risk includes the risk of loss arising from external events such as extreme weather and other natural disasters. Reputational Risk arises from negative perception on the part of customers, counterparties, shareholders, investors, rating agencies, regulators and employees that can adversely affect our ability to maintain existing talent and customers and establish new business relationships with continued access to sources of funding. We evaluate the potential impact of a risk event on Synchrony by assessing the partner, customer, financial, reputational, legal, regulatory impacts and other potential impacts.

A key component of our ERM program is the ERA process, which is designed to identify, assess and quantify risk across our primary risk categories and serves as a basis to determine our risk profile. ESG considerations are incorporated into our Reputational Risk rating scale.

The ERA uses a methodology that measures each risk’s likelihood, impact, vulnerability and the speed of onset and then generates a final risk rating. The ERA is performed three times a year and is the basis of our material risk inventory, which is a key input in our strategic planning and capital planning processes.

We have integrated consideration of climate-related risk into our Universal Risk Assessment (URA). The URA is performed whenever Synchrony introduces new, expanded or modified products, services or digital strategies through our New Product Introduction process.

Risks to operational resilience and transition risks arising from public policy changes and rapidly evolving stakeholder expectations on ESG are addressed in our Enterprise Risk Governance Framework through the activities in the ERA and noted as risk factors in our public disclosures.

Looking ahead on our journey to maturing our programs and processes, where needed, we expect to assess climate-related physical and transition risks and identify opportunities to improve our understanding of potential impacts of climate change on our business, operations and stakeholders. We continue to evaluate the potential use and benefits of climate-related risk event scenarios to inform our capital planning and stress testing process. As we determine specific roadmap actions resulting from third party facilitated assessments of our climate risk practices, our risk management programs will continue to consider emerging regulations and evolving stakeholder expectations, alongside factors such as operational disruptions and impacts on our employees and communities.

OPERATIONAL RESILIENCE AND BUSINESS CONTINUITY

Our Operational Resilience Framework employs sound practices to identify, assess, prioritize and manage risk exposures that could disrupt the continuous delivery of products and services to our partners and cardholders. This includes threats posed by climate-related events that may increase in frequency or severity due to climate change. The Operational Resilience Framework analyzes potential risks existing in our hubs' geographic areas, including considerations for climate-related risks in flood-prone areas, areas affected by tornadoes, hurricanes and cyclones, and areas where extreme weather may impact the power grid. Our Operational Resilience team partners with process owners across our business to develop and enhance resilience capabilities for our people, physical hubs, processes and technology, and informs, among other things, our physical hub strategy as well as our supplier risk management due diligence process.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities

As we continue our journey to formalize our efforts to do our part to address climate change, we continue to build on the progress we have made to date.

- Some 2023 initiatives to improve the energy efficiency of our operations include:
  - Reducing the number of appliances at our physical hubs in the Philippines, including water dispensers, refrigerators and microwave ovens, in response to lower in-person occupancy as a result of our new hybrid way of working.
  - Upgrading over 1,000 lighting fixtures in our Stamford hub to new, long-lasting efficient LED fixtures and updating long-lasting LED retrofit solutions to produce high-quality light using less energy. Our lighting controls now include daylight harvesting, occupancy sensors and bi-level dimming. The annual energy savings are estimated to be enough to heat and energize seven homes and result in the equivalent environmental impact of reforesting 31 acres of trees.
  - Outfitting most of our hubs with innovative water dispensing stations, which reduce the demand for bottled water. Our vendor estimates that a single machine can displace over 50,000 bottles and cans per year.
- Synchrony's physical hubs consist of 16 leased facilities and no owned facilities. Two of our hubs are in LEED (Leadership in Energy and Environmental Design) certified buildings. LEED certification provides a helpful framework for assessing success of ongoing greening efforts across our hubs. In addition, our Manila hub is in an EDGE (Excellence in Design for Greater Efficiencies) certified building, and our Hyderabad hub is in an IGBC (Indian Green Building Council) Platinum Rated building.
- Our data center provider is focused on renewable energy sources and has expressed a commitment to implementing technologies and strategies to achieve a more sustainable future. As of 2023, our provider reported that more than 50% of the electrical power consumed by its facilities are covered by zero-carbon renewable sources. Our provider's Arizona and Texas data centers have received an "Environment + Energy Leader Award" for becoming net positive water data centers, which is particularly notable because their Arizona campus is located in an extremely high water-stress region. Our provider has also instituted on-site e-waste recycling services at our dedicated data centers.
- Our digital channels make it easy for our cardholders to receive statements and make payments electronically. We continue to encourage adoption of this option through regular communications with our cardholders. In 2023, over 56% of our customers received paperless statements, as compared to over 32% in 2018. This equates to approximately 181 million fewer paper statements being printed and mailed in 2023 and approximately $104 million less in postage costs (at 2023 postage rates) than if our paperless statement rate remained at the 2018 average level. In addition, in 2023, approximately 67% of all payments made by our consumer customers came through Synchrony's digital channels, and approximately 58% of our consumer revolving credit applications were processed through a digital channel. With our continued focus on promoting digital card activation, the percentage of activations processed digitally increased by close to 50% from 2022 to 2023.
- In 2023, Synchrony recycled nearly 3,200 pieces of electronic equipment totaling approximately 56,000 pounds of recycled material. We also presented a public artwork for display in the Raidurg Metro Station in Hyderabad, India. Inspired by the city's iconic Charminar monument, the artwork incorporates over 2,000 pieces of e-waste and embodies our recognition of the importance of aligning innovation with sustainable practices.

To support our goal to improve the sustainability of our operations, we have begun a journey to measure and report climate-related metrics from our operations. Previously, we put in place an internal monitoring and review process to refine accuracy over time. In 2022, we engaged a third party to support our calculations of GHG emissions and water usage metrics, including support for collection of underlying data, for each of the 2020, 2021 and 2022 calendar years. We anticipate these calculations will serve as a foundation for a comprehensive assessment of our GHG emissions in the near future. We use the metrics to guide the evolution of our sustainability efforts and the development of any future climate-related commitments. Recognizing the importance of defining the right metrics and targets, we will continue to evaluate the metrics we use to assess our climate-related risks and opportunities.

ENVIRONMENTAL, HEALTH AND SAFETY KEY METRICS

METRIC	UNIT	2023[1]	2022[1]	2021[1]
GREENHOUSE GAS EMISSIONS—TOTAL[2]	MT CO_2e	**34,501**	26,997	21,716
GREENHOUSE GAS—SCOPE 1 EMISSIONS	MT CO_2e	**126**	223	256
GREENHOUSE GAS—SCOPE 2 (MARKET BASED) EMISSIONS	MT CO_2e	**17,606**	19,435	17,680
GREENHOUSE GAS—SCOPE 3 EMISSIONS[3]	MT CO_2e	**16,769**	7,339	3,779
TOTAL ENERGY[4]	GJ	**139,446**	155,933	143,631
TOTAL WATER USAGE[5]	Gallons	**28,898,006**	25,123,720	20,467,465
OSHA RECORDABLE RATE	Per 100 Employees	**0.03**	0.04	0.04

1. *In 2022, we engaged Schneider Electric to support our calculation of GHG emissions, energy and water usage metrics, including support for collection of underlying data, for all years presented. GHG emissions, energy and water usage metrics reflect updates to previously disclosed metrics resulting from process and methodology changes and the availability of additional data. We previously disclosed under Scope 3 emissions the GHG emissions attributable to data centers in which our data servers are located. The sites housing those data servers are owned and operated by a third-party data center provider. The information technology equipment used to house Synchrony data is owned by Synchrony. As such, the emissions attributable to the electricity consumed by our data servers housed in third party data centers are now disclosed under Scope 2 emissions for all years presented. The emissions attributable to cooling the third-party data centers continue to be disclosed under Scope 3 emissions for all years presented.*

2. *'Greenhouse Gas Emissions–Total' is the sum of Scope 1, Scope 2 and Scope 3 emissions. U.S.-based Scope 1 and Scope 2 emissions are calculated using current emissions factors from utilities, U.S. Residual Mix, U.S. EPA MRR and U.S. EPA eGrid. Scope 1 and Scope 2 emissions for our locations in India and the Philippines are calculated using current emissions factors from the International Energy Agency.*

3. *Greenhouse Gas–Scope 3 emissions from cooling the third-party data centers are calculated using the same emission factors as are used to calculate the electric power used by our data servers (see footnote 2). Greenhouse Gas–Scope 3 emissions associated with our leased car fleet and business air travel are calculated using vendor supplied emission data. All Scope 3 figures disclosed are based on available data and methodologies and may not represent 100% coverage of these categories.*

4. *Total energy is based on facilities where metered and/or measured data is available and represents electricity usage for over 91% of total square footage in each year presented and gas service for over 99% of total square footage in each year presented. Where metered and/or measured data is not available, estimates are used based on actual data or per square foot energy usage intensities.*

5. *Total water usage is based only on facilities where metered and/or measured data is available and represents water usage for over 86% of total square footage in each year presented.*

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