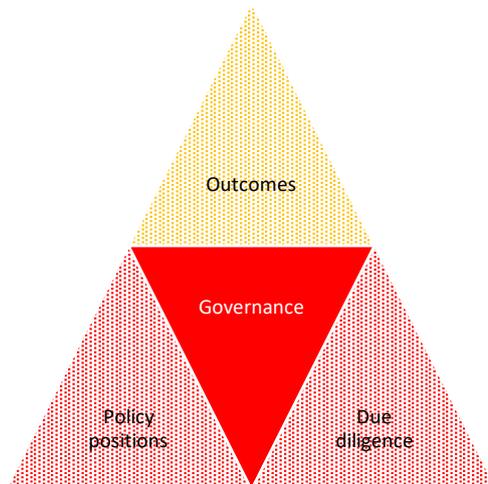


## AFTERPAY GROUP 2019 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

Company Name	Afterpay Touch Limited
Industry	Buy-now-pay-later (BNPL)
FY end	30 June
Revenue FY19	\$264.1m
Employees	330
Retail divisions	Afterpay (retail consumers using Afterpay to purchase goods and services)
CLIS divisions	Afterpay and Pay Now (services to merchants)
Law reform contributions	6, 12
Overall level of disclosure	Limited

Our overall rating of Afterpay's human rights performance for each domain is set out below. As a general comment we note that there has been a flurry of policy activity at Afterpay in 2020 (the year following this reporting period).



### RETAIL: RED

That Afterpay gives some recognition of responsibility for some of our specific human rights categories is not extended to a comprehensive suite of governance arrangements even for the categories it does attend to. EEO is a key feature in its employee domain, yet this hasn't translated into attention to anti-discrimination in this domain.

The potential for economic security impacts on consumers who access Afterpay's services has attracted attention from ASIC via two research reports (2018, 2020), the RBA in its current inquiry into payment systems, and parliamentary committees on financial hardship. According to ASIC's 2020 report, Afterpay's average transaction is \$147, it has a rolling cap of \$2,000 on total accumulated purchases, and attracts a young client base (18-34 years). ASIC's key concern appears to be around the income level, debt levels and employment patterns of this age group.

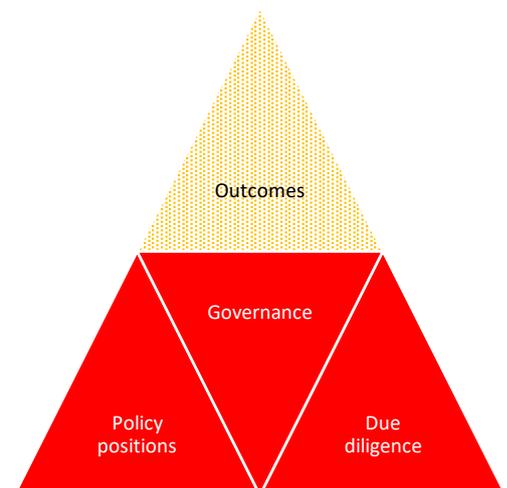
We note the use of 'responsible lending' by Afterpay to describe its approach to customers (and relevant to our economic security category): given Afterpay falls outside existing credit licensing requirements, it is not required to comply with the NCCC Act requirements. It doesn't adequately disclose what its policy is in this area, nor what due diligence it performs. Nor does it disclose information about its handling of customer disputes (such as its policies, processes and evidence of outcomes).

### CLIS: RED

Given Afterpay earns most of its revenue from its merchants, this domain should be a focus for the group as it identifies and manages its human rights risks, yet it attracts no attention.

We found no evidence of consideration given to Governance of human rights issues in relation to merchants. We note Afterpay's strategy of engaging small and medium businesses (SMBs) as merchants, and its strategy, reinforced by its remuneration schemes, of seeking growth in the number of merchants using its services. How does Afterpay consider relevant human rights of the natural persons involved in these SMBs?

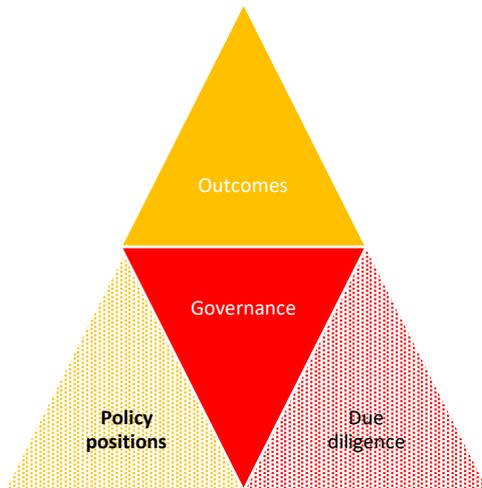
There was no attention given to how it assesses merchant's human rights risks (neither at initial sign up nor on an ongoing basis). Given Afterpay's facilities can be used for a range of purchases that include health services as well as retail products, we view human rights risk as obvious and likely significant.



This report is presented for the purpose of disseminating information and research findings for the benefit of the public. It has been prepared on the basis of evaluation of human rights performance based on publicly available material for the 22 ASX listed entities included in the sample.

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**EMPLOYEES: AMBER**

As one of the smaller employers in our FSE sample, we did not find many disclosures specifically around the governance, policy positions or due diligence approach taken to human rights risks arising from Afterpay’s relationships with its employees.

Afterpay’s key human rights focus is on equal employment opportunity and diversity – which falls mainly in our anti-discrimination category and partially in our health & safety and right to remedy categories - but without consistent attention to these categories across our governance indicators. For example, we note the Audit Risk and Compliance Committee has responsibilities for a health and safety policy and management standards. We also note that there is training provided on equal employment opportunity and diversity. It is not clear what is happening across our other human rights categories.

From its disclosures of workforce statistics, we note that it has a younger workforce, mirroring the age profile of its many retail users. We also note that its workforce is predominantly female at the non-manager level, switching to predominantly male at the manager and board levels. There is no discussion of how Afterpay plans to ensure there is an appropriate pipeline of female talent progressing to managerial levels in the group. We note commentary to indicate there exists a wide range of policies to support employees seeking work life balance, including flexible work, access to childcare facilities and return to work programs.

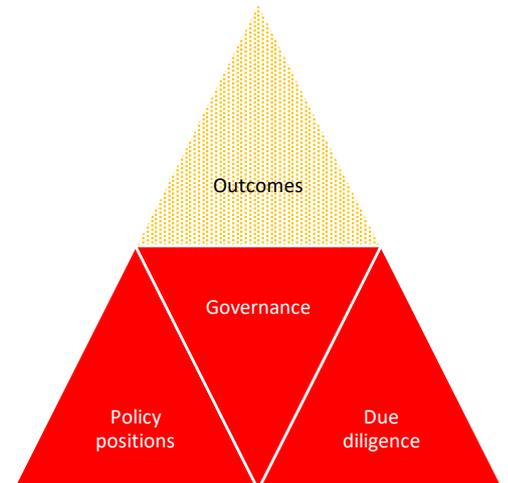
**SUPPLY: RED**

From reading its FY20 disclosures, we observe more commentary on this issue, as Afterpay prepared for and released its initial Modern Slavery Statement under Commonwealth requirements. This report reflects the state of affairs in FY2019.

Our coding for governance is based on our review of Afterpay’s governance arrangements generally. There was no discussion of supply chain in any of the documents we reviewed.

Given the absence of attention to the supply chain at a governance level, we inferred that the absence of discussions of policy positions or due diligence was unlikely due merely to an absence of disclosure.

Our code for outcomes is common across our FSE sample.



**SOCIETY: RED**

There is no recognition at Board level of public policy advocacy as a source of human rights risk and thus no attention to other governance indicators.

Its outcomes are mixed: for example it supported the product intervention powers (with a request for further consultation if it is to apply to Afterpay’s offerings); yet opined that the design and distribution obligations would not apply to it (cf ASIC’s 2020 review of the BNPL industry).

Another avenue of law reform risk comes indirectly via the submissions made by the Australian Finance Industry Association (AFIA) to law reform inquiries on the nature of services, information and rights to remedy afforded to retail customers of BNPL.

Given AFIA is taking the lead in devising a voluntary industry code for the BNPL industry (scheduled for release in March 2021), recognition of the risk that AFIA’s advocacy can have impacts on human rights indicates a need for Afterpay to actively consider the potential for these initiatives to have negative human rights impacts.