

Target Market Determination

1. About this document

This target market determination (TMD) sets out the class of customers for which the Afterpay BNPL Product (BNPL Product) has been designed, having regard to the objectives, financial situation and needs of customers in the BNPL Product's target market.

This TMD is not to be treated as a full summary of the BNPL Product's terms and conditions and is not intended to provide financial advice. Customers must refer to the relevant terms and conditions of the BNPL Product when making a decision about this product.

This TMD is effective from June 2025.

2. Class of customers that fall within the target market

(a) *Target market for the BNPL Product*

The BNPL Product is for customers who would like an alternative to traditional credit products which enables them to buy products and services on a 'buy now, receive now, pay later' basis. It has been purposefully designed as a safe product for customers, which is designed to comply with regulatory requirements and has strong inbuilt protections. Afterpay conducts credit checks as part of unsuitability assessments in accordance with its responsible lending obligations. When customers start using Afterpay, spend limits start low and customers are required to make their first repayment upfront until they have a demonstrated history of paying on time.

To ensure customers are protected, Afterpay has capped its fees and we do not charge interest on the BNPL Product. These caps are detailed in the Afterpay Terms of Service as follows:

- Late fees will never exceed 25% of the order value or \$68, whichever is lower, subject to a Maximum Late Fee Cap (as defined in the Terms of Service) and
- If a customer takes out Afterpay Plus (described below), the ongoing fees are capped at \$200 in the customer's first fee period, and \$125 in subsequent years.

Afterpay will not charge a fee if it would cause our fee cap to be exceeded.

Our research has shown that customers benefit from using a product like the BNPL Product when compared with revolving credit products such as credit cards.

Afterpay requires all purchases to be paid off within four instalments, and does not allow customers to pay a fee (or pay interest) to extend the repayment period. This means that customers cannot revolve in debt when making purchases and customers pay off their purchases over a short period of time. Afterpay customers can also cap their spend limit at any time to enable them to have control over their spending (referred to as a 'spend cap').

Afterpay recognises that customers may experience financial hardship from time to time, and has a generous and highly accessible hardship program. We have a wide range of flexible hardship solutions available for every customer who indicates they are in financial difficulty. Additionally, late fees are frozen for customers in hardship.

Afterpay does not enforce debts, and we do not participate in the negative reporting of debt to credit reporting bureaus. This means that customers do not experience the harm that can ordinarily arise (e.g. pressure to pay to avoid negative credit listing, aggressive debt collection practices, legal enforcement of debts) when they find themselves unable to meet their repayment obligations.

Because of these reasons, the BNPL Product is suitable for a wide range of customers.

(b) *Class of customers that fall within this target market*

The BNPL Product is designed for customers who:

- Are seeking to pay for products and services on an instalment basis without payment of interest, account keeping or establishment fees and without the risk of entering into debt spirals.
- May not have an established credit history to become a customer, and may have other liabilities.
- Would benefit from a product with strong inbuilt controls which protect the customer, such as:
 - Real-time risk decisioning - i.e. orders are approved individually, rather than a customer being provided with an unrestricted spend limit.
 - Dynamic spend limits which start low.

- Spend limit increases only occurring with consent, and eligibility factors including demonstrated positive repayment behaviour and successful completion of an unsuitability assessment.
 - Spend limits may decrease due to missed payments or other factors.
 - Protections to avoid excessive fees, with hard caps on fees.
 - Restrictions on using the product to make purchases when instalment payments are missed.
- Would benefit from a product which:
 - provides them with the flexibility of paying by instalments via automatic debit from the customer's preferred payment debit or credit card, or self-initiated early payments which can be scheduled via app or web portal;
 - has no hidden fees or costs associated with its use if instalments are paid on time;
 - allows them to select the day of the week that they would like their scheduled payments to be made;
 - is zero cost upfront and, if late fees happen to be paid, is low cost relative to other financial products that are available in the market;
 - enables them to set a spend cap to manage their spending;
 - does not result in merchants engaging in 'discretionary' pricing - i.e. where a merchant will effectively inflate the price of their product or service to account for the use of a BNPL product.
 - Where, in rare cases, Afterpay does allow a merchant to charge more for the use of Afterpay, this will be only on an exceptions basis, and Afterpay requires that any such surcharge be notified to customers prior to purchase, and does not discriminate against customers for selecting the Afterpay service as compared to other payment methods offered by the merchant.
- Would be comfortable with the ease and efficiency of using a digital-only product.

BNPL Product additional feature - Afterpay Plus

In addition to the benefits and features above, the BNPL Product has an additional optional feature called Afterpay Plus which is designed for customers who would like to pay a monthly fee to obtain additional features and benefits such as the ability to use the BNPL Product with almost any merchant accepting Apple Pay, Google Pay or Samsung Pay as payment methods.

(c) Excluded class of customers

The BNPL Product may not be suitable for customers who are seeking functionality and flexibility that goes beyond what Afterpay supports. This product is not designed for customers who:

- Require a product with a large upfront spending limit.
- Require a product that enables unrestricted on-demand spending.
- Require a product for use at all categories of merchants.
- Require a product that enables them to pay down their purchase over a long period of time.
- Are not comfortable using digital-only services.
- Currently have a suspended or written off Afterpay account.

The same excluded class of customers referred to above applies to Afterpay Plus with the exception of the class of customers who require a product for use at all categories of merchants given the key feature of Afterpay Plus allows its use with a wider range of merchants outside of the Afterpay merchant network upon payment of a monthly fee.

The BNPL Product may also not be suitable for customers who use a credit card as their repayment method and who incur repeated late fees as a result of repayments being dishonoured by their credit card provider due to having an insufficient credit card limit. Customers in this situation may be more likely to be vulnerable, potentially increasing their overall liabilities and be using multiple products to manage a difficult financial situation. Afterpay puts in place measures to protect these customers (see below).

(d) *Eligibility requirements and product attributes*

The key eligibility requirements and product attributes of the BNPL Product are:

- Customers must successfully complete the onboarding process by meeting the following conditions:
 - Be an individual over 18 years of age.
 - Be an Australian resident.
 - Be capable of entering into a legally binding contract.
 - Have a valid and verifiable email address and Australian mobile telephone number.
 - Provide a valid delivery address in Australia.
 - Be the holder of a Mastercard or Visa card issued by an Australian financial institution to use as a payment method.
 - Have a regular income.
 - Successfully verify their identity to the satisfaction of Afterpay.
 - Be able to pay 25% of an order amount immediately as the first instalment.
 - Must be able to access the product through digital means.

- Must meet Afterpay's internal credit risk criteria and successfully complete a credit check as part of the unsuitability assessment to the satisfaction of Afterpay.
- Customers may not be onboarded if they have previously been an Afterpay customer.

BNPL Product attributes

- Pay within four instalments over six to eight weeks.
- No interest, account keeping or establishment fees charged.
- Variable spend limit based on internal credit risk criteria, customer repayment history and unsuitability assessment and inability to spend over the spend limit.
- Ability to choose a preferred day in the week when payment due dates in respect of orders are to fall due (except for the first payment where it is due at the time of the order).
- Ability to set a spend cap on the account.
- Further orders declined if a customer is one day overdue on a single instalment repayment.
- No late fees charged when the customer pays on time.
- Capped late fees.
- Freezing of late fees for customers who apply for hardship.

BNPL Product additional feature Afterpay Plus attributes

In addition to the BNPL Product attributes:

- Customers are able to use Afterpay Plus with almost any merchant accepting Apple Pay, Google Pay or Samsung Pay as payment methods (excepting those merchants which might be restricted by the relevant card schemes e.g. Mastercard) on payment of a monthly fee.
- Customers can pause their Afterpay Plus subscription via their Afterpay App and will resume once the pause period ends. When paused, their Afterpay Plus Card will revert to an Afterpay Card for in-store purchases within the Afterpay network.
- Capped fees.

3. Consistency between target market and the BNPL Product

The BNPL Product is consistent with the likely objectives, financial situation and needs of the identified class of customers within the target market due to the following key terms, features, attributes and controls:

- No charging of interest, account keeping or establishment fees.
- Only charging a monthly fee for customers who have opted in to the Afterpay Plus feature.

- Provision of a variable spend limit based on internal credit risk criteria, credit check as part of an unsuitability assessment, customer repayment history and capabilities.
- No option provided to customers to pay extra fees or interest to delay their debt or payment schedule.
- Hard system controls in place to:
 - Ensure customers complete the onboarding process before they can use the BNPL Product.
 - Decline further order approvals if a customer is one day overdue on a single instalment repayment, thus preventing a debt spiral.
 - Minimise the financial impact of missed payments by capping late fees and freezing all late fees for customers who apply for hardship.
 - Prevent spending over a specified amount.
 - Prevent customers from spending on Afterpay when they are in arrears with Afterpay.
 - Reduce customers' spend limits to significantly limit the potential harm that may arise from additional spending based on certain risk factors.
- In-network merchants are contractually prevented from inflating the cost of their products where Afterpay is used as the payment method, and Afterpay conducts monitoring to ensure that this contractual requirement is met. Afterpay also does not partner with merchants that are associated with a higher risk of discretionary pricing. Afterpay has also conducted research to confirm that the use of Afterpay by merchants and customers does not result in higher prices for customers because of the value that Afterpay generates for merchants.
- The BNPL Product is a purely digital product.

For customers that exclusively use a credit card (rather than a debit card) with Afterpay and pay repeated late fees, Afterpay protects these customers by:

- Proactively offering hardship assistance; and
- Preventing them from continuing to spend on Afterpay.

Afterpay also conducts regular monitoring in accordance with the measures set out in this section 3 and as set out in the review triggers in section 5.

4. Distribution Conditions

(a) How the Product is distributed

The BNPL Product is distributed directly by Afterpay via online channels. Customers may obtain the BNPL Product by:

- Downloading our smartphone application via the Apple or Google app stores.
- Accessing our website at www.afterpay.com and applying for the BNPL Product.
- Seeing the BNPL product available for use at online merchants and applying for the BNPL Product online via www.afterpay.com (note: merchants do not play a role in distributing the BNPL Product or assisting customers to apply for the BNPL Product).

Although customers may see Afterpay available for use at physical retail stores, customers must still apply online (via the Afterpay app or website) to use the BNPL Product. Sales staff within retail stores do not assist customers in obtaining the BNPL Product.

(b) Adequacy of distribution conditions and restrictions

Afterpay only distributes the BNPL Product online and uses a standardised process for onboarding customers. This control helps ensure that customers that obtain the BNPL Product are in the target market.

Further, the marketing for the BNPL Product does not deliberately target customers outside the eligibility criteria (such as those under the age of 18 and those outside Australia) which assists in ensuring the distribution is being directed towards the target market for whom the BNPL Product has been designed.

5. Reviewing this target market determination

We will review this TMD in accordance with the below:

Initial review	By 5 October 2022
Periodic reviews	At least every 12 months from the initial review or more frequently as required.
Review triggers or events	<p>Any of the below triggers may indicate that the TMD is no longer considered appropriate for the target market and a review of the TMD is to be undertaken by Afterpay:</p> <ul style="list-style-type: none"> • A material change to the design or distribution of the product. • Occurrence of a significant dealing outside the target market. • External events such as material adverse media coverage or regulatory attention. • A material change to our metrics outside tolerance, including, but not limited to: <ul style="list-style-type: none"> (a) A significant increase in volumes of complaints relating to: <ul style="list-style-type: none"> ▪ Declined hardship applications. ▪ Payment of late fees when the customer has paid on time or is in a hardship arrangement with us.

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| | <ul style="list-style-type: none">▪ Customers being able to spend over their set spending limit.(b) Customers being able to use the BNPL Product before completion of the onboarding process.(c) Customers being able to transact over their set spend limit.(d) Customers having orders approved if they have an overdue instalment.(e) Customers being charged late fees while they are in a hardship arrangement with us.(f) Number or proportion of customers paying late fees over the cap. |
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Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.