For personal use only

Afterpay Limited ASX: APT

ASX Announcement

25 August 2021

Corporate Governance Statement and Appendix 4G

Afterpay Limited attaches its Corporate Governance Statement for the year ended 30 June 2021 and the accompanying Appendix 4G.

Authorised by:
Anthony Eisen
Co-CEO & Managing Director

ENDS

For further information contact

Investors and Media		**Company**
Investor Relations Rhianna Fursdon Director, Investor Relations rhianna.fursdon@afterpay.com +61 477 020 337	**AU Media** Amanda Shannahan Moore Head of Comms & PR amanda.shannahan@afterpay.com +61 429 374 531 **US Media** Amanda Pires VP, Communications amandap@afterpay.com 650 208 372	Amanda Street Company Secretary amanda.street@afterpay.com

For personal use only

Governance at Afterpay

FY21 Corporate Governance Statement

Afterpay Limited
ACN 618 280 649

About this statement

This statement outlines the corporate governance framework and main governance practices of Afterpay Limited for the year ended 30 June 2021 (**FY21**). This statement has been approved by the Afterpay Board and the information contained in it is current as at 24 August 2021. Many of the core governance documents referred to in this statement can be found in the 'corporate governance' section of our website at http://corporate.afterpay.com/investors/corporate-governance.

Afterpay complied with the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**P&Rs**) throughout FY21. The table below indicates where in this statement details on our compliance with the ASX P&Rs can be found. This statement, together with our ASX Appendix 4G, has been lodged with the ASX and is available at http://corporate.afterpay.com/investors/asx-announcements.

ASX P&Rs		Section	Core governance documents
1	Lay solid foundations for management and oversight	1, 2, 3	Afterpay Constitution Board Charter People, Remuneration and Nomination Committee Charter
2	Structure the Board to be effective and add value	2, 3, 4	Board Charter People, Remuneration and Nomination Committee Charter Diversity and Inclusion Policy
3	Instil a culture of acting lawfully, ethically and responsibly	5	Code of Conduct Anti-Bribery and Corruption Policy Gifts and Entertainment Policy Whistleblower Policy Securities Trading Policy Diversity and Inclusion Policy Conflicts of Interest Policy Supplier Code of Conduct Human Rights and Modern Slavery Policy Modern Slavery Statement Workplace Health, Safety and Wellbeing Policy
4	Safeguard the integrity of corporate reports	3, 8	Audit, Risk and Compliance Committee Charter External Audit Policy Annual Reports
5	Make timely and balanced disclosure	6	Continuous Disclosure Policy ASX announcements
6	Respect the rights of shareholders	6, 7	Afterpay Constitution Continuous Disclosure Policy Corporate governance and investor relations web pages Notices of AGMs
7	Recognise and manage risk	8	Audit, Risk and Compliance Committee Charter AML/CTF and Regulatory Review Sub-Committee Charter Risk Management Policy Workplace Health, Safety and Wellbeing Policy
8	Remunerate fairly and responsibly	3	People, Remuneration and Nomination Committee Charter Annual Remuneration Reports

For personal use only

Governance at Afterpay

We understand the importance of having proper and effective governance arrangements.

Our approach to governance goes beyond compliance. Good governance is part of doing the right thing, one of our key values and strategic pillars. Good governance is also the smart thing to do and it guides us in how we work.

We operate our dynamic global business under a framework aligned with principles of good governance, transparency and accountability in order to deliver on our strategy.
This framework includes:

- our focus on and care for our customers and our merchant partners
- our values and the way we guide our people to behave legally and ethically
- the policies and practices we have in place, and activities we encourage, to create a culture that enables our people to be and deliver their best
- the role we map out for the Board and our leaders
- our remuneration and risk management frameworks, policies and practices
- the way we report to our stakeholders, including our shareholders, the ASX and our people.

We have a **continuous improvement approach** to governance. We review our evolving framework in light of current and emerging governance developments, market and community expectations and regulatory changes, but also our expanding geographies and products/services, and we take steps to strengthen our practices.

This statement communicates the **significant progress** we have made during FY21.



Areas of governance focus during FY21 — a snapshot

FY21 has been a defining period for Afterpay. Through the COVID-19 pandemic, ongoing market disruption and a dynamic and intense competitive landscape, we continued to execute on our strategy and expand globally, and we performed strongly across all of our operating regions.

Some areas of governance focus for the Board during FY21 included:

- monitoring workforce wellbeing, and supporting management in introducing new initiatives to actively care for our people
- monitoring the ongoing impacts of COVID-19 on our business, operating performance, customers and merchant partners
- reviewing our strategy in light of the opportunities ahead, providing input and guidance to management, and monitoring management's strategy implementation
- making final decisions in respect of significant matters or initiatives, including (i) our expansion into Europe via the Pagantis acquisition, and monitoring integration and the launch of Clearpay into Spain, France and Italy; (ii) Money by Afterpay, which began its roll out in July 2021 with an Australian staff pilot; (iii) the acquisition of 35% of Matrix's underlying interest in Afterpay US, and a tender offer to eligible participants under the Afterpay US ESOP, to increase our underlying interest in Afterpay US to approximately 91%, and an associated A$1.5 billion convertible notes offering
- together with management, exploring strategic M&A and other opportunities for the business, culminating in the making of final decisions in August 2021 to enter into a scheme implementation deed under which Square, Inc has agreed to acquire all of the issued shares in Afterpay by way of a recommended scheme of arrangement
- proactively engaging with regulators and other external stakeholders in relation to BNPL and broader industry matters, evolving regulatory frameworks and customer outcomes
- completing the induction of our NEDs appointed in FY20 (Pat O'Sullivan, Gary Briggs and Sharon Rothstein) to achieve a balance of experience, expertise and fresh thinking on the Board
- appointing Nick Molnar, one of our co-founders, as co-CEO to reflect and support our continued global expansion plans
- establishing a Board 'operating rhythm' with dynamic meeting agendas that respond to strategic and operational priorities across the various dimensions of the business
- driving a continued uplift in governance practices, completing a review and refresh of key governance policies, and satisfying itself that management has developed and implemented a sound system of risk management and internal control
- delivering a virtual AGM and proactively engaging with proxy advisers and shareholders on topical business and governance matters
- engaging in a Board and Committee performance evaluation.

For personal use only

1. The role of the Board

The Board has a Charter setting out its role, how it operates, and its relationship with management. During FY21 the Board reviewed and updated its Charter to reflect a continued uplift in governance practices and to more clearly delineate the Board's responsibilities.

The Board's primary role is to demonstrate leadership and provide overall strategic guidance. The Board also provides effective oversight of management in implementing strategic objectives and instilling our values, and oversight of Afterpay's performance generally. To perform its role, the Board has reserved for itself the key responsibilities set out in its Charter.

To assist it in discharging some of its responsibilities, the Board has established committees to give detailed consideration to key issues. There are two standing committees: the Audit, Risk and Compliance Committee (**ARCC**) and the People, Remuneration and Nomination Committee (**PRNC**). A third committee, the AML/CTF and Regulatory Review Sub-Committee, supplements the work of the ARCC. During FY21 the Board also established special purpose committees to oversee specific matters or significant projects. Further details on these committees are set out in section 3.

The Board has delegated responsibility for the day-to-day management of our business to our co-CEOs, and through our co-CEOs to other senior executives. These delegations are designed to balance effective oversight with executive empowerment and accountability. These delegations were reviewed by the Board and updated during FY21 to reflect our significant growth and expansion over the reporting period.

2. The Board's structure and composition

Board structure

The Board is carefully structured to provide the breadth and depth of skills, knowledge, experience and diversity needed to enable it to be effective and well equipped to help navigate the range of opportunities and challenges we face.

The Board currently has seven directors: five independent non-executive directors (**NEDs**) and two executive directors (who are the co-founders and co-CEOs). The size of the Board facilitates effective discussion and efficient decision-making. The Board is agile, able to convene frequently on short notice to respond to the needs of our business, and makes thoughtful decisions quickly.

The table below lists each director and their length of service. Details of each director's appointment, qualifications and experience, age, place of residence, and special responsibilities are set out in our FY21 Annual Report.

Independent NEDs	**Period in office (at 24 August 2021)**	**For re-election**
Elana Rubin	4 years 5 months, 2 years as Chair (10 months as interim Chair)	2021
Gary Briggs	1 year, 7 months	2023
Pat O'Sullivan	1 year, 5 months	2022
Sharon Rothstein	1 year, 2 months	2023
Dana Stalder	3 years, 7 months	2021
Executive directors and co-CEOs	**Period in office (at 24 August 2021)**	**For re-election**
Anthony Eisen	4 years, 1 month	N/A (first appointed CEO)
Nick Molnar	4 years, 1 month (9 months as co-CEO)	2022

The Board is international and has a truly global perspective. Three of our NEDs are based in the US, ensuring we have significant Board-level experience, expertise and guidance in the region that has now become the largest contributor to our business.

The Board's appointment of Nick Molnar as co-CEO in November 2020 also ensures appropriate oversight, executive prominence and presence internationally.

For personal use only

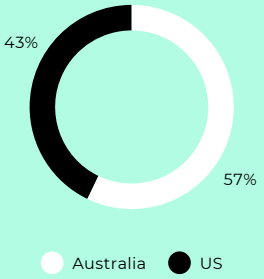
The diversity of the Board in relation to gender, geographic location, tenure, and age

Gender

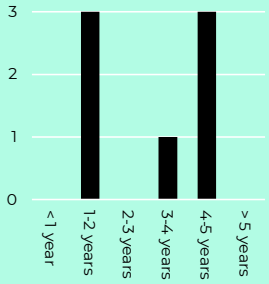


28.5% of directors are female (including the Chair). The Board has set a gender diversity target of 40% women, 40% men and 20% open by end of FY23.

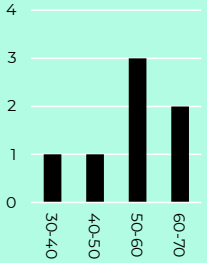
Geography



Tenure



Age



Director independence

The Board assesses the independence of NEDs prior to appointment and then at least annually. Each NED provides the Board with all relevant information to enable it to make this assessment (for example, any relevant changes in material shareholdings, contracts, personal ties and cross-directorships).

An independent director is a NED (that is, not a member of management) who is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Afterpay as a whole rather than in the interests of an individual shareholder or other party.

When assessing the independence of a NED, the Board considers a range of factors, including those set out in the ASX P&Rs. The Board considers an interest, position or relationship to materially influence independent judgement where it is of such substance and consequence, and there is a real and sensible possibility, that it would affect a NED's judgement across any aspects of their role.

During FY21 the Board reviewed the interests, positions and relationships of the current NEDs, including the Chair. The Board confirmed each of them to be independent.

Dana Stalder is a Managing Member of Matrix X Management Co., L.L.C. (see further Matrix disclosures in our FY21 Annual Report). The Board has effective arrangements in place to manage any conflicts of interest, or perceived conflicts of interest, which may arise in relation to Dana's directorship and his Matrix role. For example, during FY21 Afterpay entered into an agreement with Matrix to extinguish 35% of Matrix's underlying interest in Afterpay US for cash. The Board applied conflict protocols that precluded Dana from participating in Board discussions and decision-making, and receiving Board materials, in relation to the Matrix transaction. More recently, the Board applied similar conflict protocols to Dana in respect of materials, discussions and decision-making regarding the treatment of Matrix convertible notes in the context of the proposed acquisition by Square, Inc of 100% of Afterpay's issued share capital by scheme of arrangement.

Director election/re-election

Each director's term of appointment is subject to the provisions of the Corporations Act, the ASX Listing Rules, and our Constitution. New directors (appointed by the Board during the year) are required to seek election at the Annual General Meeting (**AGM**) following their appointment, and then re-election on a rotational basis with the other directors. No director (other than the first appointed CEO) may hold office without re-election past the third AGM following their appointment or three years, whichever is longer.

Board support for directors seeking re-election is not automatic. Prior to each AGM, the Board determines whether it will recommend each re-election to shareholders, taking into account various matters, including director performance. The AGM notice of meeting includes all material information required to make a decision on whether or not to elect or re-elect a director, as well as a statement from the Board as to whether it supports the election or re-election and a summary of the reasons why.

Director appointment

The PRNC assists the Board in fulfilling its responsibilities relating to the composition and performance of the Board, Board appointments and succession planning. The PRNC advises the Board on general processes for the nomination and appointment of new NEDs, but the Board may adopt a flexible approach depending upon circumstances and timing. Appropriate background and other checks are undertaken before any potential candidate is appointed or recommended to shareholders for election.

The Board undertakes an annual assessment of its collective skills, knowledge, experience, and diversity (including diversity of thought, gender, relationships and background) to enable the identification of particular competencies and perspectives that will best increase its effectiveness.

Board skills and experience

The Board skills and experience matrix is an important tool that helps the Board identify any gaps in its collective skills that should be addressed by providing professional development to existing directors or targeted in future Board appointments. The matrix was a key input to the Board renewal process during FY20, which culminated in the appointment of Pat O'Sullivan, Gary Briggs and Sharon Rothstein.

The matrix sets out the skills and experience the Board currently has and is looking to achieve in its membership. It was reviewed during FY21 taking into account Afterpay's strategy and existing and emerging business and governance issues. The current mix of skills and experience represented on the Board, assessed against the matrix, is set out on page 6.

Induction of new directors

A formal letter of appointment is provided to all new directors in their personal capacity setting out the key terms and conditions of their appointment.

All new directors participate in our induction program to ensure that they are able to participate fully and actively in Board decision-making as soon as possible. The program is designed to give new directors an understanding of our strategy, financial, operational, legal, governance, and risk management matters, our values and culture, the role and responsibilities of our senior executives, and the workings of the Board and its committees. The program is flexible but generally includes 1:1 sessions with other directors, senior executives, key senior managers, the external auditor and other external stakeholders.

Director development and ongoing training

Directors are expected to maintain the skills and knowledge required to perform their role effectively. The Board is provided with papers, presentations and briefings on matters relating to our business and operations, and is briefed on relevant governance issues (including new and emerging issues) and material developments in relevant laws, regulations and accounting standards. Afterpay provides the opportunity for directors to participate in continuing education and training, for example through access to external presenters and briefings.

Directors are invited to participate in office tours and activities with employees outside of the scheduled Board program. Some activities planned for FY21, including a scheduled Board visit to San Francisco, were unable to occur due to the impact of the COVID-19 pandemic.

The Board also meets with our senior executives for bi-annual strategy sessions.

Access to information and to management

Directors have unrestricted access to all staff and all relevant records of Afterpay they consider necessary to fulfil their obligations (including access to members of the internal audit function and the external auditor without management present). They also have the right to seek explanations and additional information from management and the auditors.

Independent professional advice

Directors may, with the consent of the Chair (or the Chair of the ARCC, as the case requires), seek independent professional advice at Afterpay's expense, as considered necessary to assist in the performance of their duties.

Shareholding requirements for NEDs

Our NED Shareholding Requirement Policy is designed to strengthen the alignment between the interests of directors and shareholders. NEDs are required to acquire and maintain Afterpay shares worth at least one year's base director fee (gross). This must be achieved by each director using personal funds within three years of appointment. As at the date of this statement, all NEDs comply with this requirement. Further details are set out in the Remuneration Report in our FY21 Annual Report.

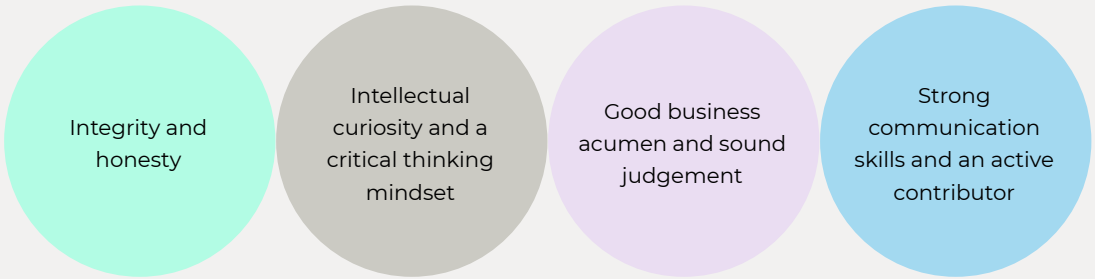
For personal use only

For personal use only

Director skills and experience area	Directors with this capability* (out of 7)
Technology	
Digital technology and innovation Using digital platforms, technology and innovation to deliver products and services, e-commerce, information monetisation, and digital disruption	7
Online communities Experience in leveraging online communities to drive business	7
Industry	
Customer experience Experience conducting business directly with consumers; deep customer insight and advocacy; and specific customer channel experience	7
Brand and marketing Experience with increasing brand exposure, marketing strategies, business development	6
Global perspective Exposure to or responsibility for international operations or global markets (and a range of political, cultural, regulatory and business environments)	7
Leadership and governance	
Strategy Developing, setting and executing strategic direction, driving growth and transformation, and executing against a clear strategy	7
Executive and international leadership Senior executive level role in an organisation of similar scale and managing through periods of rapid growth or change	7
Listed company governance Non-executive directorship or CEO of a listed company (Australia or overseas), related shareholder and investor relationships and corporate governance	7
Business experience	
Financial acumen Financial accounting and reporting, audit, analysing financial statements and the drivers of financial performance, and oversight of internal financial controls	7
Corporate finance Capital management, debt and equity raisings, and other capital markets transactions, including M&A, in Australia or overseas	7
Risk management Understanding of risk management framework and controls, and the identification, assessment and management of risk across large organisations	7
Governance and compliance Sound knowledge of governance issues, including the legal, compliance and regulatory environment applicable to large listed companies	6
People and culture Experience building workforce capability, setting a remuneration framework that attracts and retains high calibre executives, and promoting diversity and inclusion	7
Workplace health and safety and sustainability Experience related to WHS and employee wellbeing matters and corporate responsibility issues within a large business	7

*Includes directors assessed as having high or medium (competent) skills and experience levels.

Personal attributes



For personal use only

Conflicts of interest

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interest. Directors must disclose any conflicts and, if they have a material interest in a matter, they must not participate in any discussion or decision-making on that matter. The Board has developed procedures to assist directors to disclose potential conflicts of interest, and disclosure of interests is a standing agenda item at each Board meeting. A director who discloses that they may have a conflict must follow the procedures developed by the Board to deal with those circumstances. Refer to the 'Director independence' section on page 4 for an example of conflict procedures in action.

Company Secretaries

Details of our Company Secretaries are set out in our FY21 Annual Report. The appointment and removal of a Company Secretary is a matter for decision by the Board. Our Company Secretaries are responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All directors have direct access to our Company Secretaries who are accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

3. How the Board operates

Board operating rhythm — a dynamic and forward looking agenda

The Board is establishing an operating cycle that is driven by a forward plan for its normal schedule of meetings over a 12 month period. The plan links the Board program with strategic and operational priorities and ensures that appropriate time is devoted to consideration of the various dimensions of the business across the cycle. The committees have equivalent plans to guide their work.

The Board's plan covers matters ranging from the implementation of strategy, operational performance, the status of risks relevant to Afterpay that have the potential to have a material impact on the business and matters requiring Board approval, to matters relating to our people, culture and governance framework. The cycle also includes deep dives into functional areas to provide the Board with a more extensive end-to-end understanding and review of the business.

The Board cycle is reviewed on an ongoing basis to ensure that it reflects the current needs of the Board, its committees, and the business, as well as allowing flexibility and adequate time for consideration of additional matters as they arise.

The number of Board meetings held during FY21 and each director's attendance at those meetings is set out in the Directors' Report in our FY21 Annual Report.

Board committees

The Board has established two standing committees, the Audit, Risk and Compliance Committee (**ARCC**) and the People, Remuneration and Nomination Committee (**PRNC**). Together they play a significant role by focusing in more detail on specific areas of our operations and governance framework, which assists in strengthening the Board's oversight capability.

Each standing committee operates under a separate Charter, approved by the Board, which sets out the committee's role, responsibilities, and how it operates. During FY21 the Board reviewed and updated each Charter to reflect a continued uplift in governance practices generally and to more clearly delineate each committee's responsibilities.

The role of each committee is to advise and make recommendations to the Board. The committees have decision-making authority as stated in their Charters or as authorised by the Board. The committees have practices in place to ensure that they effectively communicate in relation to matters of shared responsibility.

The Board periodically reviews the existing committee structure and the membership of each committee. During FY21 Gary Briggs replaced Elana Rubin as Chair of the PRNC, effective 24 February 2021. Gary's global experience effectively supports the balancing of remuneration practices across our geographies. Elana remains a member of the PRNC.

The current composition and key responsibilities of each committee are shown on page 8. The number of meetings held by each committee during FY21 and each member's attendance at those meetings are set out in the Directors' Report in our FY21 Annual Report. All directors are invited to attend committee meetings and they all receive committee papers.



In FY21 there were 40 formal Board and committee meetings. Between formal meetings, management provided the Board with material business and other updates as well as information in response to requests from directors.

Standing committees	
Audit, Risk and Compliance Committee	
Composition meets ASX requirements	• At least 3 members, all of whom are NEDs and a majority of whom are independent • Chaired by an independent NED, who is not the Board Chair • Members have accounting and financial expertise and industry understanding
Membership	Pat O'Sullivan, Chair Elana Rubin Dana Stalder
Key responsibilities	• Integrity of financial information, financial reporting processes and internal control framework • Effectiveness of risk management framework (for financial and non-financial risks) and supporting systems • Internal and external audit functions • Compliance with applicable legal and regulatory obligations and internal policies
People, Remuneration and Nomination Committee	
Composition meets ASX requirements	• At least 3 members, a majority of whom are independent • Chaired by an independent NED • Members have executive remuneration expertise and an understanding of the associated legal and regulatory framework
Membership	Gary Briggs, Chair Elana Rubin Pat O'Sullivan Sharon Rothstein
Key responsibilities	• Programs to optimise the contributions of people, to support and further corporate objectives, including L&D, succession and leadership development, talent management, diversity, culture, employee engagement and wellbeing • Remuneration framework, practices and disclosures • Remuneration and performance of the co-CEOs and other senior executives • Chair and NED remuneration • Board and committee composition and succession planning, diversity, performance, induction and continuing professional development

Special purpose committees

The Board establishes special purpose committees as required to give detailed consideration to specific matters, or to approve certain matters within Board-approved parameters.

The AML/CTF and Regulatory Review Sub-Committee was established in 2019 to oversee a review of our anti-money laundering and counter-terrorism financing (**AML/CTF**) policies, practices and procedures and their effectiveness, including the matters that were being reviewed by AUSTRAC at that time. The Sub-Committee also supplements the work of the ARCC in relation to our regulatory and compliance frameworks, and reviews and provides guidance on active material regulatory matters as they arise. The Sub-Committee specifically reports to the Board on matters relating to our AML/CTF compliance framework globally, and engages with and responds to regulators, including AUSTRAC, in relation to our AML/CTF obligations.

The Sub-Committee members include the Board Chair, one of the co-CEOs, the Chief Enterprise Risk Officer, and the Executive Vice President Public Policy and External Affairs. The number of meetings held by the Sub-Committee during FY21 and each director's attendance at those meetings are set out in the Directors' Report in our FY21 Annual Report.

During FY21 the Board also established other sub-committees (comprised of a majority of independent NEDs) to provide oversight of significant projects (and final approvals within certain Board-approved parameters). Sub-committees were established to oversee transactions to increase our underlying interest in Afterpay US completed in April 2021 , and in respect of the proposed acquisition by Square, Inc of 100% of Afterpay's issued share capital by scheme of arrangement, which was announced in August 2021. The number of meetings held by these sub-committees during FY21 and each director's attendance at those meetings are set out in the Directors' Report in our FY21 Annual Report.

For personal use only

Performance of the Board, committees and individual directors

The Board understands the importance of the regular review of its own performance and effectiveness, as well as the performance and effectiveness of its committees and individual directors. Each year the Board undertakes a performance review through a Chair-led process. It is anticipated that an externally facilitated performance review will be conducted in FY22.

An internal review process was undertaken in FY21. A practical approach was adopted in order to elicit meaningful insights into the current effectiveness of the Board and its committees and identify any practical solutions or actions in response to any performance or operational issues. The process involved each director providing feedback through a questionnaire across key themes and the identification of key issues for structured Board discussion, supplemented by 1:1 meetings between the Chair and each director. A review of matters considered by the Board and each committee during FY21 was also undertaken to ensure that Charter responsibilities were met during the reporting period. In response to the process, the Board agreed some specific steps to improve its oversight capability across various dimensions of the business.

The Global Leadership Team (GLT) – our senior executives

As noted in the 'role of the Board' section on page 3, the Board delegates responsibility for our day-to-day operations and administration to the co-CEOs, who lead the Global Leadership Team. This senior executive team ensures the effective and efficient operation of the business and is responsible for implementing all governance frameworks, including those in relation to risk management and internal controls. The GLT also provides the Board with accurate and timely information to support its decision-making processes.

Appointment and performance of senior executives

Each senior executive has a written agreement with Afterpay that sets out their role and responsibilities, and Afterpay's expectations in terms of their conduct and performance. Prior to the appointment of any new senior executives, appropriate background checks, including police checks are undertaken.

At the beginning of each financial year, the Board sets individual objectives and key results (**OKRs**) for the co-CEOs, and reviews the individual OKRs set for other senior executives.

At the end of the financial year, the performance of each co-CEO is reviewed by the Board, and the co-CEOs review the performance of each senior executive against their individual OKRs and taking into account leadership elements, risk and compliance behaviours. The co-CEOs report to the Board through the PRNC on the outcomes of these reviews. The co-CEOs and each senior executive are provided with feedback on their performance, which, for senior executives, directly impacts their annual short term incentive outcome. Development plans are also agreed as required to support and align the ongoing contribution of the senior executives to the needs of the business.

Performance reviews for the co-CEOs and other senior executives were conducted during FY21 in accordance with the process described above. The reward structures for the co-CEOs and other executive key management personnel during FY21 are set out in the Remuneration Report in our FY21 Annual Report.

Remuneration of directors and senior executives

The remuneration of NEDs consists entirely of directors' fees and committee fees. NEDs do not receive any variable remuneration or other performance-related incentives. Further details of the remuneration paid to each NED during FY21 are set out in the Remuneration Report in our FY21 Annual Report.

For FY21, the remuneration of each co-CEO comprised fixed remuneration and long-term equity based incentives. The remuneration of other senior executives comprised fixed remuneration, short-term incentives (cash) and long-term equity based incentives.

Afterpay's remuneration strategy and framework, and the remuneration packages and outcomes for the co-CEOs and other executive key management personnel, are described in detail in the Remuneration Report in our FY21 Annual Report.

For personal use only

4. Diversity and inclusion

Afterpay is a dynamic global organisation that understands that diversity and an inclusive culture are at the heart of our success. Building a diverse and inclusive culture is not only the right thing to do but it also makes business sense. Diversity means bringing different insights and perspectives to help drive sustainable growth.

We are committed to creating a safe, open and inclusive workplace where our people can be their best and deliver their best every day. We recognise that diversity encompasses gender, ethnicity, race, age, disability, religious beliefs, sexual orientation, gender identity, language, culture, family and relationship status, caring responsibilities, socio-economic background and education. Diversity also encompasses the many ways our people work, their life experience, location, ways of thinking and work experiences. By embracing diversity, our people bring their differences to work to deliver growth and build a stronger organisation.

Our D&I objectives, which are underpinned by our values, are aligned to the needs of our business, and support us to meet the needs of our people, customers, merchant partners, communities and shareholders. In FY21 a Director of Diversity and Inclusion was appointed to lead Afterpay's global diversity and inclusion strategy and to support our regions to achieve local priorities.

Diversity and Inclusion Policy

Afterpay has a new Diversity and Inclusion Policy that formalises our commitment to D&I and is available on our website.

During FY21 we launched internally a set of principles to provide a framework for our D&I goals and initiatives into the future.

Workplace Behaviour Policy

Afterpay has also implemented a Workplace Behaviour Policy to set out our commitment to equal opportunity and a workplace free from discrimination, harassment, sexual harassment, bullying and victimisation.

The key principles are:

1. We strive to reflect the diversity of the communities we work in and serve.
2. We know inclusion is everyone's job and we're all in.
3. We build fair processes to hire and nurture exceptional talent.
4. We value flexibility to enable us all to thrive.
5. We drive positive change for D&I in the community.
6. We commit to achieve meaningful progress together.



For personal use only

For personal use only

D&I measurable objectives

On the recommendation of the PRNC, the Board approved D&I measurable objectives for FY21, which included a focus on achieving appropriate gender balance across the business. These objectives, and the progress made during FY21 in achieving them, are set out below:

FY21 objectives	Progress during FY21
Progress towards the gender diversity target for the Board, being 40:40:20 by end of FY23.	As at 30 June 2021, 28.5% of our directors are women.
Progress towards the gender diversity target for senior managers (levels E1, E2 and E3), being 40:40:20 by end of FY23.	As at 30 June 2021, 48.4% of senior managers are women.
Include diversity as a relevant consideration in annual succession planning.	As we develop our succession planning processes, we will look for ways to embed diversity as a relevant consideration.
Measure recruitment applications, offers of employment, promotion rates, and exit rates and reasons with a diversity lens.	We developed an internal diversity dashboard to track diversity data for internal monitoring across representation, new hires and exits. We launched a pilot with Predictive Hire, a hiring platform, which included a diversity survey for applicants in Australia and the US. We developed D&I in hiring guidelines and delivered education for the Talent Acquisition team to also support a focus on diversity through the recruitment process.
Undertake a gender pay equity audit to gain a stronger insight into the effectiveness of gender diversity programs and initiatives.	We initiated a gender pay equity review by commencing preliminary analysis to assess pay parity across the organisation.
Benchmark Afterpay's position on gender diversity (and any other diversity areas available) against its peers.	We reviewed our gender diversity data against published data from other tech companies, indicating good representation of women across our employees and in leadership roles. We also reviewed the racial and ethnic diversity of our US workforce against other companies in our industry and the US population to identify areas for improvement.
Run a D&I survey to better understand the diversity within our workforce and their lived experience of inclusion and belonging. This will create the D&I baseline.	We launched a D&I survey in September 2020, and then a further inclusion survey in March 2021.
Once the D&I baseline has been determined, introduce additional D&I targets in all relevant areas including, but not limited to, women in science, technology, engineering and mathematics, gender composition across the workforce and Indigenous employment and participation.	We established a global D&I working group to support internal goals across our key regions and functional areas. In Australia we also established an Indigenous working group to plan and implement our initiatives in this area.
Run conscious inclusion training for the GLT, with key insights to inform the action plan for 2021 and beyond.	An external facilitator conducted D&I learning with the GLT. Our Director of D&I also met individually with leaders to capture insights to support our D&I priorities.
Offer people on extended parental leave the option (without any obligation) to receive all-staff communications and to attend work functions and training programs.	We developed Keeping In Touch guidelines to provide guidance to managers on how to keep in touch with, and be inclusive of, employees on parental leave.

For personal use only

Additional initiatives

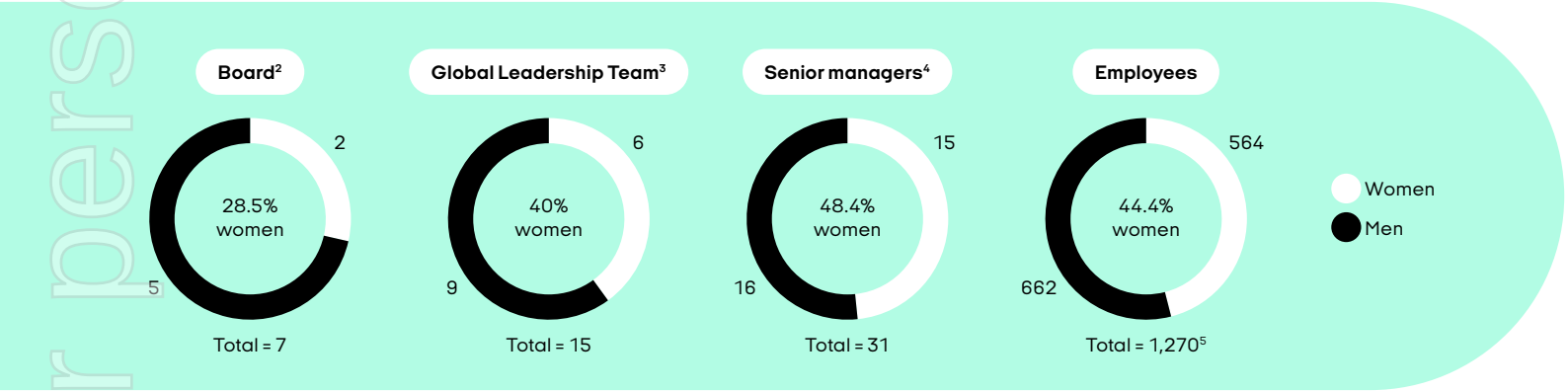
In addition to the initiatives to support our progress across the above measurable objectives, highlights of other key initiatives that supported D&I during FY21 include:

- **Community engagement** – we engaged with organisations promoting gender equality including joining Code Like A Girl's internship program, sponsoring Grad Girls and the Australian Women in Security Network and being a member of the Corporate Program in Stanford's VMware Women's Leadership Innovation Lab. We also became an official partner of Global Sisters in Australia, an organisation that supports women across Australia who are unable to participate in mainstream work.
- **Hiring** – we joined hiring platforms that support diversity including People of Color in Tech, Power to Fly and Work180.
- **LGBTQI+** – we promoted LGBTQI+ inclusion through various initiatives including joining Pride in Diversity in Australia, running LGBTQI+ awareness training and providing access to learning resources, delivering initiatives for Pride Month, introducing options in our internal systems for employees to identify as non-binary or gender diverse and to share their pronouns.
- **Internal D&I groups** – we formed D&I groups for local activities and global employee resource groups for focused areas of diversity including women and the LGBTQI+ community.
- **Communications and campaigns** – we created an internal communications group 'Together@Afterpay' for sharing D&I communications and delivered initiatives in support of key diversity days and months including Black History Month, International Women's Day, Asian American and Pacific Islander (AAPI) Heritage Month and Pride Month.
- **D&I learning** – we commenced D&I related learning which included ally skills talks and an introduction to D&I, bias awareness and promoting inclusion.
- **Mental health and wellbeing** – we set a holistic wellbeing strategy for Afterpay, held internal events and shared resources for 'R U OK?' day, held 'fireside chats' with senior leaders for mental health month, conducted wellbeing surveys, launched the Headspace platform and commenced a pilot to encourage employees to dedicate an hour each week for their wellbeing.
- **Addressing racial inequality** – we focused on racial equality through initiatives in the US, which included amplifying the voices of Black women from our merchant community for our International Women's Day panel and during Black History Month, honouring Juneteenth by encouraging our US employees to participate in community activities and activism, and highlighting the importance of ally skills during AAPI Heritage Month in response to the escalation of violence against Asian communities.
- **Indigenous engagement in Australia** – we created an Indigenous working group in Australia, held events for National Reconciliation Week, and launched an internal Welcome to and Acknowledgement of Country guide for Australia.

Further details on our activities to support D&I are set out in our FY21 Annual Report.

Gender diversity statistics

The proportion of women employed by Afterpay and its controlled entities as at 30 June 2021 is shown below:[1]



1 These figures include permanent (full-time or part-time), fixed term and casual employees and interns, and do not include contractors

2 The Board data includes our co-CEOs, as they are executive directors of Afterpay. In light of their dual roles, they are also included in the Global Leadership Team and senior manager data

3 The Global Leadership Team, which includes the co-CEOs, are the senior executives of Afterpay. On 1 July 2021, the number of women in this group increased to 7, which increased the proportion of women in this group to 43.8%

4 These are the senior leaders of Afterpay, comprising Afterpay organisation levels Executive 1, 2 and 3, which includes the co-CEOs

5 In June 2021, Afterpay introduced an optional self-identification question about gender in its human resources system, which allows existing employees to choose from the following options: female, male, gender diverse, non-binary, none of the options offered and prefer not to say. At 30 June 2021, 3 employees (0.2%) had selected either gender diverse or non-binary, and 41 employees (3.2%) have not responded to the gender question. These 44 employees are included in the total. No employees have selected 'none of the options offered' or 'prefer not to say'.

WGEA reporting

As a 'relevant employer' and as required by the Workplace Gender Equality Act 2012, Afterpay submits an annual Workplace Gender Equality Report. Our public data can be accessed through our website once published.

For personal use only

5. Our culture and doing the right thing: acting lawfully, ethically and responsibly

Afterpay's model is based on trust.

The Board leads by example and, together with management, aims to instill and reinforce a culture of doing the right thing across the business. We do business with others honestly and with integrity, and treat everyone respectfully. We take the initiative and own the outcome at Afterpay. Our values drive the behaviours we expect from our people to ensure our practices are ethical, legal, straightforward and open. Our reputation is at the core of everything that we do.

Our values fuel our culture and they shape our strategy, vision and mission:

Our vision is a world that delivers fairness and financial freedom for all

Our strategic pillars help us deliver on this:



Our mission is to power an economy in which everyone wins

Our values express what we stand for and guide the way we do things:



Code of Conduct and ethics

Our Code of Conduct sets out the expected standards of professional behaviour for our people. The code guides us to operate with integrity and use good judgement, and covers areas such as:

- conducting our business and managing our relationships with openness, honesty and fairness;
- complying with the laws and regulations where we operate, and not doing anything that could compromise our reputation; and
- the responsibilities of our people to uphold the code, to pay attention to any breaches and report them.

The code is reinforced by formal and regular training and awareness programs across the business and proportionate disciplinary action if breached. The Board and its committees are informed of any material breaches of the code. The code is supported by separate policies dealing with ethical business practices.

Anti-Bribery and Corruption Policy and Gifts and Entertainment Policy

Our Anti-Bribery and Corruption Policy confirms our zero-tolerance approach to any bribery or corruption in any of our business dealings. Our Gifts and Entertainment Policy provides guidance on the giving and receiving of gifts and entertainment or other benefits in connection with the business or in the course of employment (and thresholds for recording and approval of such benefits). The policy also sets out our approval requirements in relation to political, charitable and community donations.

Afterpay also engages with governments and political organisations globally to support democratic processes and plays an active role in the policy development process on a range of topics. As part of this, we may pay to attend events hosted by political parties with a business audience or participate in other fundraising activities. Any political donations or attendance at fundraising events are compliant with, and disclosed in accordance with, relevant laws.

The Board and its committees are informed of any material breaches of these policies. The policies were last updated and reviewed by the Board in July 2021.

Conflicts of Interest Policy

During FY21 the Board approved a Conflicts of Interest Policy that provides our people with guidance on what a conflict is, and sets out our approach to identifying, managing and monitoring conflicts. All conflicts are recorded in a conflicts of interest register maintained and reviewed by our Compliance team.

Whistleblower protection

Our Whistleblower Policy encourages the reporting of suspected or actual misconduct, as well as unlawful activity, and highlights that Afterpay will protect whistleblowers who speak up. The policy is supported by a confidential whistleblower service (across our operations globally), which is maintained by an external service provider. Afterpay is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report in accordance with the policy and the law. Any person who makes a report will not be discriminated against or disadvantaged for speaking up. All matters raised are resolved by way of investigation and action as required.

The Board and its committees are informed of material matters reported under the policy. The policy was last reviewed by the Board in May 2021.

Human Rights and Modern Slavery Policy

During FY21 the Board approved a Human Rights and Modern Slavery Policy, which confirms Afterpay's commitment to supporting human rights. The policy sets out our approach to human rights and modern slavery issues, and the responsibilities of our people to monitor, report and deal with suspected human rights issues. We also expect those who perform services for or on behalf of Afterpay to comply with the principles and standards detailed in the policy. They key actions taken by Afterpay during FY21 in relation to modern slavery are summarised in our first annual Modern Slavery Statement.

Securities Trading Policy

Our Securities Trading Policy assists our people to comply with laws prohibiting insider trading and to protect the reputation of the company, our directors and employees. The policy prohibits our people from trading in Afterpay securities at any time if they are in possession of price sensitive information, and during blackout periods, with additional restrictions applicable to directors, other key management personnel and certain other employees, including that they may only trade after they have obtained prior approval.

The policy also prohibits directors, other key management personnel and certain other employees from entering into any arrangements designed to limit the economic risk associated with holding Afterpay securities that are unvested or subject to a holding lock or restriction or enter into any margin lending arrangement involving Afterpay securities.

The policy was last reviewed by the Board in May 2021.

Workplace Health, Safety and Wellbeing Policy

Afterpay prioritises employee health, safety and wellbeing, and we actively care for our people. WHS is a critical part of our decision-making. Further detail on the evolving strategies, systems, initiatives and policies in place at Afterpay to manage WHS and wellbeing are set out in our FY21 Annual Report. This is a critical area of focus for the Board, with the Board receiving regular briefings during FY21 on WHS matters and on employee physical and mental wellbeing.

6. Timely and balanced disclosure

Our Continuous Disclosure Policy sets out the roles and specific responsibilities of the Board, the Disclosure Committee, GLT members, the Company Secretary, authorised spokespersons and other employees to ensure we comply with our continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. The policy was last reviewed by the Board in May 2021.

Disclosure Committee members (the co-CEOs, CFO, Chief Enterprise Risk Officer and Company Secretary) have primary responsibility for ensuring we comply with our continuous disclosure obligations. They also review potentially price sensitive information identified by management to determine (in consultation with directors or external advisers as required) whether disclosure is required and, if so, arrange for the announcement to be prepared, approved (with Board approval required in certain circumstances) and released. The Company Secretary is responsible for all communications with the ASX.

Presentation materials for our financial results or for investor and analyst briefings are released to the ASX immediately prior to each briefing.

All information disclosed to the ASX is posted on our website as soon as possible after release, with copies of material ASX announcements also provided to directors at that time.

Continuous disclosure obligations are also top of mind at Board meetings, with directors considering potential disclosure issues at each meeting.

For personal use only

7. How we engage with shareholders

We value and facilitate direct, two-way dialogue with our shareholders. It is important we provide relevant information as quickly and efficiently as possible to shareholders (recognising the importance of meeting our continuous disclosure and other legal obligations), and listen to and understand their perspectives and respond to their feedback.

Annual General Meeting

Our AGM plays an important role in providing our shareholders with an opportunity to hear directly from the Chair and our co-CEOs about our business, governance, financial performance and prospects. Shareholders are also able to ask questions of the Board, management and the external auditor on Afterpay's management and performance.

Our 2020 AGM was held on 17 November 2020 as a virtual meeting. The virtual AGM presented us with an opportunity to try something new and, through the use of technology, our shareholders were able to participate all over the world.

We have a number of initiatives in place to facilitate shareholder participation and engagement at our AGM. These include:

- **encouraging questions ahead of the AGM** – shareholders are encouraged to provide us with their questions ahead of the AGM. This helps us further understand shareholder issues and concerns and enables us to comprehensively address areas of feedback at the AGM
- **webcasting the event** – shareholders are able to view a live webcast of the AGM online. The webcast is also recorded and made available on our website to view after the AGM
- **conducting a poll** – our standard practice at the AGM is for all resolutions to be decided by a poll rather than by a show of hands, in the interests of representing the views of as many shareholders as possible.

Investor relations program

We have an investor relations program that aims to provide investors and other financial market participants with a greater understanding of Afterpay.

Notwithstanding the continued impact of COVID-19 on global travel and corporate access activity, our FY21 program included:

- domestic and international investor virtual roadshows and conferences to formally meet with institutional investors to discuss Afterpay's strategy and performance
- participation in investor round tables regarding our commitment to environmental, social and governance activity following our entry into the ASX20
- other interactions – scheduled ad hoc interactions with institutional investors, retail brokers, sell-side analysts, and proxy advisers.

Details of investor events, including any relevant presentation materials, are disclosed to the ASX in advance, and are often webcast to provide access to interested shareholders.

Communication with shareholders

Other initiatives to promote effective communication with shareholders and investors undertaken during FY21 included:

- **website** – the 'Investor Centre' section of Afterpay's website was updated to provide up-to-date information about the company, including all ASX announcements, the annual and half year results presentations, financial statements, media releases, key dates, the full text of AGM notices and explanatory notes, and other communications material
- **electronic communications** – we continued to encourage shareholders to provide us with their email addresses so we could communicate with them electronically. Shareholders can also contact us (and our share registry) electronically
- **webcasting other important company events** – in addition to our AGM, we also webcast important events such as our half year and full year financial results briefings and other investor events discussing the performance and strategy of our business.

For personal use only

8. How we recognise and manage risk

External auditor

Our external auditor is Ernst & Young (**EY**) and our lead audit partner is Fiona Campbell. Our lead audit partner attends our AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The ARCC oversees our relationship with EY, including reviewing and assessing the performance, independence and objectivity of EY, monitoring management's adherence to our policy on audit and non-audit services provided by EY, reviewing and agreeing the terms of engagement and fees for EY, and reviewing EY's proposed annual audit scope and audit approach.

During FY21 the ARCC was provided with regular reports detailing the nature and amount of any non-audit services rendered by EY and an explanation of how the provision of those services was compatible with auditor independence. Details of amounts paid or payable to EY for non-audit services provided during FY21 are disclosed in our FY21 Annual Report.

Internal audit

Internal audit provides independent and objective assurance on the adequacy and effectiveness of Afterpay's governance, risk management and internal control processes, together with recommendations to improve the efficiency of relevant systems.

During FY21 PwC continued to provide internal audit services in accordance with the terms of the Internal Audit Charter, which was approved by the ARCC.

Internal audit activities operate under a dynamic plan approved annually by the ARCC and updated as required. The plan is developed using a risk-based methodology, and the same risk-based approach aligned to our risk management framework is used to focus assurance activities.

Internal audit has full and unrestricted access to all of our information systems, records, physical properties and employees in order to carry out its activities. Internal audit is independent of the external audit function, and reports to both the ARCC and the Chief Enterprise Risk Officer.

The results of internal audit activities are reported to the ARCC at each of its meetings. The ARCC reviews reports and agreed actions, and monitors their completion, as well as the effectiveness of internal audit services generally.

Managing risks – risk management framework

Understanding and managing our risks is part of how we work. It helps us make informed business decisions and meet our legal and regulatory obligations.

Responsibility for risk management is shared across the business. The Board is responsible for setting Afterpay's risk appetite and, with the support of the ARCC, overseeing the implementation of an effective system of risk management (policies, procedures and systems) and internal control. The responsibility for maintaining the system has been delegated to management through the co-CEOs.

We have implemented a practical enterprise risk management (**ERM**) framework that provides the foundations and organisational arrangements for managing risks across the business. The ERM framework is aligned to industry better practice and is consistent with the ISO 31000:2018 risk management standard.

The ERM framework ensures risk management is embedded within our governance, strategic decision-making, business activities, operations and culture. The framework includes a Risk Management Policy that articulates our key principles for managing both financial and non-financial risk. The policy is supported by risk guidelines and a Risk Appetite Statement relating to key risks and business objectives. Our approach to risk is reinforced by regularly communicating key risks and relevant information across the business, through ongoing training and awareness programs and monitoring of risk management culture across the organisation.

The ERM framework is overseen by the ARCC and is actively managed by the Chief Enterprise Risk Officer in conjunction with other senior management. The ERM framework is subject to regular review to ensure that risk management processes and practices continue to be fit for purpose and effective, and to facilitate continuous improvement.

For personal use only

During FY21:

- the ERM framework was reviewed with further enhancements made, reflecting the increasing maturity of our risk management profile and business growth. These enhancements included simplification of the Risk Management Policy and the Risk Appetite Statement to make them easier to read and understand. Further details were also included in risk guidelines outlining how each key risk is managed (including from a governance, oversight and risk lifecycle perspective);
- we implemented various risk management initiatives to drive an uplift in our risk management maturity. This included enhanced oversight of critical and key cross-functional risks, and more consistent reporting. We have also continued to promote the consideration of risk in key decision-making meetings and forums;
- we have worked to ensure we spend greater time with and receive deeper input from the Board and the ARCC with regard to selected risks and their management; and
- we continued to enhance our approach to articulating, documenting and utilising risk appetite as an important input into our decision-making, and explore how to best monitor the key cultural and behavioural indicators that best reflect our risk culture.

The ARCC has satisfied itself that the ERM framework continues to be sound both in process and its application within the business, and that Afterpay is operating with due regard to the risk appetite set by the Board.

Environmental, social and governance risks

The Board and management recognise the importance of effective environmental, social and governance (**ESG**) practices as part of their responsibility to shareholders, customers, merchants, communities, people and the environment in which Afterpay operates.

Our ESG approach focuses on areas considered to be material to our business. These focus areas reflect the risks and opportunities identified by the business and the issues of interest to our stakeholders. We manage relevant ESG and workplace health and safety risks in our business activities and advance the sustainability of our direct operations. We value our people and continue to invest in the development and wellbeing of our diverse talent base.

We have no material exposure to environmental risks and our operations are not subject to any particular or significant environmental regulations, however we continue to look at ways to reduce our environmental impact.

Further information in relation to our ESG approach and focus areas is contained in pages 17 to 23 of our FY21 Annual Report. This includes sustainability initiatives that are in place across the organisation and climate change information.

Further risk information is also provided in the 'Key Business Risks & Challenges' section on page 44 of our FY21 Annual Report.

Co-CEO and CFO declarations

In connection with our financial statements for FY21, and for the half year ended 31 December 2020, the co-CEOs and the CFO have provided the Board with declarations that:

- in their opinion, the financial records of Afterpay have been properly maintained;
- in their opinion, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Afterpay; and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Verifying periodic corporate reports

Our annual financial report and the Remuneration Report included in the annual Directors' Report are audited by our external auditor. Our half yearly financial report is reviewed by our external auditor. We have processes in place to verify the integrity of other periodic corporate reports we prepare for the benefit of investors before we release them to the market.

Any periodic corporate report must receive approval before it is released externally. Generally speaking, our approvals process includes review and approval by a number of internal groups as follows:

- **Function subject matter expert** – The report is prepared by the function with the relevant subject matter expertise, with cross-functional input provided as necessary, and reviewed by the executive within the function responsible to ensure the content is factually accurate (and any relevant financial information or data has been verified), fairly represents our position, and is commercially correct.
- **Investor Relations (IR)** – The IR team reviews those reports containing any commercial or financial information or which are commercially strategic in nature and may be considered to be market sensitive. The IR team ensures that aspects of the report that are significant to the market (if any) are consistent with other public domain information and our financial disclosures, and considers the timing of the release of the report.
- **Communications** – Certain new information or material requires review by the Communications team to ensure that the material in the report is aligned to our strategy, there is no conflict in terms of timing with other announcements, the material submitted meets professional standards of presentation and that, where appropriate, a stakeholder issues management plan has been prepared.
- **Legal** – Certain reports require legal approval to ensure, as appropriate, that material complies with all relevant laws and regulations.

For personal use only

Appendix 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Name of entity

Afterpay Limited

ABN/ARBN

30 618 280 649

Financial year ended:

30 June 2021

Our corporate governance statement[1] for the period above can be found at:[2]

☐ These pages of our annual report:

☒ This URL on our website: https://corporate.afterpay.com/investors/corporate-governance

The Corporate Governance Statement is accurate and up to date as at 24 August 2021 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.[3]

Date:	25 August 2021
Name of authorised officer authorising lodgement:	Amanda Street, Company Secretary

[1] "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of Listing Rule 4.10.3.

Under Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The Appendix 4G is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately.

[2] Tick whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where your corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

[3] Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

See notes 4 and 5 below for further instructions on how to complete this form.

For personal use only

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	☒ and we have disclosed a copy of our board charter at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/11/APT-Board-Charter.pdf	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

[4] Tick the box in this column only if you have followed the relevant recommendation in full for the whole of the period above. Where the recommendation has a disclosure obligation attached, you must insert the location where that disclosure has been made, where indicated by the line with "*insert location*" underneath. If the disclosure in question has been made in your corporate governance statement, you need only insert "our corporate governance statement". If the disclosure has been made in your annual report, you should insert the page number(s) of your annual report (eg "pages 10-12 of our annual report"). If the disclosure has been made on your website, you should insert the URL of the web page where the disclosure has been made or can be accessed (eg "www.entityname.com.au/corporate governance/charters/").

[5] If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
1.5	A listed entity should: (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.	☒ and we have disclosed a copy of our diversity policy at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Diversity-Inclusion-Policy.pdf and we have disclosed the information required by paragraph (c) onwards in our Corporate Governance Statement	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	☒ and we have made disclosures required by paragraphs (a) and (b) in our Corporate Governance Statement	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	☒ and we have made disclosures required by paragraphs (a) and (b) in our Corporate Governance Statement and in the Remuneration Report which forms part of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

For personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	☒ and we have disclosed a copy of the charter of the committee at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-People-Remuneration-and-Nomination-Committee-Charter.pdf and we have disclosed the information required by paragraphs (4) and (5) in our Corporate Governance Statement and the Directors' Report which forms part of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	☒ and we have disclosed our board skills matrix in our Corporate Governance Statement	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	☒ and we have disclosed the information required by paragraphs (a), (b) and (c) in our Corporate Governance Statement, and the information required by paragraphs (a) and (c) has also been disclosed in the Directors' Report which forms part of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement

personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
2.4	A majority of the board of a listed entity should be independent directors.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should articulate and disclose its values.	☒ and we have disclosed our values in our Corporate Governance Statement and on our website at: https://corporate.afterpay.com/about/our-strategy	☐ set out in our Corporate Governance Statement
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	☒ and we have disclosed our code of conduct at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Code-of-Conduct.pdf	☐ set out in our Corporate Governance Statement
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	☒ and we have disclosed our whistleblower policy at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Whistleblower-Policy-1.pdf	☐ set out in our Corporate Governance Statement
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	☒ and we have disclosed our anti-bribery and corruption policy at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Anti-Bribery-and-Corruption-Policy.pdf	☐ set out in our Corporate Governance Statement

personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	☒ and we have disclosed a copy of the charter of the committee at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Audit-Risk-and-Compliance-Committee-Charter.pdf and the information required by paragraphs (4) and (5) in our Corporate Governance Statement and the Directors' Report which forms part of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	☒	☐ set out in our Corporate Governance Statement
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	☒ and we have disclosed the process to verify the integrity of periodic corporate reports in our Corporate Governance Statement	☐ set out in our Corporate Governance Statement

personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	☒ and we have disclosed our continuous disclosure compliance policy at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Continuous-Disclosure-Policy-1.pdf	☐ set out in our Corporate Governance Statement
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	☒	☐ set out in our Corporate Governance Statement
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	☒	☐ set out in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	☒ and we have disclosed information about us and our governance on our website at https://corporate.afterpay.com/about/our-story and https://corporate.afterpay.com/investors/corporate-governance	☐ set out in our Corporate Governance Statement
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	☒	☐ set out in our Corporate Governance Statement
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	☒ and we have disclosed how we facilitate and encourage participation at meetings of security holders in our Corporate Governance Statement	☐ set out in our Corporate Governance Statement
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	☒	☐ set out in our Corporate Governance Statement
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	☒	☐ set out in our Corporate Governance Statement

personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	☒ and we have disclosed a copy of the charter of the committee at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Audit-Risk-and-Compliance-Committee-Charter.pdf and the information required by paragraphs (4) and (5) in our Corporate Governance Statement and the Directors' Report which forms part of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	☒ and we have disclosed whether a review of the entity's risk management framework was undertaken during the reporting period in our Corporate Governance Statement	☐ set out in our Corporate Governance Statement
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	☒ and we have disclosed how our internal audit function is structured and what role it performs in our Corporate Governance Statement	☐ set out in our Corporate Governance Statement

For personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	☒ and we have made ESG disclosures in our Corporate Governance Statement and on pages 17 to 23 of our FY21 Annual Report, with further risk information also provided in the Key Business Risks & Challenges section on page 44 of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement

For personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	☒ and we have disclosed a copy of the charter of the committee at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-People-Remuneration-and-Nomination-Committee-Charter.pdf and the information required by paragraphs (4) and (5) in our Corporate Governance Statement and the Directors' Report which forms part of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	☒ and we have disclosed separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives in the Remuneration Report which forms part of our FY21 Annual Report at: https://corporate.afterpay.com/investors/reports-presentation	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	☒ and we have disclosed our policy on this issue or a summary of it at: https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2020/12/APT-Securities-Trading-Policy-1.pdf	☐ set out in our Corporate Governance Statement **OR** ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

personal use only

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES			
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	Not applicable	☐ set out in our Corporate Governance Statement **OR** ☐ we do not have a director in this position and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	Not applicable	☐ set out in our Corporate Governance Statement **OR** ☐ we are established in Australia and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Not applicable	☐ set out in our Corporate Governance Statement **OR** ☐ we are established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable ☐ we are an externally managed entity that does not hold an AGM and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	*Alternative to Recommendation 1.1 for externally managed listed entities:* The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	Not applicable	☐ set out in our Corporate Governance Statement
-	*Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:* An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	Not applicable	☐ set out in our Corporate Governance Statement

personal use only