

Start of Transcript

Elana Rubin: Welcome, everyone, to Afterpay Limited's Annual General Meeting. I am Elana Rubin, Chair of Afterpay. We have a quorum present and I'm delighted to declare our AGM open.

In doing so, I acknowledge the Traditional Custodians of land of the various offices where we meet and recognise their continuing connection to land, waters and communities. I pay my respects to their Elders past, present and emerging. Diversity and inclusion are very important to Afterpay, and I would also like to recognise all first nation people and under-served community groups.

This new virtual format has been brought about by the restrictions placed on us all as a result of COVID-19. We've always enjoy meeting our shareholders at our AGM and we've been fortunate in the past to have strong shareholder attendance. We've worked diligently to ensure this meeting gives shareholders ample opportunity to engage and ask questions.

Our online platform enables shareholders, proxies and guests to attend the meeting from the safety of their homes and offices. The platform also enables shareholders and proxies to submit written questions and vote in real time.

We have published on our website a virtual AGM online guide, and some answers to frequently asked questions regarding virtual participation. On our website, you will also find a Computershare helpline number if you require assistance during the meeting. If you experience any technical difficulties that are unable to be resolved, the meeting is being webcast, and a recording will be made available on our website.

I would now like to introduce my fellow Board members. Firstly, our Executive Directors, Anthony Eisen, who is in the room with me today, and Nick Molnar, who joins us online in Sydney. Nick is standing for re-election today.

Also online are our non-executive Directors: Gary Briggs, in Seattle; Pat O'Sullivan, in Sydney; Dana Stalder, in San Francisco; and Sharon Rothstein, in New York.

Also in the room with me today are Marie Festa, EVP Investor Relations and Communications; and Amanda Street, our Company Secretary. Rebecca Lowde, Afterpay's new Global Chief Financial Officer, joins us online, as does David McGregor from Ernst & Young, our auditor.

I am delighted to be able to report that Gary Briggs, Pat O'Sullivan and Sharon Rothstein

have joined the Board since the last AGM. Our renewed Board is a highly accomplished and dynamic team.

The Board provides very diverse and global range of views, expertise and experience to guide management, and support Afterpay's continued growth, expansion and long-term success. Gary, Pat and Sharon are standing for election today. You will hear from them later in the meeting.

Together with Ant and Nick, I'm looking forward to updating you all on the year we've had, and what's in store for the future. Before we do that, there are several important matters for our Company Secretary to cover, as we adjust to our new format. Amanda.

Amanda Street: Thank you Elana, and good morning, everyone. Instructions on how to participate online today have been provided to shareholders. Details are also available on our website.

There will be eight items of business today. Seven require a shareholder vote. The voting resolutions are displayed on your screen now. Now displayed on your screen are the proxies received on each resolution.

In advance of the meeting, we received a number of questions from shareholders, and from the Australian Shareholders Association. We will address these questions either in the formal presentations today, or at the relevant item of business.

Questions can also be submitted today through the online platform. To ask a question, click the Q&A icon. Type your question at the bottom of the screen, and then click the send arrow to submit your question. While questions will be answered later in the meeting, we encourage you to submit your question now.

Questions will be moderated or amalgamated to avoid repetition, and if questions are particularly lengthy, we may need summarise them in the interests of time.

We ask you to restrict yourself to no more than two questions per item of business. Please also keep questions short and to the point, as this will allow as many shareholders as possible to ask a question.

If you are asking a question about an item of business, please start your question by identifying the item or the resolution it relates to. Please ensure your question is relevant to shareholders as a whole.

Questions will be read out to the Chair of the meeting. Depending on the question, the

Chair will make the decision whether she will answer it, or ask another Director, an executive, or the auditor to respond. It may be that we run out of time today to answer all questions, so again I encourage you to submit your question as soon as you can.

Each item of business that requires a shareholder vote today will be decided on a poll. The Chair will open the polls now, and keep them open, so you can vote at any time during the meeting.

If you are eligible to vote today, and are logged in to the online platform, a voting icon that looks like a bar graph will appear at the top of your screen. Once you click this, the resolutions will appear and you can select a voting option.

There is no need to hit a submit or send button, as your vote is automatically recorded. You can change or cancel your vote at any time until the polls are closed at the end of the meeting.

Chris Dedrick from Computershare, the Company's share registry, will act as the Returning Officer for the purposes of conducting and determining the results of the poll. The results will be announced to the ASX later today.

The voting icon should soon appear on your screen, if it hasn't already. Please submit your votes any time from now. If you are having trouble locating the voting icon, please refer to the virtual AGM online guide available on our website or call the Computershare helpline. I'll now hand back to Elana.

Elana Rubin: Thank you, Amanda. I'd now like to address shareholders in relation to Afterpay's progress in 2020. I will also address some of the frequently asked questions from you, our shareholders.

2020 is a year that none of us will ever forget. The number of lives lost around the world as a result of the COVID-19 virus is incomprehensible, and the associated social and economic impacts from the pandemic are likely to be felt for many years to come.

Since this time last year, we have experienced devastation from severe bushfires in both Australia and the US, and we all observed the tragic events in the US, that raised our much-needed awareness of issues relating to racial injustice, and other underserved communities around the world.

The impacts of these events were felt by our employees in many different ways. Our focus at Afterpay remained firmly on the health and wellbeing of our people. We sought to provide all the support we could to help our people navigate through this period of

significant uncertainty.

I am continually amazed by the resilience and passion of the Afterpay team, who despite having endured significant upheaval, have managed to achieve major outcomes for our business.

On behalf of all of our stakeholders, I would like to thank every single person in our team, for their unwavering commitment to Afterpay, and for delivering outstanding results for the business.

We were fortunate to have withstood the impacts of COVID-19 and did not have to reduce our workforce or access government funded JobKeeper assistance. Having said that, in the initial stages of the pandemic, when there was a high level of uncertainty, the Board decided to forego 20% of their Board fees for three months from May 2020, and the co-founders elected to take a 20% reduction in the base salary over the same period.

Doing the right thing by our customers and retailers during these unprecedented times was also critical. We identified a number of ways in which we could leverage our business model and relationships to drive value for these important stakeholders. We promoted our hardship program to our consumers, to ensure they were aware of the assistance available to them, if they found themselves in financial difficulty.

Our immediate response to COVID-19 in March included a tightening of the risk settings in our operating model, to minimise the impact of a potential increase in losses. While this was a prudent and appropriate response initially, the dynamic nature of our model allowed us to readjust our risk setting quickly, once we saw positive repayment behaviour from our customers. Our differentiated business model, and the combination of a global shift towards online spending, and a further shift away from traditional credit, meant that this period would serve as a tailwind for our business.

Our results for the 2020 financial year were strong. Underlying sales and active customers more than doubled compared to the prior corresponding year, while active merchants increased by over 70%.

Our net transaction margin increased 110% and represented 2.3% of our underlying sales. EBITDA, excluding significant items, was \$44 million, up 73% on the prior year, and all of this was achieved against a backdrop of historically low loss rates, and a very robust balance sheet.

Over this period, we continued to expand in the US and the UK, prepared to launch in

Canada, and acquired businesses that will see us expand into Europe and Asia. Our co-founders Anthony and Nick will provide more details on this in their address.

Regulation was, and continues to be, a core focus for the business, as the buy now pay later sector increases in relevance and becomes further fragmented from a product perspective.

We continue to engage with regulators and policy makers in all of our regions, to ensure they understand our differentiated service, and the customer protections inherent in our model. While we are at varying stages of engagement in each country, we make it clear that we support regulation that is fit for purpose and delivers positive outcomes for consumers.

In the US, we have engaged with State regulators to understand their views and have aligned our licencing arrangements to meet their individual requirements. In the UK, we continue to highlight our commitment to consumer protection and responsible spending.

In Australia, we have cooperated with the various government and regulatory reviews into the buy now pay later sector and have been the key proponent of the development of an industry-wide buy now pay later code of practice.

Yesterday, ASIC released a report following its review of the buy now pay later industry. The report called out the significant role for industry self-regulation in ensuring good consumer outcomes and promoting consumer confidence, as well as the important role ASIC's new product intervention powers, and design and distribution obligations, will play. The report clearly highlights that the buy now pay later is a term used to describe a range of providers with fundamentally different business models.

While Afterpay is clearly the largest of the companies profiled, representing 73% of the total value of buy now pay later transactions, it only represents 27% of buy now pay later related consumer debt. Part of the reason for this is, compared to other BNPL providers, Afterpay has the lowest average transaction value at \$147, one of the lowest spending limits and the shortest duration payment terms.

The other reason is that we've built in consumer protections, that see customers suspended from Afterpay if they miss a single instalment payment, and late fees that are low and capped. Having a business model that does not rely on customers to drive revenue means we don't need our customers to revolve in debt to make money.

Importantly, ASIC's report raised the potential for financial stress among users of different

financial products categorised as buy now pay later. We urge ASIC to continue their focus on this and extend it to all forms of payments.

To understand our customers, including the potential for financial stress, Afterpay conducted its own research of over 144,000 Afterpay customers, and we found that there is no causal link between spending on Afterpay and changes in spending on essentials.

We do know however, that customer circumstances may change from time to time, and to address this, we offer a generous and accessible hardship program, where flexible payment timelines with no additional fees or cost can be agreed. It's important to note that Afterpay has never enforced a debt nor does it sell debts to collection agencies.

We remain committed to our customers, and working with ASIC, the government, industry, consumer groups and all stakeholders to promote consumer protection outcomes.

During the year, the independent audit required by AUSTRAC in respect of Afterpay's compliance with anti-money laundering and counter terrorism financing, was completed during the year. Last month the regulator advised that it would not take any further regulatory action against the Company.

The external audit provided us with the opportunity to better understand our obligations, and assisted the ongoing strengthening of our AML/CTF compliance. We will use these learnings, and our ongoing engagement with AUSTRAC, to continue enhancing our AML/CTF framework as required, as the business continues to grow.

With the scaling of our business globally over the past five years, we have experienced rapid growth across all our core business drivers. We have attracted a global and diversified shareholder base, and we have seen our market value increase significantly.

As part of this rapid evolution, we have invested heavily in strengthening the foundations of our business and building a world class leadership team to manage the business for the long term.

As I mentioned earlier, as part of our Board renewal process, it gives me great pleasure to say we appointed three new and highly skilled Board members that are here with us today, albeit virtually.

You will hear from each of them soon. Cliff Rosenberg resigned from the Board in May this year. Cliff had been with Afterpay right from the start and was an important member of the Board. I would like to thank Cliff for his significant contribution and wish him all the

best.

Our renewed, majority independent board, is joined by two of the most amazing Executive Directors I have had the pleasure of working with, our two co-founders Anthony Eisen and Nick Molnar. What Anthony and Nick have achieved, in such a short period of time is unheard of, and is the result of a lot of hard work, extreme perseverance and an unwavering commitment to Afterpay's purpose.

Their demonstrably strong partnership and complementary skills and experience has been key to the Company's success. They have both held various roles within the business over the last five years, to ensure there has been the right amount of focus in the right areas, at the right time.

As the business continues to expand globally, the focus on our international operations has never been greater. The Board and the co-founders believe that it is important to have an appropriate level of oversight, executive prominence and presence, both internationally and domestically.

To achieve this, Anthony and Nick will become Co-CEOs of Afterpay. They will continue to share responsibility for executing on the strategy, and their performance will be measured on the same key objectives.

Nick will return to the US as soon as is practicable, and Anthony will continue to be based in Australia. As a Board, we believe this positions us strongly for the future and reflects our ongoing evolution globally.

Supporting our co-founders is a team of highly capable individuals, with diverse world class experiences. A number of new appointments were made during the year from many different sectors, including fintech, retail, banking and ASX listed companies. Importantly, as a result of these appointments, we delivered on our commitment to enhance our gender diversity at a leadership level.

Diversity and Inclusion is a core focus for the business, and a number of important initiatives have been implemented this year. As a business whose success is dependent on diversity of thinking and an inclusive culture, it is critical that we have the right mindset in place across the business.

We introduced a new diversity and inclusion policy and have established a committee of employees to help guide our efforts. We have also appointed a Head of Diversity and Inclusion to ensure we maintain our focus.

We completed our first year under a new remuneration framework, which was outlined in our remuneration report last year. The framework has been applied globally and continues to align with our remuneration principles.

Our remuneration framework is leveraged to equity, as opposed to cash. In this way, we create greater alignment between executives and shareholders, by rewarding people for performance over the long term, as opposed to the short term. The variable elements of the new framework include a short-term incentive paid in cash, and a performance tested long term incentive plan, awarded in market priced options.

Our remuneration report for the 2020 financial year outlines the outcomes of the balanced scorecard, used to determine the 2020 financial year short term incentive. The business achieved 86% of the total available vesting against the targets set, which included both financial and non-financial metrics, and a Board discretion modifier for doing the right thing.

As many of you will recall, Executive KMP last year volunteered for their STI to be withheld until the outcomes of the final report of the external AUSTRAC audit were known. The Board has determined that the FY'19 STI be paid in full as all metrics were met.

The performance tested long term incentive plan continues to be a key component of the Afterpay's remuneration framework. If the performance measures are achieved, the LTI is awarded in market priced options, so that they only deliver value to Executives if the share price increases. The FY'20 and FY'21 LTI performance measures of GMV or underlying sales and NTM were chosen by the Board as they are the key drivers of the Group's growth strategy, and are the key metrics used by the market to assess the Group's performance in this phase of the Company's evolution.

In the case of the two co-founders, their remuneration is heavily weighted to LTIs, and the exercise price is set at a 20% premium. Their packages exclude any RSUs and STI, and their cash remuneration is well below market.

It is important that shareholders consider this when asked to vote on resolutions items 7 and 8, which pertain to the award of their long-term incentives.

There is an additional resolution, item 6, that shareholders are being asked to consider, which relates to equity awards to Californian based participants of the plan. Importantly, the legacy US employee share offer plan is now closed, and new incentive awards are provided by way of Afterpay's parent entity, equity incentive plan.

In order to make these new awards, there are certain Californian securities law requirements which must be met. A vote in favour of this resolution, will facilitate the participation of California based employees in the plan.

In July this year, the Company undertook an institutional placement, successfully raising \$650 million by issuing 9.8 million shares, priced at \$66 per share. This was complemented by a share purchase plan that raised approximately \$136 million.

At the same time as the institutional placement, the two co-founders sold just over two million shares each, at the same price as the institutional placement. Final pricing and allocation decisions were made by a sub-committee of independent Afterpay Directors. I can confirm that following the co-founder's sale of a relatively small percentage of their overall holdings, they continue to be the largest individual shareholders of Afterpay, and they have reiterated their long-term commitment to the business.

The funds from the capital raise will be used to accelerate our investment in existing regions and expedite our expansion into new markets. It also offers greater flexibility and capacity to execute on potential non-organic growth opportunities.

Pleasingly, our capital position, post the capital raise, provided us with the capacity to fund over \$30 billion in underlying sales above the current run rate. Today's item 4 resolution seeks shareholder ratification of the issue of shares relating to the July placement.

We are also seeking approval in item 5, to issue the convertible note that relates to the Pagantis acquisition announced on 24 August this year. The acquisition once completed, will allow us to expedite our expansion into countries such as Spain, France, Italy and Portugal, and provides the opportunity to extend our service into other European Union countries. The reason we are seeking approval, is to ensure we maintain capacity to issue up to 15% of our issued capital, which we believe is a prudent approach for any business.

In my address, I have sought to answer some of the questions that we've received from shareholders that relate specifically to resolutions of the meeting. Anthony and Nick will also address some of the questions, relating to the operations and ongoing performance of the business, but before I ask them to address the meeting, I will respond to several other, more frequently asked questions sent to us.

The first relates to provision of legacy option grants to many employees in the past, resulting in a large number of significant windfall gains, and whether we believe this is appropriate.

Afterpay's legacy equity plan resulted in a number of one-off grants of equity in the form of options, loan shares or rights, at the time the employee commenced employment with the Group. These awards were subject to continued employment and in some cases, the achievement of specific KPIs.

These arrangements were essential at the time they were put in place, to attract and compete for top-tier talent in the global technology sector. It was only a few years ago that Afterpay was a small company with limited financial resources, and we purposely used equity to provide a strong retention mechanism for key talent during its start-up phase.

Grants made under the plan were not seen to be excessive at the time, and no one could have foreshadowed the rapid growth of the business and its share price. Attracting and retaining this talent was key in achieving our success to date, and importantly, the equity outcomes are exactly the same as those experienced by our shareholders over the same period.

As I mentioned earlier, we developed a new remuneration framework that reflects the maturity and scale of our business and moves away from these types of legacy arrangements.

Another question commonly asked relates to our efforts around corporate social responsibility and our overall sustainability strategy. As part of our Do the Right Thing strategic pillar and core values, we focus on a number of different areas, where we feel we can make a difference to our people, our communities and the environment.

Our whole business model is based on trust. Our social licence to operate is linked to this mutual trust relationship, and our objective to look for a win-win outcome in everything we do. The long-term sustainability of our business is reliant on us living up to our responsibilities as a good corporate citizen.

During the year, we have undertaken a number of initiatives that build on our commitments. This included the introduction of Afterpay Access, which is a one-stop-shop for small businesses, offering tools and expert advice on how to grow during this challenging period and beyond.

We also showcased and connected small businesses with millions of Afterpay customers through our Afterpay Connect and Support Small program. We now overtly support sustainable fashion, by partnering with Good On You, the world's leading source for sustainable fashion brand ratings, and we have progressed towards carbon neutrality, by

purchasing the necessary carbon credits to offset our emissions.

We also partnered with five charity partners in each of our regions, and launched the add \$1 / £1 at the checkout, providing our customers the option to donate directly to the charities we have partnered with on the Afterpay platform.

When I reflect on all that's occurred since our last AGM, it is fair to say that it was another very busy, very active 12 months for Afterpay, in one of the most challenging periods we as a society have ever experienced.

I would like to offer my sincere thanks to our shareholders globally, for their ongoing belief and support for our business. My thanks to our world class and hardworking Board for their continued guidance and commitment, and to our amazing co-founders for maintaining their focus on realising our vision, and for flawlessly executing on our strategy.

To the Executive Leadership Team, congratulations on another successful year, and thank you for your hard work and continued leadership of our fabulous team. To our people, thank you for making Afterpay everything that it is today. Your passion, resilience, your tireless efforts are what makes our business so successful. I look forward to continuing working with each of you, as we strive to create fairness and financial freedom for all.

I will now invite Ant and Nick to address shareholders.

Anthony Eisen: Thank you, Elana, and good morning, everyone. I'm pleased to be here addressing you today albeit in a different forum than previous years, as we continue to operate within the safety guidelines and health guidelines in Melbourne. I will begin today's presentation and I'll then hand over to Nick who will join us from Sydney.

Looking at the slide in front of you, as Elana mentioned, 2020 brought with it many challenges across the globe that impacted businesses, people, and ways of working. While we are still witnessing the ever-changing COVID environment, our focus has been, and remains, taking care of our people above all else.

Our team's safety, health and wellbeing is our top priority across all regions we operate, and in many ways, it really has brought our teams closer together through their support of each other.

Just last month our teams across all geographies ran different activities and sessions to highlight the importance of mental wellbeing during Mental Health Awareness Month.

I know I speak on behalf of the leadership team to say that we continue to be incredibly

inspired by our team's resilience during these uncertain times and the really amazing and outstanding work that they have delivered.

We have also been extremely proud of how our teams have stood, virtually, shoulder-to-shoulder to ensure we continue to keep our customers and merchant partners at the centre of everything we do. This has been fundamental to continuing to build trust and loyalty during these challenging times.

As we shared only a few weeks ago, we have had a really solid start to FY'21. Our active customers continued to grow in the first quarter, reaching 11.2 million active customers by the end of September. We also continued to increase the number of merchant partners on the platform to over 63,000.

Q1 FY'21 underlying sales grew by 115% to \$4.1 billion, up from \$1.9 billion in the previous corresponding period, as a result of strong growth across all regions. The benefits of our retail platform continued to drive value with an average of over 19 million lead referrals generated per month to retailers in Q1 FY'21.

If we look at each region's performance during the first quarter it was amazing to see that Australia and New Zealand grew strongly year-on-year, up 63% on the previous corresponding period.

Underlying sales momentum continued to accelerate both online and in-store. Underlying sales in the US increased by nearly 230% compared to Q1 FY'20, and Underlying sales in the UK in Q1 FY21 grew by 346%, when compared to the previous corresponding period.

October this financial year was another record month for underlying sales globally, and we are performing ahead of this in November. In-store sales in Australia continued to increase as a percentage of total sales, reaching 23% in recent weeks.

Notwithstanding the growth in in-store and the relaxation of lockdown conditions across Australia and New Zealand, we see online sales growth continue to track very strongly.

At the same time, consumer and retail demand for our offering internationally continues to be very strong. The growth of new customers is accelerating since the end of Q1, so since the end of September, in both the US and UK, particularly as the pipeline of new merchants go live on our platform.

We have had a number of key international new merchants join our platform in the past week alone including. A few examples are Bed Bath & Beyond, Buy Buy Baby, Glossier, SAXX and the Arcadia Group, which includes Top Shop in the UK. Nick will speak more on

our new regions in a few minutes.

On our key financial and performance metrics, there has been no change to the comments we made around gross losses, net transaction losses and net transaction margins in our Q1 business update, and we are pleased with how the business is tracking in the first 6 weeks of the second quarter of FY'21.

What we saw through COVID was the acceleration of consumers away from traditional credit to debit, and a shift to online shopping. Our purposefully differentiated business model benefited this shift, and the trust we have built with our customers and merchant partners enabled us to continue to grow and expand during this time.

As a leadership team, we also took the time to reflect on where we were heading and how we stay true to who we are. We evolved our vision, our mission, strategy and more importantly, the values, to ensure they truly reflect us, to reflect Afterpay. When we say us, we mean our customers, our merchants, partners, stakeholders, as well as, of course, our team.

With a focus on Millennials and Gen Z, we've redefined our vision that aspires to create fairness and financial freedom for all. Our mission is to power an economy in which everyone wins, which means working to deliver a win-win for all of our stakeholders.

Our strategic focus remains the same but we have evolved our priorities to further drive our long-term growth and ensure we meet the changing needs of our customers. Our renewed values are reflective of the mindset and behaviours we expect from our team as we execute our strategy. Let me take you through those.

I am extremely proud of our team and what we have delivered so far. We launched and evolved our brand, which included a new visual identity, a new vision and a new mission. Our brand provides a platform that allows us to clearly articulate who we are and what we do on a global scale.

We continued to increase our merchant partners, customers and we expanded globally. This enabled us to grow, a really core pillar of our strategy, and be available where our customers want us to be

We also listened to our customers and merchants and continued to innovate to meet their needs. I will share more on recent innovative initiatives we have launched with a responsible spending focus.

We have been able to perform successfully each year by focussing on all aspects of our

business and on the right long-term investments. Everything we have done and continue to do, however, is underpinned by doing the right thing for our teams, our customers and everyone within our community. This is something we think about and we action every day, and it permeates into all of our activities.

Our commitment to do the right thing is something our team continues to be incredibly passionate about. The challenges we faced in 2020 only amplified the passion and determination of both our team and our customers to support those in need.

Over the past 12 months we have partnered with Red Cross to support the Australian Bushfire Appeal, developed 'support local' campaigns, launched social campaigns in support of black-owned businesses, and partnered with charities in each of our regions to support those who have been impacted by COVID.

In terms of responsible spending and our commitment to it, we take our role in making a positive contribution to society extremely seriously. We are committed to leading and educating consumers on financial wellbeing, and we seek to provide the platform and services to help drive these behaviours.

Our recent announcement regarding our plans to offer savings and budgeting tools, in partnership with Westpac's banking as a service digital platform, will enable us to provide customers with an alternative to traditional banking and credit products.

We spent a lot of time talking with our customers about what matters to them when it comes to being empowered with their money. We heard words like, control, choice and flexibility. For our customers it's about being in control of their money but with the flexibility and choice in how to manage it.

By broadening our ecosystem to include new money management tools and products, we are able to deliver innovative solutions that meet the needs of a powerful next generation of customers. These solutions will also help our customers make better-informed financial decisions and have greater control over their finances. We've very excited about this impending launch.

We have now introduced our new Pulse Rewards program in Australia and the US. This program highlights yet another way we are building on our core principles by encouraging financial wellness.

We know that Millennials and Gen Z are making conscious decisions to be more responsible with their finances by using debit rather than credit. We also know that customer loyalty is

not purely a program. It's a feeling delivered through experience. Our customers want to feel empowered in how they choose to spend their money and we are rewarding their positive behaviours.

This is why we built Pulse Rewards, which rewards paying on time rather than the traditional concept of the more you spend, the more you earn. There are very few customer loyalty programs like this. We have launched in ANZ and the US, and will also look to launch in the UK, and will continue to reward our customers based on our core principles.

As we continue to innovate through our platform and services like Pulse and our money management tools, our core principles and differentiated business model will remain the same.

We believe trust-based relationships result in positive customer behaviours. We trust our customers and reward them for spending responsibly and will empower people to use their money on things they want by being financially in control.

Afterpay's incentives are aligned with consumers. An on-time payer is more profitable for the business. Our business model is unique in this regard, and unlike traditional credit, who need consumers to lose for them to win and survive by charging interest, Afterpay doesn't charge fees or have hidden costs and we pause customer accounts if a single payment is missed. We will always remain committed to rewarding and empowering our customers through trust and good repayment behaviours.

Before I hand over to Nick, I would like to make some concluding comments. Delivering on our strategy and priorities will be absolutely key to our success in FY'21 and beyond. In FY'21 we will further accelerate our investment to enhance our platform and continue to grow our people resources; pursue marketing opportunities and invest with our retail partners; to consolidate our market-leading position in existing markets' and also expedite our expansion into new markets and leverage an early mover advantage

I am truly excited by what lies ahead. I'd like to thank the Afterpay team, who are truly incredible. They do an incredible job every day, day in and day out, and the passion, the drive, the dedication and support our team has displayed has been nothing short of inspiring to watch.

I will now hand over to Nick, who will provide an update on our customers and merchant partners. Thank you very, very much.

Nicholas Molnar: Thank you, Anthony, and everyone for joining us today. I am thrilled to be able to address you all today and continue sharing the incredible work our team has done in what we know has been an extremely challenging year.

We know this difficult year has been felt by so many around the world, including many of our customers and merchant partners. I was so proud to see how our teams focused our customers and merchants, whether it was ensuring our customers were aware of how we could help if they needed, or supporting our small business through different resource tools or expert advice during this challenging year.

I also want to echo Anthony's comments about our people. We are very fortunate to have the team we do and continue to be amazed by them every single day.

I would like to start by reflecting on our global expansion efforts over the past few months. A key focus for our growth strategy is to be where our customers and merchants want us to be, and we know this from what they tell us.

Launching into Canada in August was a really exciting moment for the team. We have had a solid start with a number of large merchants now live, integrating or signed.

The acquisition of Pagantis in Europe, which remains subject to approval from the Bank of Spain, is a key step in our efforts to be a truly global business. Pagantis provides us with the opportunity to launch into Spain, France and Italy immediately and creates a glidepath to other countries in the European Union.

Our teams are busy developing integration plans to ensure we are ready to launch as soon as the acquisition is completed. We are excited about working with the talented Pagantis team and learning from their wealth of knowledge.

The discovery of our expansion plans into Asia are also progressing well, as we have a base now established in Singapore. This will allow us to drive the development of a strategy for the South East Asia market.

Our cross-border trade also builds on our global expansion by enabling our merchants to offer their products to customers all over the world. Specifically, all Afterpay merchants can now open their e-commerce sites to Australian, British, Canadian and New Zealand shoppers. Next year, global merchants will also be able to sell to U.S. consumers.

As with all of our global expansion opportunities, we continue to use our successful ANZ operations as a blueprint for execution. What has been most compelling in ANZ to date is the development and evolution of our flywheel.

The benefits of our model and the compounding impact on our performance is extremely obvious in our most mature market, and, importantly, we are seeing similar outcomes in our newer international markets.

Our flywheel highlights the importance in symbiotic relationship between our retailers and our customers. As more retailers join our platform, the flywheel drives new customer acquisition and greater network acceptance.

Acceptance amplifies usage, which drives frequency and stickiness between our customers' favourite brands, and their favourite way to pay. When the compounding impact of frequency and active customers reaches a tipping point, we see an acceleration of our network effect. The value of this network effect positively impacts customers, retailers and Afterpay, ultimately demonstrating how we power an economy in which everyone wins.

Our market experience in ANZ has established an important blueprint for growth in other regions. We find that the longer our customers are on the platform the frequency of transactions increases. In FY'20 the earliest customer cohorts in ANZ were transacting approximately 25 times per year.

We also find that as we increase the number of merchant verticals, customers will spend across more verticals. Over a 12-month, period the top 10% of customers in ANZ, on average, transacted across 26 different merchants, within 11 different verticals.

Through our blueprint we have demonstrated that high acceptance and high frequency equals lower losses and higher profitability. We have seen similar trends at the same stage of the merchant and customer lifecycle with our international markets.

To truly optimise our opportunity for global growth, underpinned by this network effect, understanding our core customer base is more important than ever before.

As Anthony mentioned earlier, the shift to online and the shift away from traditional financial products like credit cards shows there is a longer-term step change that is taking place, driven in large part by Afterpay's core customer base, the next generation of retail, the Millennials and Gen Z.

These shifts in trends, that started after the global financial crisis, are exactly why we founded Afterpay. We wanted to empower a younger generation to use their own money and feel in control of their finances, not just today but over their life stages.

We know that Millennials and Gen Z will reach their peak earning potential over the next 10 years, driving a significant increase in the percentage of total global retail spend coming

from these two generations.

In recent weeks, we've been working on a global economic series about consumer spending, with a focus on these younger generations. It's called the Next Gen Index.

The insights, based on internal and external data, recognise the growing power of Millennials and Gen Z in the economy, and how their behaviours and preferences are shaping the future of commerce. They also shine a light on the role of BNPL in the changing landscape.

While there are more in-depth reports available for Australia, the US and the UK on our website, I'd like to touch on some key insights around our core customer base, from this Next Gen series.

Currently, Gen Z and Millennials represent 36% of total retail spend in Australia. By 2030, that will grow to 48% as more of Gen Z enters the workforce. In the US that share of retail spend will grow from 32% to 48%, and in the UK, it will grow from 25% to 39%. Spending by these younger generations has also recovered faster than older generations since the start of COVID.

Spending by Millennials here in Australia is now 2% above pre-COVID levels. In the US, spending by Gen Z and Millennials is back to only 5% below pre-COVID levels, and in the UK, Millennial spending is back at the same level it was pre-COVID, while Gen Z is 7% above pre-COVID levels.

Spending by older generations is significantly lower in each market, all still well under pre-COVID levels. This spending by younger generations is playing a really important role in the current economic climate, helping to stimulate the economy and support retailers. That should not go unrecognised.

What is also clear is that this spending is increasingly occurring through BNPL. BNPL is trending up across all generations in Australia, rising by 60% for the year while credit cards has decreased by 10%. It is these younger generations that are leading the charge.

While Gen X spend is up 47% since January, Millennial BNPL spend has grown by 48%, from a much higher base, and Gen Z is up by 80%. In the US, Millennial BNPL spend is up 86%, and Gen Z is up 201%. In the UK, Millennial use is up 128% since January, and Gen Z BNPL use is up 213%.

Gen-Z and Millennials are becoming a powerful force in the economy. Spending behaviours aside, from a population point of view, Millennials and younger generations will soon

outnumber older generations across our markets. In Australia, by FY'24 this will take place. In the UK, it will be this year, and in the US, they already do.

Looking at our own data, we know that our interactions with Millennials and Gen Z are expanding. Millennials account for the majority of spending on Afterpay in Australia, the US and the UK. That said, in Australia, spending by Gen Z on our platform has increased by 126% year-on-year. In the US 209% and in the UK, it has grown 228% since January. We also know what they are spending on. In Australia, home and recreation categories have seen the most growth with furniture, auto accessories, outdoor and home comfort purchases very popular among Gen Z and Millennials.

When it comes to these younger generations and where these younger generations like to spend, we know they support small. Two-thirds of small business spend in Australia and the US comes from Millennial and Gen Z. In the UK, that number is even higher. This spend is up on pre-COVID levels across all markets. As a company that was founded to meet the changing needs of young people post GFC, we are committed to deeply understanding these important generations, how they want to spend, where they want to spend and why they want to spend so that we can continue to meet their needs in a way that aligns with their core values.

I would now like to take this opportunity to speak about my re-election as a director on the Afterpay Board. The journey so far with Afterpay has been amazing. Looking back at what we have achieved is just incredible. We have many pinch-yourself moments and that's not just for Anthony and myself, it's our 650 plus global team members who have worked so hard and passionately.

I am as driven, if not more so, than I was when we launched Afterpay just six years ago. We've built a brand that our customers and merchants trust, and love and we have so much more to do as we continue to grow. I am honoured to be part of the Afterpay Board and look forward to continuing driving value to you, our shareholders.

On a final note, I have been reflecting a lot over the past few days in the lead up to this AGM. We often refer to our team as the Afterpay family and this year cemented how true this is. The respect, trust, admiration I have for our team is beyond words. Our strong results in FY20 and solid start to FY21 is a testament to this team, our Afterpay family. On behalf of the global leadership team and the Board, thank you.

We head into FY21 with great enthusiasm and a clear strategy. To our customers and merchant partners, on behalf of the Afterpay team, thank you for your continued support

and trust. To our shareholders, those that have been with us from the beginning and those who have recently joined, thank you for supporting our journey and providing us with the opportunity to move forward towards our vision.

I will now hand bank to Elana.

Elana Rubin: Thanks, Ant and Nick. I'll now respond to questions on the presentation so far or on Afterpay in general and I'll respond first to relevant questions received in advance of the meeting.

Amanda Street: Thanks, Elana. We received the following question in advance of the meeting from Dust to Coast Skilled Services Pty Limited. "Are there any plans for the Company to become a dividend share?"

Elana Rubin: Thank you. I could answer that very briefly but what I will say is that our strategy is all about growth and scale. We believe that that is the best way to drive long-term value for shareholders. So, in this stage of our evolution, we are very clear that we are investing for growth and we believe that's the best use of our capital. This investment will see us take advantage of opportunities globally and set us up well for the future. Any decision to pay dividends in the future will be based on the capital needs of the business at that time.

Thank you.

Amanda Street: Thanks, Elana. We received a question from Mr Hafiz Raza. "How is the Company expected to perform during COVID-19's second waves?"

Elana Rubin: Thank you for that question. I think it's probably one that many shareholders are thinking about. It's a differentiated business model and the combination of the global shift towards online spending and the further shift away from traditional credit that Ant and Nick have also spoken about means that this period has served as a tailwind for our business. We continue to monitor economic conditions and the ongoing impacts of COVID and will adjust our business to cater for any changes in circumstances.

Pleasingly, we have demonstrated that we can adjust our model and our risk settings very quickly, to ensure we protect the business from potential increases in default payments. Thank you.

Amanda Street: Thanks, Elana. We have a question from Mr Martin Edgoose. "Can the Board provide a timeline on any plan to monetise the Afterpay app, via charging for advertising?"

Elana Rubin: Thank you again for the question. As we've spoken about, our approach is to look at ways that we can add value to both sides of the network and there are a number of opportunities to monetise value. But whatever we do, it's going to be aligned with our core principles and it's going to look to achieve a win win for everyone. I can't offer any more detail at this point, but it is something to think about but consistent with our values. Thank you.

Amanda Street: We received a further question from Mr Edgoose. "Can the Board provide a timeline of when the Clearpay brand will be phased out and replaced with the Afterpay brand in Europe?"

Elana Rubin: Thank you. At this point in our journey, we're continuing with the Clearpay brand and we're pleased because it's building very strong presence in the UK after just 18 months. As we expand into Europe, we're going to be leveraging the Clearpay brand even further through acquisitions and launches, so there is no immediate plan to alter this strategy. Thank you.

Amanda Street: Elana, we received four questions in advance of the meeting from Christine Haydon as a volunteer monitor for the Australian Shareholders' Association. Her first question is: "Afterpay has benefitted from a number of tailwinds that have emerged from the COVID crisis. How do you see the withdrawal of government stimulus packages impacting the growth outlook for Afterpay?"

Elana Rubin: Thank you for the question and thank you to the ASA for engaging with us on behalf of their members. We have benefitted from tailwinds that have emerged from COVID-19 and as we've said, these include a structural shift from offline to online retail spending and a further move away from traditional credit. The impacts of the government stimulus and a redirection of spending away from travel and entertainment has had an impact, particularly around low rates of default payments.

But having said that, we think it's the structural shifts that are really important and are likely to be permanent and will align well with our business model. Thanks.

Amanda Street: Elana, the second question from Christine Haydon for the ASA is: "what has been the main learning from 2020 and how did COVID change risk?"

Elana Rubin: Thank you. One of the key learnings from 2020 related to the effectiveness of our risk model and how we use our transaction approval settings to mitigate against increasing default repayments. It was clear within a few weeks after COVID-19 hit that the

dynamic nature of our model, and the short duration of repayments, allowed us to see trends quickly.

The period also validated our thesis that by adjusting our risk settings, we could reduce the rate of default payments within a very short period of time. Thank you.

Amanda Street: Elana, a further question from the ASA. "Have you requested any additional external audits or reporting practices and has there been any changes to the detection and risks of fraud or money laundering during COVID?"

Elana Rubin: Thank you. While we haven't identified any specific increase in the risks associated with fraud or money laundering during COVID, there has been a significant amount of work undertaken over the last 12 months to enhance our processes and practices as they relate to AML/CTF risks and obligations. As part of our continuous improvement, we assess all of our risks on a regular basis and we proactively identify opportunities to strengthen our processes, systems and reporting.

During FY20 we also appointed our first internal auditor and we've commenced a program of regular reviews, so thank you.

Amanda Street: Thanks Elana. The final question from the ASA is: "we know that you are expanding rapidly and globally, particularly with a need for key personnel to deliver the growth agenda. Please tell us how you are ensuring the right fit, and a strong leadership team."

Elana Rubin: Thank you. It's absolutely true that Afterpay is a fast-paced business with a strong global growth agenda. Our culture, values and people are critical to our success. We've been busy developing a global organisational structure with the right leadership team and talent pipeline to deliver on our strategic objectives consistent with our values.

Recent leadership changes are part of this evolution. We've continued to strengthen our leadership team with the recruitment of new key talent, most recently Rebecca Lowde our new CFO; Mark Teperson, our Chief Strategy Officer; Meahan Callaghan, our Chief People Officer. We believe that we're well positioned to deliver on our growth agenda. Thank you.

Amanda Street: Elana I will now turn to questions submitted online. We have a question from Mr Stephen Mayne: He says: "senior executive turnover has been very high over the last couple of years. Can you please outline exactly who has departed and why? Is there an element of the Company's soaring share price meaning that too many executives can afford to retire?"

Elana Rubin: Thank you, Stephen, for that question. What we've said today, and you will be well across is that we are a fast-growing company and we have grown significantly over the last five years. Our focus is on the future and we believe it's critical to make sure we've got the right talent in the right places to position us for growth. We believe that the changes that have taken place - and I don't think they're anything that is out of the ordinary - and importantly the recruitment that we've undertaken positions us very well for the future.

You will also note that our recruitment of new executives this year has been under our new remuneration framework which provides a very structured approach to remuneration and importantly keeps executives focused on the long term rather than the short term and reinforces the alignment between the executives and shareholder interests. I hope that answers the question.

Amanda Street: Thank you. The next question online is from Bhudeva Pty Limited, I hope I have pronounced that correctly: "Has the Board considered a share split?"

Elana Rubin: Thank you. We have talked about many issues around the Board table, but I would have to say that is not one that we have considered in any depth so thank you for raising it. We do talk about our capital structure on a regular basis to ensure that it is right for the Company and right for allowing us to execute on our strategy and realise the opportunities in front of us and we'll continue to do so. Thank you.

Amanda Street: Elana, we have a question from Mr Trevor Hun: "What is the thinking behind having a co-CEO? Isn't it a doubling up of CEO costs and a reversal of Nick's move to Chief Revenue Officer less than 18 months ago?"

Elana Rubin: Thank you very much for the question and I'm sure it's something that lots of shareholders are interested in. The move to co-CEO recognises the important opportunity ahead of Afterpay. We're a fast-growing company, we have a global focus and the move to co-CEOs is something that the Board has discussed in the context of making sure we've got the right leadership structure to really execute on the strategy and to take advantage of the opportunity.

You'll note in the release today that Nick isn't getting any adjustment to his package - and I hope he doesn't see this is an invitation to ask for one - so there's no additional cost, but it's really focused on ensuring we've got the leaders in place to take advantage of the strategy and deliver for our shareholders. You'll have seen today, as you would have in previous years, that Ant and Nick have quite a unique working relationship.

They've got complementary skills and experience, they work incredibly well together, they've created this amazing company together and the Board has no doubt that as co-CEOs they will be able to take the Company further. Thank you.

Amanda Street: Thanks, Elana. We have a further question from Stephen Mayne: "Anthony Eisen was elected in 2017 but the Board has applied the CEO voting exemption to him. As a co-CEO, could Anthony put himself up for election next year or better still could the Board voluntarily move to a model of all Directors being up for election each year, mirroring the UK and US law, plus the model voluntarily adopted by companies like Treasury Wine Estates?"

Elana Rubin: Thank you, Stephen, for the suggestions on annual director elections and the order in which our Directors are put up for election. We'll take that onboard and certainly reflect on who will be up for election next year and also, we'll continue to monitor trends in respect of annual director elections. Thank you.

Amanda Street: Elana, we have a question from Mr Mitchell Harmer: "Is the intention to monetise cross-border trade through taking a fee for currency conversion?"

Elana Rubin: Thank you for that question. Ant, do you want to answer that, I know you've been looking at this?

Anthony Eisen: Yes, sure. Thanks very much for the question. The key thrust between cross-border is actually offering something that is pretty unique in added value to both merchants and customers. The ability to provide a merchant to basically present their brand and their products to customers that they could never market to directly is really about enhancing our two-sided network or our platform.

The impetus is around that and the differentiation that brings to bear. There is an additional revenue stream that comes with sorting out FX, so it's presented very seamlessly both on the merchant side and the customer side. So, yes, we do over time see that as being incremental but it's very consistent with a very low cost and efficient service, nevertheless.

So, it's not about trying to introduce something that is dramatically different or unique for the purposes of making money but there is a facilitation fee that we will receive if we execute well and provide it seamlessly for our merchants and our customers. Thank you.

Amanda Street: Thanks. A further question from Stephen Mayne: "Afterpay said it was misled by external legal advice which led to money laundering issues. Are we continuing to

use the law firm involved and have they contributed to the millions we have spent on the AUSTRAC proceedings?”

Elana Rubin: Thank you, Stephen, for the question. In the course of undertaking work to support the AUSTRAC independent audit, Afterpay changed its advisors and our legal advisor and we worked with people who are leaders in the field. So, we no longer use our original advisor, and we haven't asked for any contribution to the cost. I think what you would have seen is that as we've grown, we have scaled up the advice that we get in many areas, consistent with the experience of many young companies. Thank you.

Amanda Street: Elana, a further question from Mr Mitchell Harmer: “What rate are customers onboarding in October and November?”

Elana Rubin: Thank you for that. That is very timely. I'm going to ask Ant to give some answer and perhaps Nick.

Anthony Eisen: Yes, sure. It's Anthony here. Look, we're not going to be very specific about the data in October and November here today but what I can tell you is that we have certainly seen an acceleration from the first quarter. So, we did update a few weeks ago on what the results looked like for July, August and September, or Q1 of FY21, and you would have seen from that update that things were still progressing very strongly.

They've increased further than that in October and November, particularly as we've seen not just seasonality take hold but also as we referred to in the early addresses, our merchant pipeline continues to grow very strongly and some of the names I mentioned earlier are also contributing to that acceleration. So, yes, we've seen an acceleration, but I can't be more specific than that at the moment. Thank you for the question.

Elana Rubin: Nick, is there anything that you'd like to add? No, great. Thank you.

Amanda Street: Elana, there are no more questions at this stage.

Elana Rubin: Thank you. We'll now move to the formal business of the meeting. The notice of meeting has been made available to you all, I'll take that document as read. As previously noted, we have eight items of business. Items 2 to 8 include resolutions requiring a vote. The poll on each resolution is open. After discussion on each resolution that requires a vote, we'll again display proxies received on your screen. That doesn't mean you have to vote now; you can wait to hear the questions and answers on each item and then vote as voting will remain open until the end of the meeting.

Please submit your questions now if you have not already done so. Proxyholders are

reminded that you must vote in accordance with the proxyholders' directions. Any directed proxies that are not voted will automatically default to me as Chair of the meeting. I am required to vote those proxies as directed. All proxies that are open and available to me as Chair of the meeting will be voted in favour of the relevant resolution.

We will now move to the first item of business.

Item 1 is the receipt and consideration of Afterpay Group's Financial Reports for the year ended 30 June 2020. These reports were approved by the Board and provided to you with our 2020 Annual Report. They are also available on our website. There is no need to pass any resolution on the reports, however shareholders and proxies are welcome to ask questions in relation to the accounts or the overall activities of Afterpay.

They may also ask questions of Ernst & Young that are relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted in preparing the financial statements and the auditor's independence. All questions to the auditor will be directed to me in the first instance as Chair and, if appropriate, I will ask David McGregor to address the meeting.

We encourage shareholders to submit questions in advance of the meeting and the main themes were incorporated and addressed in our earlier presentations. We will now respond to shareholder questions received online.

Amanda Street: Elana, we have no questions on this item.

Elana Rubin: Thank you.

Item 2 concerns the election and re-election of Directors. Please submit your questions on item 2 if you have not already done so. Gary Briggs, Pat O'Sullivan and Sharon Rothstein were appointed to the Board since the last AGM as independent non-executive Directors. They each submit themselves for election today.

Their qualifications, background and experience are summarised in the notice of meeting. Their appointments followed an extensive global search based on agreed selection criteria. They each bring a depth and breadth of relevant expertise across several key areas for the business, contributing to what is a highly accomplished, diverse and dynamic Board.

Gary brings significant marketing expertise to the Board in the digital and technology sectors globally. Pat brings diverse experience across a range of sectors, financial and accounting expertise and listed Board experience. Sharon brings deep expertise across leading consumer brands. Her background provides us with key retailer insights and

assists in the development of new relationships and networks globally.

In recommending the election of Gary, Pat and Sharon, the Board notes that each Director has confirmed they have sufficient capacity to fulfil their duties to Afterpay and recognises their valuable contributions. We will now play a message to shareholders from Gary, Pat and Sharon, who are attending today's meeting from Seattle, Sydney, and New York, respectively.

Gary Briggs: Hello and thank you for listening to the Afterpay AGM. These meetings are an important way to learn about the Company including its Board of Directors. My name is Gary Briggs and I'm one of the Company's independent Directors. I joined the Board on 1 January this year 2020 and I am up for re-election this year. Of course, this year has not been what any of us expected on 1 January but for Afterpay it has still been a record year and despite the economic [inaudible] it is a strong indication of the strength of the Company's customer proposition and consumer support.

I joined the Board because I believe there is significant opportunity to build an onward channel financial service business that respects people. I bring to the Board over 20 years working in consumer technology businesses. I have been the founder of an early consumer internet company, been the Chief Marketing Officer of several major consumer tech companies. To provide further detail, from 2002 to 2008 I held several executive positions at eBay. I was their first US Chief Marketing Officer, the Global Head of Marketing for PayPal and General Manager of eBay's Canadian operations.

I also worked at Google where I led their global consumer marketing operations, including marketing for Search, Chrome, Maps and their Commerce businesses. More recently, I was the Chief Marketing Officer at Facebook - their first - and led their global brand, product marketing, consumer research and developer marketing efforts. I resigned from Facebook in late 2018 to start a digital firm focused on US Democratic politics where I am Chairman. I started my career 35 years ago in politics, so I've sort of come full circle.

I will tell you that I am fully impressed with my colleagues on the Board and with the leadership that Ant and Nick bring to this opportunity. I will also tell you that we have vibrant debates and work as a Board to represent you, the shareholder. We all recognise the opportunity of Afterpay and also that the Company is early in its life and that requires all of us to work with management, not only in Board sessions but also outside them. It means we help senior management build the best company they can and guide them to lead and grow their teams well.

Thank you for listening to my background and for allowing me to serve on this Board. I hope you learn from this AGM and come away with a deeper understanding of the opportunity for Afterpay and with your support I hope to continue to serve on this Board to grow value for you. Thank you.

Pat O'Sullivan: My name is Pat O'Sullivan, and I joined the Board of Afterpay on 1 March 2020. I'm a chartered accountant by profession and worked for 30 years as an executive across a range of industries and companies, including my last two executive roles as Chief Financial Officer Optus and then Chief Operating Officer and Finance Director of Nine Entertainment Limited.

My executive career included working in Australia and overseas in media, telecommunications, FMCG and manufacturing industries and a number of online businesses. I've been a professional non-executive Director for the last eight years and I've sat on the Board of seven ASX listed companies in that time that have covered industries including media, online, telecommunications and financial services.

Today I am Chair of carsales.com and Deputy Chair of Calvary Health and with your approval I will remain as a non-executive Director of Afterpay for whom I Chair the Audit and Risk Committee and sit as a member of the Remuneration Committee. I'm privileged to have been asked to join the Afterpay Board having watched from afar how Anthony and Nick created such an amazing business in such a short time.

On meeting both Ant and Nick, it was readily apparent how ambitious and driven they are to create another very special global Australian company. Having had the opportunity to work with a number of entrepreneurs over my career, I have thoroughly enjoyed my first seven or so months on the Afterpay Board. Ant, Nick and the executives are hungry for information and knowledge and seek out the directors to bounce ideas off so they can continue to grow this Company.

Elana, our Chair, is creating a Board of Directors who are all committed to helping the Company achieve its strategic and operational objectives and the conversations and debates around the Board table, which unfortunately have been virtual since I joined, are rigorous, testing and constructive but all the Directors are encouraged and do express their views which is very refreshing.

I believe my diversity of commercial experience both here and overseas and my financial background and attention to detail allows me to make a strong contribution to the Afterpay Board and Board Committees. With your support today I look forward to continuing my

active participation on the Board. Thank you.

Sharon Rothstein: Hi, I'm Sharon Rothstein, I'm joining you from outside New York City today, sorry I can't be with you. I had the pleasure of joining Afterpay's Board this last June and I also serve as a member of the People Remuneration and Nomination Committee. Let me share with you today just a couple of minutes about myself and my support for the Company.

Prior to Afterpay, I enjoyed a 30-year career in retail, brand and marketing at some of the world's most iconic brands. I built my marketing credentials first at Procter & Gamble, Nabisco and Starwood Hotels & Resorts. In the early 2000s I moved into the world of retail, first as the SPP of Global Marketing at Godiva, then as the Head of Marketing at Sephora Americas and between 2013 and 2018 was the Chief Marketing Officer and Chief Product Officer of Starbucks.

These operating roles have provided me with deep insight and knowledge about the retail landscape, strong acumen in digital brand loyalty and bricks and mortar business and long valued relationships. I also had a chance during my operating tenure to watch companies scale across the globe and witness the different consumer dynamics throughout different geographies.

In addition to my Board work at Afterpay, I serve on two other public company boards; Yelp and Intercontinental Hotel Group and am a Board Advisor to a handful of early stage start ups and an Operating Partner at a growth equity firm here in New York. This diverse work has given me ongoing insight into the changing retail landscape. As I've observed since I've started the Afterpay Board, the Company shares a very strong mission that is so right for today's consumer.

We have a compelling and growing product, merchant portfolio, strong product clarity, a strong brand promise and continued innovation that makes this business just so unique in the marketplace. I see the Board has a strong and continued oversight into the business and deeply engaged in strategic decision making. With shareholder support I look forward very much to being an active participant on the Afterpay Board. Thanks so much.

Elana Rubin: Thank you. I will now move to questions. Amanda?

Amanda Street: Thanks, Elana. We have a series of questions from Stephen Mayne. The first is in relation to the election of Gary Briggs: "Can Gary explain how the recruitment process worked in terms of securing his appointment to the Afterpay Board in January.

Who approached him and after 11 months on the Board what does he see as the biggest risks facing the Company?"

Gary Briggs: Well, I'm happy to answer that if you'd like me to.

Elana Rubin: Thank you.

Gary Briggs: Yes. I was first approached by the Board by Dana Stalder who I know from earlier in my career and then following that contact went through a thorough vetting and interview process as well as other candidates, to my best knowledge, through a major global executive search firm. As I went through that process had the chance to meet with other Board Member as well as with Nick and Ant in the process of becoming considered to be on the Board of Directors.

I think to the second part of your question which is the biggest risk, I think it's really largely an executional one given that many companies are starting to see the market opportunity that Afterpay is pursuing globally. So, one of the things we certainly talk about as a Board is resource allocation and prioritisation as we seek to capitalise on the opportunity presented to us globally.

Elana Rubin: Thank you.

Amanda Street: Thanks. The next question from Stephen Mayne is in relation to the election of Pat O'Sullivan. He says: "well done on hiring Pat who has great experience and a big job chairing the Audit Risk and Compliance Committee. What does Pat see as the most important risks to manage along with the key regulatory compliance issues that the Company could face down the track?"

Elana Rubin: Pat.

Pat O'Sullivan: I'm happy to take that and, Stephen, thank you for the question. Look, I think the great news - and Anthony and Nick both touched on this in their presentation - is that there is a real strong risk culture at Afterpay and the concept of doing the right thing flows right from the Board, through Ant, through Nick, through the global leadership team and down to the rest of the executives.

I think in terms of the key risks, Stephen, as you'd expect, we kind of break them up into three buckets. So, we've got our financial risks, regulatory risks and operational risks. The team is doing a great job in terms of building out good systems and processes, the training is strong and we've got regular audits both by internal people and by an internal audit team which is serviced by a third party accounting firm.

A bit like Gary, I think in terms of the risks going forward, growth and managing execution is going to be critical and on the risk side, Anthony and Nick have built out a great team of very senior people who have great experience in financial services and are building a global risk team out across the globe. I hope that answers your question Stephen.

Elana Rubin: Thanks, Pat.

Amanda Street: Thanks.

Elana Rubin: Amanda?

Amanda Street: The next question is in relation to the election of Sharon Rothstein: "Sharon is a great hire. Similar to the Gary Briggs question, can Sharon outline who approached her to join the Board? Was she interviewed by the full Board? Sharon has great retail experience but can she also outline her governance experience and any early impressions she has on the Australian governance standards, particularly the importance of having a clear majority of independent Directors who can challenge and hold management to account."

Sharon Rothstein: Thanks, Amanda. I was first approached by Nick who I met through a US retailer and during my interview process I did meet everyone on the Board, some in person and obviously those in Australia by Zoom. In addition to my retail experience - and I spoke to it a little bit in my bio - I do sit on two other public company boards, so have opportunity to see governance in a US business through Yelp, in a UK business through Intercontinental Hotels & Resorts.

As discussed here by my other Board Members, I believe we, as independent Directors, have deep engagement in the business and an opportunity to help shape and guide strategy and oversight in a very meaningful way.

Elana Rubin: Thank you and thank you, Stephen, for those questions. When we were talking at the AGM last year about our desire to move to a majority independent Board, we also talked about what skills we'd be looking for. We were looking for scalable technology, retail brand, digital, global, financial. When you think about what we were looking for and the three Directors that we have recruited, I'm sure, Stephen, you and other shareholders will acknowledge that we've met the brief in a fabulous and comprehensive way.

The recruitment process involved a global recruiting firm and as is often the case, the development of a shortlist is a process of everybody putting names on the table and going through them. So, it was a very collaborative process, our global recruitment firm was

involved throughout, and we had independent checks done on all the three candidates. You will have seen that they are of incredible calibre and are positioned to continue to add value to the Board.

So, if there are no further questions on this item, the proxies received in respect of resolutions 2A, 2B, 2C are now shown on your screen.

Please submit your vote on resolutions 2A, 2B, 2C if you have not already done so.

I'll now move to the election of Nick Molnar as a Director and we heard from Nick earlier in the meeting. Nick co-founded Afterpay with Anthony in 2014, he was appointed to the Board as an Executive Director on 5 July 2017 and, effective today, he is Afterpay's co-CEO and Managing Director. His qualifications, background and experience are summarised in the notice of meeting.

I think it goes without saying that Nick is integral to the Organisation. The Board recognises his hard work, perseverance and unwavering commitment to Afterpay's purpose and his future focus for the business. I'll now move to questions.

Amanda Street: Elana, we have a question from Stephen Mayne. Nick sold \$135 million worth of shares in July in conjunction with the \$650 million placement. He retains 20.45 million ordinary shares worth more than \$2 billion. Can Nick explain why he sold some of his shares and whether he intends to sell more shares over the next 12 months? Can he undertake not to do this before next year's AGM?"

Elana Rubin: Thank you for the question. Nick?

Nick Molnar: Thank you for the question, Stephen. From my perspective, the decision was a decision around diversification of assets and I think I speak - I can't speak on behalf of Anthony but I imagine that we're very aligned in saying that we remain incredibly excited about the long-term prospects of the business and very committed to the long-term outcomes of what we're trying to achieve.

It is naturally quite difficult for Anthony and myself to sell stock when we desire just given the frameworks at play which is why the process occurred in the way that it did, but absolutely as committed as ever to the long-term outcomes of the Company.

Elana Rubin: Thank you. I think it is worth noting that the sale was a very small percentage of your holdings and you and Ant continue to be the significant shareholders on the Register. From today's presentation by Nick and Anthony, I don't think there is any question around their passion for the business, their vision, their drive and their

commitment to continue to realise value for Afterpay's shareholders.

Amanda are there any further questions on this item?

Amanda Street: No further questions, Elana.

Elana Rubin: Thank you. The proxies received in respect of this resolution are now shown on your screen.

Please submit your vote on resolution 2D if you have not already done so.

Item 3 is the adoption of Afterpay's Remuneration Report for the year ended 30 June 2020. The Remuneration Report is set out in our 2020 Annual Report. The report aims to provide you an understanding of the links between Afterpay's strategy, its performance and executive remuneration, as well as the framework we have in place to ensure effective governance of remuneration matters. The report also details the FY20 remuneration arrangements and the outcomes for our key management personnel.

I will now move to questions.

Amanda Street: Elana, we have a question from Stephen Mayne. Thank you for early disclosure of the proxy votes with the formal addresses on the ASX this morning. There was a 9% protest vote against the Rem Report and a 10% protest vote against the LTI grants to the co-CEOs. Which of the proxy advisors recommended against these Rem issues, what were their concerns, and will any changes be made?

Elana Rubin: Thank you, Stephen, for the question and I think a Rem Report in the 90s is still a very, very good outcome. We do meet with advisors and investors on a regular basis and we listen to their views and we take them onboard when we can. You will note that we have improved our disclosure actually in a number of areas following feedback from investors and yourself. We've improved our disclosures around our capital raising information and indeed the lodging of proxies today ahead of the meeting.

So, we do meet with our investors and proxy advisors and this year there were a couple of matters raised by two in relation to our Remuneration Report and long-term incentive plan essentially around the measures we use. So, there was a question around EBITDA and a question on LTIs using GMV and NTM. In both cases the discussion that we had was that the Board believed that these measures were the most appropriate for the business. There were measures that the market looked at, there were measures that we used internally to drive the business. They were right for Afterpay at this point in our growth.

We believed that focusing on those measures would deliver long-term performance for shareholders. As with all the discussions that we have with proxy houses and investors, we continue to reflect on their views and will continue to engage and if the circumstances change we will reflect those views in the future, but at the moment the measures that we have have been subject to discussion and they are there because they are the important drivers for the business and they're the measures that the market looks at in order to see a growth. Thank you.

Amanda Street: There are no further questions, Elana.

Elana Rubin: Thank you.

The proxies received in respect of this resolution are now shown on your screen.

Please submit your vote on resolution 3 if you have not already done so.

Item 4 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for an issue of shares pursuant to Afterpay's July 2020 Placement, the details of which are summarised in the notice of meeting.

Please submit your questions on item 4 if you have not already done so.

Ratification of the share issue is sought in order to allow Afterpay to retain as much flexibility as possible, to issue equity securities in the future should the Board consider this to be in the Company's best interests.

I will now move to questions.

Amanda Street: Elana, a further question from Mr Mayne: "Well done for pricing the placement in July at \$66 through a competitive book build to minimise the discount. More companies should do this. But by refreshing the placement capacity does this suggest another big placement is coming? Why not a pro rata PAITREO raising instead which is fairer? Also, why was the turnout on this resolution 65% when placement recipients were not meant to vote on this resolution? Have we excluded conflicted voting shareholders?"

Elana Rubin: Thank you, Stephen, for the question. On the first, we believe that it's prudent to refresh our capital allocation provision to give us discretion in the future about how we can use our capital to support our growth. We've reflected on the options available and we believe that this is the most appropriate one for us and our shareholders.

On the second issue about the percentage, we rely on the Share Registry to ensure that all appropriate shares are voted and those that shouldn't be voted haven't been counted. So,

I've been assured that the Share Registry has its processes in place and the percentages are correct. Thank you.

Amanda Street: No further questions, Elana.

Elana Rubin: Thank you. The proxies received in respect of this resolution are now shown on your screen.

Please submit your vote on resolution 4 if you have not already done so.

Item 5 seeks shareholder approval pursuant to ASX Listing Rules 7.1 and 7.4 for the issue of a convertible note pursuant to the Pagantis acquisition, the details of which are summarised in the notice of meeting. The Pagantis acquisition was also covered in the earlier presentation in the context of Afterpay's global expansion.

Again, approval of the convertible note is sought, and the Board considers this appropriate and prudent to do in order to allow Afterpay to retain as much flexibility as possible to issue equity securities in the future.

I'll now move to questions.

Amanda Street: We have no questions on this item.

Elana Rubin: Thank you. The proxies received in respect of this resolution are now shown on your screen.

Please submit your vote on resolution 5 if you have not already done so.

Item 6 seeks shareholder approval for the application of supplementary terms of the Afterpay Equity Incentive Plan to equity awards issued to participants in California, for the purpose of compliance with the California Corporations Code.

Please submit your questions on item 6 if you have not already done so.

In simple terms, voting in favour of resolution 6 facilitates the participation of Californian residents in the Equity Incentive Plan, which was approved by shareholders at last year's AGM.

I will now move to questions.

Amanda Street: We have no questions on this item.

Elana Rubin: Thank you. The proxies received in respect of this resolution are now shown on your screen.

Please submit your vote on resolution 6 if you have not already done so.

Item 7 seeks shareholder approval pursuant to the ASX Listing Rule 10.14 for the grant of options to Anthony Eisen, our co-founder and co-CEO. The terms of the proposed grant are summarised in the notice of meeting.

If shareholder approval is obtained, 40,203 options will be granted to Anthony as the LTI component for his remuneration for FY21. The grant will be tested against long-term performance hurdles that are aligned with the key value drivers of the Company and the generation of returns for shareholders, and these are assessed over a three-year period. The use of premium priced options will also encourage a focus on growing the Company's share price and total shareholder return.

I will now move to questions.

Amanda Street: Elana, we have a question from Mr Christopher Carreas: "The options being granted are, as of today, in the money. Why is the long-term incentive plan already in the money?"

Elana Rubin: Thank you for the question. The options are priced at a prior date and are priced at a 20% premium to market. They have got significant stretch in them. It's impossible to know how the share market will go at any particular time and so it's not in our control what the share price is today. They are structured to provide a long-term focus and to align the growth and the focus from the co-founders with the needs and benefits to shareholders. I hope that answers your question.

Amanda Street: No further questions, Elana.

Elana Rubin: The proxies received in respect of this resolution are now shown on your screen. Please submit your vote on resolution 7 if you have not already done so.

The final item of business, item 8, seeks shareholder approval pursuant to the ASX Listing Rules 10.14 for the grant of options to Nick Molnar, our co-founder and co-CEO. The terms of the proposed grant are summarised in the notice of meeting, and they are identical to those applying to the proposed grant to Anthony Eisen.

If shareholder approval is obtained, the 40,203 options will be granted to Nick as the LTI component of his remuneration for FY21.

I will now move to questions.

Amanda Street: Elana, we have a question from Stephen Mayne - a comment and a question: "Well done for taking all of the questions today in full with no censorship and

also allowing all four Directors up for election to speak. One final question. Can the co-CEOs explain why we need to issue them LTI incentives when they each own around \$2 billion in ordinary shares and therefore have enormous skin in the game and incentive already. Can we not do this again next year?"

Elana Rubin: Can I take that question please. Because the LTI is part of our new remuneration framework and we spent a lot of time last year developing the framework. It has four components; it has a modest fixed pay, it has RSUs, service based, it has a modest STI and it has LTIs. The philosophy behind the remuneration framework is twofold. One it is orientated to the long-term rather than the short-term and importantly it is orientated to equity rather than cash. Its entire structure is to align the interests of executives with the interests of shareholders and I think as you've seen in the past that's been achieved.

The co-CEOs have elected with the Board's support not to receive STI or RSUs. Their package comprises a very modest salary - and as you compare it to peers in the market, you'll appreciate just how modest it is - and premium priced LTIs which are again aligned to long-term value and aligned to shareholder interests. These are two of the hardest working executives I know, and I think it is very important, and in shareholder interest, to ensure that they are fairly rewarded for their efforts.

Stephen, I hope that answers the question and thank you for your comments on the conduct of the meeting. As I've said in my opening, we have always enjoyed meeting our shareholders and engaging with our shareholders and the team has worked very hard to ensure that we can keep that engagement albeit in a virtual format. We aim to respond openly and transparently to all our shareholders, and I hope each of you that have participated today have enjoyed the experience.

But back on this item, the proxies received in respect of the resolution are now shown on your screen.

Please submit your vote on resolution 8 if you have not already done so.

This concludes the business of the meeting. All that remains is to complete online voting. The poll will close in approximately 60 seconds. Please ensure that you have cast all your votes on all resolutions.

The final poll results will be released to the ASX and posted on Afterpay's website later today.

On behalf of the Board, thank you for your attendance today and your ongoing support of Afterpay. I hope you've enjoyed the online format and more importantly I hope that you and your families stay safe and well in the months ahead.

Thank you. The poll is now closed, and I now declare the meeting closed.

Thank you.

End of Transcript

[55:00]