

Voting Intentions – Afterpay 2021 AGM

ASX Code	APT
Meeting Time/Date	10.00am Wednesday 17th November 2021
Type of Meeting	Virtual
Monitor	Christine Haydon, Hans Ha & Richele Janjatovic
Pre AGM Meeting?	Yes with Chair Elana Rubin, Director Pat O'Sullivan, Co-Sec. Amanda Street, Alana McGuinness and Rhianna Furston

Proposed Voting Summary

2a	Re-election of Director Elana Rubin	For
2b	Re-election of Director Dana Stalder	For
3	Adoption of Remuneration Report	For

Key Financials

	2021	2020	2019	2018
Statutory NPAT (\$m)	(159.4)	(22.9)	(43.8)	(9.0)
Underlying NPAT (\$m)	(141.3)	(16.5)	(36.3)	(6.0)
Statutory EPS (cents)	(0.55)	(0.08)	(0.18)	(0.04)
Dividend per Share (cents)	0	0	0	0
Share Price at End of FY (\$)	118.17	62.24	25.07	9.35
Statutory Co-CEO Remuneration (\$m)	1.676 1.679*	0.738 0.817	0.620 0.765	0.651 0.734**
Total Shareholder Return (%)	89.86	148.26	168.13	-

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

* The actual remuneration received by each Co-CEO in FY2021 was \$132.4m due to prior year options which vested during the year (\$131.6m) and a cash bonus (\$300k) which had been previously declared in FY19.

** In FY18, each Co-CEOs received \$4.175 mil worth of prior year options which vested during the year

Key Event

The most significant change for Afterpay FY21 is the announcement that Square Inc plans to acquire Afterpay. Square's proxy confirmed the date for the Square shareholder vote to be 3 November 2021 an important precondition. It is then anticipated that the Scheme Booklet would

follow thereafter, Afterpay are hopeful of a Scheme Meeting in early December as notified in the Company's Notice of Meeting on 15 October 2021.

Summary of Historical ASA Issues with the Company

No historical ASA Issues

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The board has an independent non-executive Chair and majority of independent directors.
- The board has at least 30% female and at least 30% male directors with diversity of geography, age, and ethnic background.
- Directors and other key management personnel (KMP) have/are investing at least one year's worth of base cash fees in company shares, within 3 to 5 years.
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.
- The company discloses a meaningful skills matrix of the board easily accessible by shareholders.

Areas for Improvement

- The company raised capital of \$786.2m in July 2020 and the issuance of the \$1.5bn of APT convertible notes in March 2021, it was not a renounceable rights issue (ASA preference) and limited to \$20k, not the usual \$30k.

Items for Voting

Item 2a	Re-election of Director Elana Rubin
ASA Vote	For

Elana Rubin was appointed Chair on 25 May 2020, previously Interim Chair from 11 July 2019 and has been an independent non-executive director since 30th March 2017. Elana is currently acting Chair at Slater and Gordon and is a non-executive director at Telstra. Her shareholding is 65,151. For these reasons, the ASA proposes to support her election.

Item 2b	Re-election of Director Dana Stalder
ASA Vote	For

Dana Stalder was appointed as a non-executive director on the 24 January 2018. He is an expert in fintech and a consumer, internet investor in Silicon Valley. His executive experience extends to positions held at Netscape, AOL, Respond, Ebay and Paypal before joining Matrix Partners in 2008 as a General Partner. Located in San Francisco he holds 19,300 shares. For these reasons, the ASA proposes to support his election.

Item 3	Adoption of Remuneration Report
ASA Vote	For

CEO rem. framework	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration – Cash	0.45	37.5%	0.45	23%
Fixed Remuneration – Equity	0**	0	0**	0
STI - Cash	0**	0	0**	0
STI - Equity	0**	0	0**	0
LTI	0.75	62.5%	1.50	77%
Total	1.20	100%	1.95	100%

*The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. ** The Co-CEOs declined both the equity component of their fixed remuneration (called RSUs) and their STI in FY22.*

Positives

- CEO’s actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of statutory CEO remuneration package does not exceed the Godfrey Remuneration Group report benchmarks.
- The quantum of board fees do not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- The Co-CEO’s elected to not receive either the equity component of their fixed remuneration nor their STIs for FY21.
- Clear disclosure is provided for all KMP performance hurdles, and the weightings applied for each incentive.
- Comparator groups are from similar industries and include key competitors and any relevant foreign companies.

Areas for Improvement

- The clarity and the understandability of the remuneration report, whilst much improved from previous years, still has some way to go.
- LTI awards are based on underlying (ie adjusted) and not statutory figures
- LTI hurdles are 3 years, ASA prefer 4 minimum
- The scorecard on page 63 is a great visual but lacks detail on hurdles. We had some difficulty interpreting the grey boxes representing meeting the KPI & confirmed that it was “People and “Innovation” where the KPI’s were not met. (Afterpay acknowledge feedback and recognise that in the design treatment of these they may not have been as clear as they were intended to be and will take this feedback on with respect to any future reports)

Conclusion on Remuneration

We must first comment on the receipt of awards totalling \$265m for the Co-CEOs. This award came from options which were part of the IPO and disclosed at the time. At the time, each CEO (who were founders of the company) received 1.5m options with an exercise price of \$1.00 (the IPO offer price) and a vesting condition of continued employment. These options were exercised during FY21 and the Co-CEOs, like all shareholders who participated in the IPO offer, have

benefited hugely from the 100-fold increase in share price. This is clear alignment with shareholders. Whilst this payout has been recorded in this year's remuneration report, we believe it does not relate to any post-IPO remuneration scheme and should not impact our opinion of the current remuneration scheme and report.

We believe that following the IPO Afterpay have made a tremendous effort on remuneration given where they started. Initially as a start-up they offered huge options to get people on board and paid out way too much for poor choices. They did learn from this and in the last few years the co-founders have pared back much of the previous largesse.

The current remuneration scheme has a heavy weighting towards equity and long-term to support alignment with shareholders' interest. The disclosure in the remuneration report is adequate but not good. Neither is ideal, however both are significantly better than they were and, on balance, the ASA will support the remuneration report.

Monitor Shareholding

One of the individuals (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

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