



Audit, Risk and Compliance Committee Charter

Afterpay Limited
February 2021

1. Purpose of Charter

This Charter sets out the role, responsibilities, composition, structure and processes of the Audit, Risk and Compliance Committee (**Committee**) established by the Board of Afterpay Limited (**Board**).

2. Role of the Committee

The role of the Committee is to assist the Board in fulfilling its governance and oversight responsibilities relating to:

- the integrity of external reporting of financial information, Afterpay's financial reporting processes and internal control framework;
- the effectiveness of Afterpay's risk management framework (for financial and non-financial risks) and supporting systems;
- the internal and external audit functions; and
- compliance with applicable legal and regulatory obligations and internal policies.

The key responsibilities of the Committee are set out in **Attachment 1**. The authority of the Committee is as expressly stated in this Charter or as otherwise authorised by the Board.

3. Composition

The Committee will have at least three members, all of whom will be non-executive directors of the Board and a majority of whom will be independent directors.

The Board will appoint Committee members and will appoint the Chair of the Committee. The Committee Chair will be an independent director and will not also be the Chair of the Board.

Committee members will be financially literate and, between them, they should have the accounting and financial expertise, necessary technical knowledge, and an understanding of the industry in which Afterpay operates, to be able to discharge the Committee's mandate effectively.

If a member ceases to be a director of the Board, that member ceases to be a member of the Committee.

4. Meetings

The Committee will meet as often as necessary in order to fulfil its role. It is intended that the Committee will meet at least four times each calendar year.

Additional meetings may be convened by the Committee Chair, taking into account requests from any Committee member, the Chair of the Board, the Chief Executive Officers (**CEOs**), the Chief Financial Officer (**CFO**), the Chief Enterprise Risk Officer (**CERO**), the internal auditor, or the external auditor.

The quorum for any meeting will be two Committee members.

The Committee Chair is responsible for the conduct of all Committee meetings.

If the Committee Chair is unable to attend a meeting, the members present at that meeting will appoint another member (who is an independent director and not the Chair of the Board) to act as Chair at that meeting.

Committee members may attend meetings in person or participate by videoconference or other electronic means. Committee decisions and recommendations may be made by circular or written resolution (including email or other electronic means).

Attendance by non-Committee members

Directors of the Board who are not Committee members may attend Committee meetings. The CFO, the CERO, and the internal and external auditors will be invited to attend Committee meetings as required. Other members of management and advisers may be invited to attend meetings, as the Committee Chair thinks fit.

The internal and external auditors will be required to meet separately with the Committee, without management, upon the request of the Committee Chair.

Secretary

The Company Secretary (or their delegate) will be the Secretary of the Committee.

Agenda and documentation

The Secretary will prepare an agenda for each Committee meeting for review by the Committee Chair. Any Committee member may require business to be included on the agenda provided the Committee Chair and the Secretary have been given prior notice. The internal and/or external auditors may be asked to contribute to the agenda.

The agenda and supporting documentation for each Committee meeting will be circulated within a reasonable time prior to that meeting to Committee members, other directors, the CFO, the CERO, the internal and external auditors, and other attendees, as appropriate.

Minutes

Minutes of Committee meetings will be prepared by the Secretary, approved by the Committee Chair in draft and circulated to all members. The minutes of a Committee meeting will be approved at the next Committee meeting and then signed by the Committee Chair.

5. Reporting to the Board and interaction with other committees

The minutes of each Committee meeting will be provided to all directors of the Board.

The Committee Chair will, at the next Board meeting after a Committee meeting (or earlier if considered necessary), brief the Board on matters arising out of the Committee meeting and advise of any decisions and/or recommendations made.

Any significant issues or material risks to Afterpay that the Committee becomes aware of will be notified to the Board.

The Committee Chair will refer matters relating to the duties and responsibilities of other Board committees to the appropriate committee. The Committee will liaise with the People, Remuneration and Nomination Committee (**PRNC**) to ensure there is effective coordination between the two committees to assist in developing an integrated approach to remuneration that reflects prudent and appropriate risk. In particular, the Committee will advise the PRNC of matters relevant to variable remuneration outcomes for the CEOs and other executive key management personnel. The Committee will also liaise with the AML/CTF and Regulatory Review Sub-Committee (**AML/CTFSC**) as appropriate in relation to AML/CTF obligations and other key regulatory matters.

6. Access to information and independent advice

The Committee will have unrestricted access to management and rights to seek explanations and additional information from management. The Committee will also have unrestricted access to both the internal and external auditors (with or without management, at the Committee's discretion).

The Committee has authority to conduct or direct investigations into any matters within this Charter. The Committee may obtain external, independent legal or other professional advice as considered necessary or desirable by the Committee to assist it in any investigation or to carry out its responsibilities. As appropriate, the Committee will inform the Chair of the Board, the CEOs, the CFO, the CERO and the Company Secretary of any decision to authorise such an investigation or obtain such external advice.

7. Performance evaluation and Charter review

The Board will undertake an annual evaluation of the Committee's performance and effectiveness as part of the Board evaluation process.

The Committee will periodically review this Charter to determine its adequacy for current circumstances, and recommend proposed amendments to the Board.

Attachment 1 - Key Committee responsibilities

Accounts and financial reporting

- Review, and recommend to the Board, Afterpay's full year and half year financial statements (and associated results releases) and assess whether they reflect the understanding of the Committee, and otherwise provide a true and fair view, of Afterpay's financial position and performance
- Review the consistency of investor materials relating to Afterpay's full year and half year results with the financial statements
- Oversee Afterpay's financial reporting and disclosure processes
- Review significant accounting and financial reporting matters, including those matters subject to accounting judgements and estimates, the appropriateness of any significant judgements made by management, and other sensitive matters including the disclosure of unusual, non-recurring, complex or related party transactions
- Review the appropriateness of, and any amendments to, significant accounting policies

Internal control

- Review the effectiveness of accounting and financial reporting systems and internal controls relating to financial risk management
- Oversee and monitor internal control deficiencies reported by the internal and/or external auditors or management, and the timely and fulsome resolution of these matters as appropriate
- Review the representations provided by management in relation to Afterpay's financial statements, including that the opinions of the CEOs and CFO referenced in the section 295A declarations have been formed on the basis of a sound system of risk management and internal control which is operating effectively, and review the processes underpinning those declarations

External audit

- Recommend to the Board the appointment and removal of the external auditor and oversee the rotation of the external audit engagement partner
- Review the adequacy and scope of the proposed annual external audit plan (including assessing that all material risks are addressed) and approve the annual external audit plan
- Review and approve the terms of the external auditor's engagement and fees
- Review reports from the external auditor regarding financial reporting-related assurance activities, including major issues identified and the external auditor's findings, and evaluate, and monitor management's response to, recommendations made by the external auditor
- Oversee and evaluate at least annually the external auditor's independence and performance
- Monitor the working relationships between the internal and external audit functions and these functions and management
- Approve the External Audit Policy (refer **Attachment 2**)
- Monitor the level of non-audit services performed by the external auditor, including fees payable to the external auditor, in accordance with the External Audit Policy, and review reports from management and the external auditor on compliance with the External Audit Policy

Internal audit

- Monitor and evaluate the effectiveness, independence and objectivity of the internal audit function, and, where applicable, approve the appointment and removal of the head of the internal audit function
- Review and approve the resourcing and adequacy of, and budgetary allowance for, the internal audit function
- If the internal audit function (or part thereof) is to be provided by an external party, approve the appointment and removal of the internal auditor, the terms of their engagement and fees
- Review and approve the internal audit charter and the annual internal audit plan and work program, ensuring that key risk areas are addressed
- Review internal audit reports and evaluate, and monitor management's response to, findings and recommendations made
- Review relevant disclosures, in relation to each reporting period, relating to the structure and performance of the internal audit function

Treasury

- Review and recommend to the Board the Treasury Policy and Capital Management Plan
- Review reports from management on other significant treasury matters, including risk management activities

Tax

- Review reports from management on tax matters including strategies, risks, key legislative developments and Afterpay's compliance with applicable tax laws and regulations
- Review the adequacy and effectiveness of the tax risk management framework, review the results of tax control framework testing and proposed remediation plans, and approve the Tax Strategy and Governance Policy and any material amendments

Risk and risk management

- Review Afterpay's risk appetite and risk appetite statement and make recommendations to the Board
- Review, at least annually, and oversee management's performance against, the risk management framework, to satisfy itself that it continues to be sound and that Afterpay is operating with due regard to the risk appetite set by the Board, and review the disclosure, in relation to each reporting period, regarding this review
- Make recommendations to the Board in relation to changes that should be made to the risk management framework
- Review and approve, or recommend to the Board where appropriate, key policies that support the risk management framework
- Review material risks identified in Afterpay's risk profile, monitor changes in the risk profile, challenge the risk profile in light of the risk appetite set by the Board and draw the Board's attention to material risks where required, including where Afterpay is at risk of or is operating outside of risk appetite
- Review reports from management on new/emerging risks, including associated risk controls and mitigation measures, and consider the implications and monitor the management of those risks
- Assess Afterpay's risk culture through reporting from, and dialogue with, management and report any significant or systemic issues or concerns to the Board
- Oversee the adequacy of Afterpay's insurance program
- Monitor the management of Afterpay's data governance and information security risks
- Review reports in relation to material risk incidents or issues, review the lessons learned, and monitor resolution and implementation of remedial actions as appropriate

Compliance

- Oversee Afterpay's compliance management framework, including with the support of the AML/CTFSC in respect of Afterpay's AML/CTF obligations
- Review the effectiveness of systems for monitoring compliance with applicable laws and regulations, having regard to Afterpay's obligations in all jurisdictions in which it operates
- Review, or make recommendations to the Board in relation to, key policies supporting the compliance management framework, including but not limited to:
 - Anti-bribery and Corruption Policy
 - Conflicts of Interest Policy
 - Communications Policy
 - Continuous Disclosure Policy
 - Human Rights and Modern Slavery Policy
 - Privacy Policy
 - Securities Trading Policy
 - Whistleblower Policy
 - With the support of the AML/CTFSC, significant AML/CTF policies
- Review regular reports from management in relation to compliance and key regulatory matters
- Review reports from management in relation to legal and regulatory compliance, fraud and corruption, whistleblower reports, data breaches and non-compliance matters affecting Afterpay or evidencing a breakdown of Afterpay's risk controls
- Review reports from management in relation to the results of management's investigation and follow-up of any material non-compliances or material breaches
- Review reports from management regarding any material litigation or regulatory investigation
- Satisfy itself that all legal and regulatory compliance matters relating to Afterpay's business have been considered in the preparation of Afterpay's financial statements

Other responsibilities

- As appropriate, consider and review any corporate report or other market disclosures, or other communications to shareholders, relating to audit, risk and compliance matters
- Review the report of the Committee's composition, responsibilities and discharge of those responsibilities for inclusion in Afterpay's annual reporting

Attachment 2 - External Audit Policy

Appointment

The Audit, Risk and Compliance Committee (**Committee**) has the responsibility and authority (subject to Corporations Act 2001 requirements) for recommending to the Board the appointment and removal of the external auditor, as well as evaluating the external auditor's effectiveness and independence, and approving external audit fees.

Independence and rotation of external audit engagement partner

Afterpay's external auditor must be independent pursuant to the Corporations Act 2001. The Committee will review the external auditor's independence in accordance with these requirements and the standards agreed between Afterpay and the external auditor, which include:

- rotation of the external audit engagement partner every five years;
- annual confirmation by the external auditor that it has satisfied all professional regulations and requirements relating to auditor independence;
- periodic reporting on the forecast level of external audit and non-audit fees; and
- any non-audit work performed by the external auditor must be carried out in accordance with the protocols set out below.

Provision of non-audit services

The provision of any non-audit service activity by the external auditor must be authorised by the Chief Financial Officer (**CFO**), irrespective of its value (or likely value).

Prior approval must be obtained from the Committee before the external auditor can be engaged to perform non-audit services where the fee for any particular engagement is expected to exceed AU\$50,000 or the annual fees for all non-audit services have exceeded, or are likely to exceed, 50% of the total external audit fees for the financial year.

It is expected that in any financial year the non-audit services provided by the external auditor, and the fees associated with those services, will be materially lower than 50% of the total external audit fees.

The CFO (or their delegate) will keep a record of any non-audit services provided by the external auditor, and will provide a report (verbal or written) to the Committee at each meeting that describes any non-audit services approved since the last Committee meeting.

Afterpay determines non-audit services to be services that are not prohibited by the Corporations Act 2001 (or related regulations) and which Afterpay has determined are able to be performed by the external auditor. Examples include treasury transaction due diligence or the provision of R&D tax advice.