

Real world AI

Corporate
Governance
Statement

2021 Corporate Governance Statement

The Appen Limited Board of Directors (**Board**) is pleased to present Appen's Corporate Governance Statement for 2020 (**Statement**). This Statement outlines our principal corporate governance practices in place during the financial year ended 31 December 2020. Copies of all governance documents referred to in this Statement can be found at [Appen.com](https://www.appen.com).

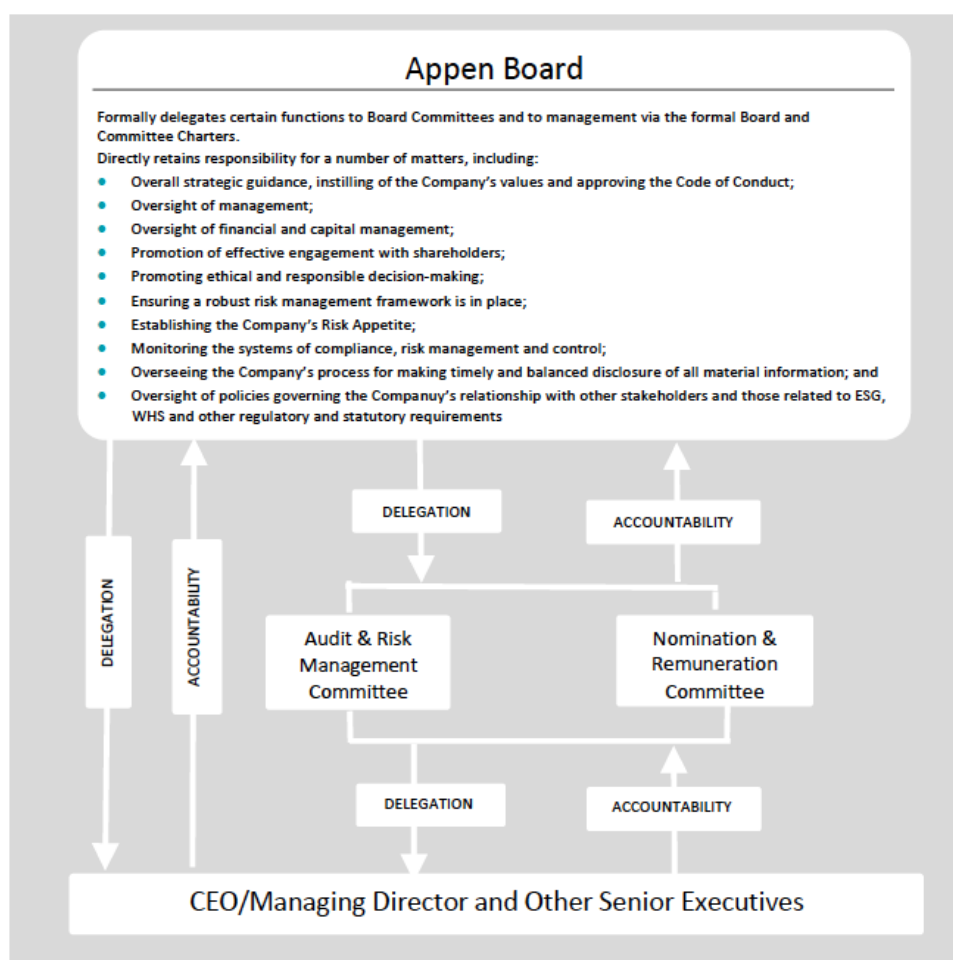
The Board and management team maintain high standards of corporate governance as part of our commitment to create value for our stakeholders through effective strategic planning, risk management, transparency, and corporate responsibility.

Our governance policies and practices have been consistent with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Governance Principles**) throughout the year. These policies and practices are reflected in this Statement as well as our Appendix 4G.

We regularly review our governance practices in light of the growth in the Company and relevant emerging corporate governance developments.

Our governance framework ensures accountability, both of the Board and senior executives, to the Company and our shareholders. The diagram below summarises our governance framework, including the functions reserved for the Board. The functions carried out by the two standing Board Committees are outlined in section 2 of this Statement.

Diagram 1



2020 Areas of governance focus

Key areas of governance focus and activities undertaken by the Board, its Committees and management during 2020 included:

- Strategic and financial performance
 - a Board and executive strategy session was held with a focus on existing and new market growth and internal and contributor productivity
- Appen employees
 - established a COVID Response Team to define safety protocols for all offices, implemented a weekly communication cadence to update employees on pandemic impacts to our colleagues, and we established an internal online portal to continuously update employees on the status of each location and policies related to the situation.
 - established a Diversity and Inclusion Committee comprised of Appen employees.
- Global crowd
 - reinforced our Crowd Code of Ethics. The six pillars of our Crowd Code of Ethics – Fair Pay, Inclusion, Crowd Voice, Privacy & Confidentiality, Communication and Wellbeing, work to build our reputation as a company of fairness and integrity in how we partner with our crowd.
- Social and environment
 - continued to focus on our material non-financial risks including those relating to our crowd and remote workforce.
 - updated our Diversity Policy and approved a new Environment Position Statement.
 - made further progress on integrated reporting and increased our disclosure and transparency on key ESG issues.
- Governance and board renewal
 - reviewed and updated relevant governance policies, charters, and practices to reflect the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
 - internal audit program - reviewing and assessing processes across key operational areas; baselining Global Cyber Security practices; and reviewing process and controls around payroll, including a review of pay to relevant awards.
 - appointed Vanessa Liu as a non-executive director based in the US.

1 The Board of Directors

Relevant governance document:

- Board Charter
-

1.1 The responsibilities of the Board

The Board is accountable to our stakeholders and as such the Board is responsible for demonstrating leadership, defining the Company's purpose, establishing strategic objectives, approving our values and the Code of Conduct and oversight of the management of the Company. To clarify the roles and responsibilities of directors and management and assist the Board in discharging its responsibilities, our Board operates under a formal Charter that sets out the functions reserved to the Board and provides for the delegation of functions to Board Committees and to senior management.

The Board has reserved for itself the specific responsibilities summarised in the Diagram 1.

Further detail around the responsibilities reserved for the Board and those specifically delegated to the CEO/MD are outlined in the Board Charter, which is reviewed on an annual basis to ensure that the division of functions between the Board and management continues to be appropriate for the needs of the Company.

Our Board has delegated specific authority to two Board committees, which assist the Board by examining various issues and making recommendations. A description of each committee and its responsibilities are set out in section 2 of this Statement.

1.2 Board composition

As at 31 December 2020 there were seven directors on our Board. Table 1 below sets out each director, the commencement of their tenure, and their status as an independent or non-independent director.

Table 1

Director	Tenure commencement	Independent / Non-independent
Mr Chris Vonwiller	14 August 2009	Non-independent, non-executive director and Chairman
Mr Mark Brayan	13 July 2015	Non-independent, Chief Executive Officer and Managing Director
Ms Deena Shiff	15 May 2015	Independent, non-executive director
Mr Bill Pulver	19 April 2010	Independent, non-executive director
Ms Robin Low	30 October 2014	Independent, non-executive director
Mr Steve Hasker	07 April 2015	Independent, non-executive director
Ms Vanessa Liu	27 March 2020	Independent, non-executive director

Directors' qualifications and experience are listed in the Annual Report in the Directors' Report, including details of their other listed entity directorships. This information can also be found on the Company's website.

1.3 Director independence

The Board assesses all directors' independence against the criteria outlined in Box 2.3 of the ASX Governance Principles annually. The Board considers a director to be independent if they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and objective judgement.

Information about any such interests or relationships, including any related financial or other details, is assessed by the Board to determine whether the interest, position, or relationship could, or could reasonably be perceived to, materially interfere with the exercise of a director's unfettered and independent judgement. As part of this process, the Board considers each of the factors relevant to assessing the independence of a director set out in Box 2.3 of the ASX Governance Principles and other facts, information, and circumstances that the Board considers relevant. The Board considers the materiality of any given relationship on a case-by-case basis.

The Board assesses the independence of new directors on their appointment and makes an annual assessment of each non-executive director to determine whether it considers the director to be independent.

As illustrated in Table 1, the following directors have been determined as being independent as at 31 December 2020 – Ms Robin Low, Mr Steve Hasker, Ms Deena Shiff and Ms Vanessa Liu. Our Board has made this assessment on the basis that none of these directors have been employed in an executive capacity by the Company within the last three years, has not had a material business relationship with the Company within the last three years, is not a substantial holder of Appen shares and do not fall within any other criteria listed in Box 2.3 of the ASX Governance Principles.

Mr Pulver was CEO of the Company from April 2010 until January 2013 when he transitioned to a non-executive director. Despite him not having a period of three years between ceasing employment with the Company and serving on the board, he is considered an independent non-executive director due to the length of time that has lapsed since he resigned from his executive position with the Company. In addition, there has been a wholesale change in the executive team during his tenure meaning he has not become too close with management to impact his independence.

Further rationale for the determination of these directors being independent is they conduct themselves at arm's length in their engagement with the Company and bring their considerable skillsets to bear on matters before the Board. The approach of these directors to matters of the board is always independent in both appearance and in fact.

Mr Vonwiller is a substantial shareholder of the Company and therefore is not considered independent based on the criteria in Box 2.3 of the ASX Governance Principles. The Board believes that Mr Vonwiller's deep knowledge and experience with the Company and in the industry is invaluable to the Company and its operations and that Mr Vonwiller exercises independent judgement in decision-making.

Mr Mark Brayan by virtue of his executive Chief Executive Officer/Managing Director (**CEO/MD**) position is considered non-independent, based on the criteria in Principle 2 of the ASX Governance Principles.

Based on this assessment, our Board has a majority of independent directors.

1.4 Our Chairman

As noted above, the directors have elected Mr Chris Vonwiller as Chairman of the Board. Mr Vonwiller is not considered to be independent, and the rationale for his appointment despite this non-independent classification is outlined above. He is non-executive, and his role is outlined in the Board Charter. The duties of the Chairman and the CEO/MD are carried out by separate people.

1.5 Relationship between the Board and our CEO/MD

Our CEO/MD oversees the day-to-day management of the business and, with the support of senior management, reports to the Board on the exercise of his delegated authority. Our CEO/MD has been delegated the authority to manage the Company in accordance with the strategy, plans and policies approved by the Board. The delegations are reviewed by the Board from time to time.

Our Non-executive Directors have the opportunity to meet at each Board meeting without the CEO/MD or management present.

1.6 Nomination and appointment of Directors

When considering the appointment of directors to the Board, a formal process is undertaken to identify various candidates, with interviews held and appropriate background checks carried out. In addition, the Board considers and formally resolves to support the election or re-election of directors to shareholders at general meetings/annual general meeting.

Before director candidates are selected, the Board considers the current collective skills and competencies and will assess its needs at that time and in the future and develop selection criteria for the candidates. Candidates are required to disclose their other commitments and confirm that they are able to dedicate sufficient time to their duties. A shortlist of candidates is considered by the Board relative to its selection criteria.

We provide shareholders, in the relevant notice of meeting, with information in our possession relevant to assist them to make an informed decision on all directors standing for election or re-election. This information includes biographical details, covering relevant qualifications, experience, and skills directors bring to the Board, details of any other material directorships currently held by the candidate, the term of office currently served by the directors, a statement on the independence of the candidate and the reasons why, and a statement by the Board as to whether it supports the election or re-election of the candidate and a summary of the reasons why.

Directors are elected or re-elected in accordance with the Company Constitution, the *Corporations Act 2001* (Cth) (**Corporations Act**), and the ASX Listing Rules. At our 2020 Annual General Meeting, Ms Vanessa Liu was elected, and Mr Chris Vonwiller was re-elected by shareholders.

1.7 Induction and ongoing development

A director induction program has been designed, and our directors are expected to participate in this induction and orientation program on appointment. In addition, industry updates are regularly provided to the Board to ensure they are informed about developments within the company and the industry in which it operates.

1.8 Knowledge, skills, and experience

The Board maintains a Board Skills Matrix that outlines the skills and experience considered by the Board to be important for its directors to collectively possess. These skills are set out in Table 2, with each considered a competency that the Board believes it requires to effectively discharge its duties.

The Board Skills Matrix and competency descriptions are reviewed annually to ensure the skills remain relevant to the Company. This review was carried out in 2020, with a number of changes incorporated, including the addition of new skills (International Business Experience, Data and Security and Technology and Innovation), deletion of those no longer deemed relevant (Corporate History), and amendments were required to the title and descriptions of existing skills. In revising the Board Skills Matrix, the Board identified that, collectively, the Board does have the necessary mix of skills and experience appropriate to the current size and complexity of the Company's business. This is evidenced in the director backgrounds in the Company's Annual Report which outlines the skills and expertise of each director.














The diagrams in Table 2 illustrates the number of directors that have a level 3, 'high', or level 2, 'medium' competency, and experience in the described skill (where directors were asked to rate their competency level for each skill as low, medium, or high against the description of each skill). These numbers are extracted directly from the Board Skills Matrix, where directors are rated on their level of competence in each identified skill.

In addition to the skills and experience set out in Table 2, we consider that each director has the following attributes:


- honesty and integrity;
- the ability to think strategically;
- the time available to devote to Appen's business;
- a willingness to question and challenge; and
- a commitment to the highest standards of governance.

All directors are expected to use their range of relevant skills, knowledge and experience and to apply their judgement to all matters discussed at Board meetings.

Table 2

Skill	Description	Skill level
Strategy	Experience in defining strategic objectives, assessing business plans and driving execution. Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions.	
Finance	Understanding the financial drivers of the business, experience in financial accounting and reporting, corporate finance and internal financial controls.	
Risk	Experience in identification and monitoring of material financial and non-financial risks, oversight of compliance frameworks and controls, mitigation strategies and compliance issues.	
Industry experience	Experience and understanding of language technology, machine learning and artificial intelligence including applications, market drivers and trends.	
Customer/client	Experience developing customer/client strategy and delivering customer/client outcomes.	
Capital markets	Expertise in considering and implementing efficient capital management including alternative capital sources and distribution, yields and markets.	
Corporate transactions	Experience in assessing and completing complex business transactions, including mergers, acquisitions, divestments, major projects and business integration.	
People and culture management	Board Committee or senior executive equivalent experience relating to people management and human resources, corporate culture and remuneration issues of a global organisation.	
Governance	Knowledge and experience in best practice governance structures, policies and processes.	
Technology and innovation	Experience and expertise in identifying, assessing, implementing and leveraging digital technologies and other innovations.	
Data and security	Understanding the use of data and requirements relating to data security, cyber risk and privacy.	
International business experience	Experience in international business, trade and/or investment at a senior executive level and exposure to global markets and a range of different political, regulatory and business environments.	
Environment, social and governance	Expertise in the areas of environment, social and governance (ESG), and the ability to advise the Company of required policies, actions and disclosures on these matters.	

 High competency and experience

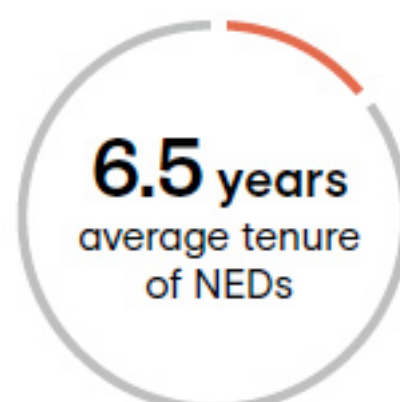
 Medium competency and experience

International business experience



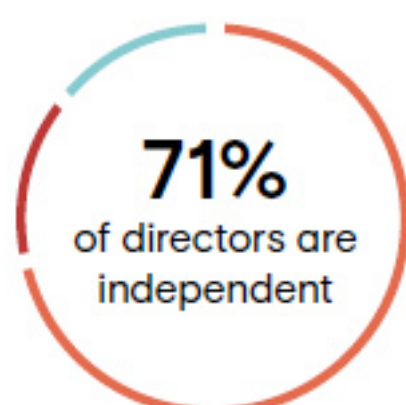
High competency and experience	6
Medium competency and experience	1

Director tenure



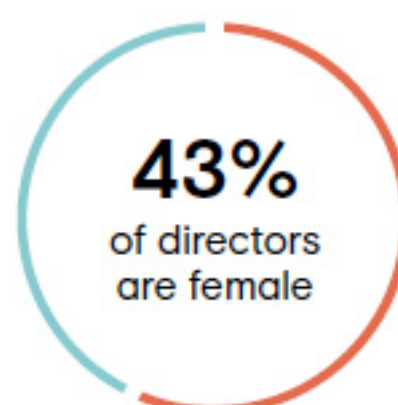
0-1 year	14%
1-3 years	0%
3-5 years	0%
5+ years	86%

Director independence



Independent	5
CEO	1
Chairman	1

Board diversity



Male	57%
Female	43%

2 Operation of the Board

Relevant governance documents:

- **Audit and Risk Management Committee Charter**
 - **Nomination and Remuneration Committee Charter**
-

2.1 Board Committees

Our Board has established the following standing Committees, which assist it with the execution of its responsibilities. The composition and effectiveness of the committees are reviewed on an annual basis:

- Audit and Risk Management Committee; and
- Nomination and Remuneration Committee.

In addition, our Board may establish ad-hoc committees or delegate authority to existing committees to oversee specific activities.

Each of these committees operate in accordance with specific charters approved by our Board, which sets out its composition, functions and responsibilities.

Details of the number of committee meetings held during the year and individual directors' attendance at these meetings can be found in the 2020 Directors' Report. Details of the qualifications and experience of committee members can also be found in the Directors' Report.

A high-level description of each committee's responsibilities and committee composition as at 31 December 2020 is set out in the following table.

Table 3

Committee	Members	Composition	Key Responsibilities
Audit and Risk Management Committee	Ms Robin Low (Chair) Mr Chris Vonwiller Ms Deena Shiff	<ul style="list-style-type: none">- At least three members, all of whom must be non-executive directors and a majority of whom are independent directors.- The chair should be an independent non-executive director, who is not the chairman of the Board.- All members should be financially literate and at least one member must have financial expertise and some members must have an understanding of the industry in which Appen operates.	<ul style="list-style-type: none">- Monitoring and reviewing:<ul style="list-style-type: none">a. the integrity of the Company's internal financial reporting and external financial statements;b. the effectiveness of internal financial controls;c. accounting and tax and related policies;d. the independence, objectivity and performance of external auditors;e. the performance of the Company's internal audit function and review of their audits; andf. the policies on risk oversight and management;- Making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement; and- Risk management oversight.

Nomination and Remuneration Committee	Mr Bill Pulver (Chair)	- At least three members, the majority of whom are independent directors.	Advising the Board on: <ul style="list-style-type: none"> - identifying nominees for directorships and other key executive appointments; - the composition and size of the Board to ensure it is conducive to making appropriate decisions with the benefit of a variety of perspectives and skills; - the appointment and re-election of directors; - ensuring that effective induction and continuing professional development programs exist for directors; - the development and implementation of a process for evaluating the performance of the chairperson, non-executive directors, Senior Executives, Board Committees and the Board as a whole; - Board and executive succession planning generally; and - remuneration policies and practices for the Board, the CEO, the Chief Financial Officer, senior executives, and other persons whose activities, individually or collectively, affect the financial soundness of the Company.
	Ms Robin Low	- The chair should be an independent director.	
	Mr Steve Hasker	- All members should have an appropriate level of understanding of the ASX Governance Principles, the Company's business and organisation structure, the functions of the Board and the various roles and responsibilities of directors and other senior executive positions, disclosure requirements under the Corporations Act and ASX Listing Rules, and the complexities involved in negotiating and determining executive remuneration packages.	

2.2 Remuneration of Directors and Senior Executives

Our remuneration framework is designed to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration is intimately connected to performance and is intended to be appropriate for the results delivered. Our policies are designed to attract and retain talented and motivated employees as well as raising the level of performance of the Company.

Remuneration of Executives

Our remuneration framework is designed to attract, motivate and retain employees, including senior management, and ensure that the interests of the employees are aligned with those of the shareholders. In discharging its duties, the Nomination and Remuneration Committee reviews and makes recommendations to the Board on the remuneration of the CEO/MD, CFO, and other senior executives, including:

- short and long-term remuneration, including both fixed remuneration and performance-based remuneration;
- any termination payments; and
- appropriate grants of securities under the Long Term Incentive Plan.

In making its recommendations the Nomination and Remuneration Committee ensures that:

- remuneration is set with reference to prevailing market rates for similar positions, adjusted to account for experience, productivity and ability;
- remuneration packages are designed to motivate senior management to pursue the long-term growth and success of the Company, and not reward conduct that is contrary to the Company's values or risk appetite; and
- a clear relationship exists between performance and remuneration.

Remuneration of non-executive Directors

Our non-executive Directors are remunerated by way of fees which are set with reference to the prevailing market rates. They do not participate in the schemes designed for the remuneration of executives, nor do they receive bonus payments or any retirement benefits other than any required statutory superannuation.

To create alignment between non-executive directors and shareholders, non-executive directors are encouraged to hold Appen shares, and a policy has been adopted that places a minimum holding requirement of the equivalent of one years' pre-tax director fees after three years. All current directors comply with this policy but noting that Ms Vanessa Liu, who joined the Board in March 2020, is in the process of building her shareholding. Each non-executive director's current Appen shareholding is set out in the Remuneration Report in the 2020 Annual Report.

Conversely, to preserve independence and impartiality, no element of non-executive director remuneration is 'at risk' (that is, it is not based on the performance of the group).

2.3 Performance evaluation

Our Board is committed to enhancing its effectiveness through performance management and review. Our annual Board review process is designed to help enhance performance by providing a mechanism to raise and resolve issues and provide recommendations to enhance its effectiveness.

In 2019, the Board engaged an external consultant to conduct a formal, structured evaluation that involved each director completing a confidential questionnaire covering the role, composition, processes and the carrying out of its responsibilities, and an interview with the consultant. The results of the review process and an analysis of these results were reported to, and reviewed by, the Board. A review was not carried out in 2020 due to the comprehensive review in 2019, and the Board considered the skills mix in 2020 appropriate with the appointment of an additional director during the year.

The evaluation for all executives is based on specific criteria, including the business performance of the Company, whether strategic objectives are being achieved, and the development of management and personnel.

The CEO/MD's performance is formally assessed on an annual basis by the Board. All Key Performance Indicators (**KPIs**) are considered by the Nomination and Remuneration Committee, which evaluates the CEO/MD's performance and makes a recommendation to the Board in relation to performance and remuneration.

An annual assessment of the performance of all other senior executives is undertaken by the Board on the basis of recommendations from the CEO/MD, who conducts performance reviews in relation to each senior executive.

A performance evaluation for all senior executives, including the CEO/MD, was undertaken in the reporting period in accordance with the process disclosed above.

Further information on directors' and executives' remuneration, including principles used to determine remuneration and KPIs, is set out in the Annual Report under the heading 'Remuneration Report'.

2.4 Independent Advice

In order to facilitate independent judgement in decision-making, each director has the right to seek independent professional advice at the Company's expense.

2.5 Agreements with directors and senior managers

Our non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of the appointment, the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest and the disclosure obligations of the director, together with the details of the director's remuneration.

All senior executives (defined as a member of the Executive Team), are currently direct reports to the CEO/MD. All senior executives have detailed service contracts in place, with performance criteria requirements for short term or long-term incentives outlined incentive offer documents provided to them on an annual basis.

2.6 Company Secretary

The Board Charter expressly provides that the company secretary is directly accountable to the Board through the Chair on all matters to do with the proper function of the Board. All directors have access to the company secretary, who is appointed by, and accountable to, the Board on all governance matters.

2.7 Board Meetings

Details of Board meetings held during the year and individual directors' attendance at these meetings can be found in the Directors' Report in the 2020 Annual Report.

3 Inclusion and Diversity

Relevant governance document:

- Diversity Policy
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3.1 Diversity and inclusion at Appen

As a provider of high-quality training data for artificial intelligence we employ a hugely diverse group of people across the US, UK, Australia, the Philippines, Japan, China and continental Europe. Our inclusive hiring practices are the building blocks of our success, as our diversity enables us to provide the diverse data that adds value for customers. These practices are guided by our Diversity Policy, which focuses on increasing gender and ethnic diversity amongst employees, in senior management, and on the Board.

In 2020 we established a Diversity and Inclusion Committee comprised of Appen employees. The committee charter notes:

Our vision is to take concrete action to promote diversity, inclusion, and equity at Appen. Promote understanding, empathy, and respectful dialogue among colleagues on issues of diversity, inclusion, and equity even in areas where we are not yet comfortable. Listen to and focus the voices and lived experiences of those not represented or under-represented in the company due to inequalities in society. Provide input and guidance to the company on ways Appen can meaningfully increase diversity, inclusion, and equity at all levels and act on approved actions.

3.2 Appen diversity profile, diversity initiatives, and measurable objectives

We are one of the few technology organisations founded by a woman, and our employee population is currently 58% female. Our Board is committed to increasing female representation in senior roles and has established a goal of achieving a target of 30% females at all senior leadership levels as well as maintaining female Board representation above 30%. To achieve these goals, the Board has established measurable objectives that are reviewed annually.

Management is responsible for the implementation of these objectives and has established a range of initiatives to develop female leaders. This includes the addition of a new Senior Director level to the career ladder to create opportunities for the development of executive-level skills. A High Potential Leadership Program has also been established to identify and invest in employees for senior leader positions. In 2020, 50% of Senior Directors and 80% of participants in the Leadership Program were female.

As at 31 December 2020, the Company had the following gender diversity:

Table 4

	Female Representation	
	2020	2019
Total workforce	58%	58%
Board Director	43%	33%
Executive Team/Senior Vice President	12.5%	12.5%
Vice President	25%	30.0%

Senior Director	50%	-
Director	59.5%	65.5%
Manager	60.7%	67.5%

In addition to gender, the Company's Diversity Policy supports the Company's stance of a policy of non-discrimination that ensures all employees are treated fairly.

3.3 Appen crowd diversity

The diversity of our Crowd across more than 170 countries and speaking 235 languages, is vital to our mission of helping the world build better AI, and our Crowd Code of Ethics is a differentiator for us in the marketplace in helping us achieve this goal. One of the six pillars of the Code is "Inclusion." We are dedicated to offering opportunities to individuals of all abilities and backgrounds.

Through our Persons With Disabilities (**PWD**) program in the Philippines we are training people with hearing impairments and other disabilities to annotate images and are providing opportunities to enhance their skills for additional projects. Through our Impact Sourcing Programme in 2020, we ran a pilot in Kenya that connected underserved communities to work and payment opportunities to provide them a livelihood.

Our Impact Sourcing Program is expanding in 2021, and we will partner with other global organisations, such as the World Food Programme, to reach more underserved communities and create opportunities for them while providing our customers with an added level of crowd diversity.

4 Risk Management and Assurance

Relevant governance document:

- **Audit and Risk Management Committee Charter**
 - **Environment Position Statement**
 - **Global Ethical Sourcing and Modern Slavery Policy**
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4.1 Role of the Audit and Risk Management Committee

Our Audit and Risk Management Committee assists the Board in overseeing and reviews the integrity of financial reporting, the effectiveness of the risk management framework compliance systems and internal control framework, and the external and internal audit functions to ensure that they continue to remain sound and appropriate.

Senior executives, the Head of Audit and Risk, senior members of Finance, and the external auditors attend meetings by invitation of the Audit and Risk Management Committee. Our committee holds regular meetings with the external auditor without management or executive directors present. Any director who is not a member of the Audit and Risk Management Committee may attend any meeting of the committee.

4.2 Risk Management Framework

Our Audit and Risk Management Committee reviews and assesses the Company's risk management framework annually. This process includes reviewing the implementation, management, and maintenance of appropriate enterprise-wide risk management systems, policies and procedures, reporting protocols, and internal controls to ensure they continue to be sound and that the Company is operating in line with the current risk appetite set by the Board. The framework was refreshed in 2020, and a review, as described, will be carried out in the first half of 2021.

Our Company has adopted an internal Risk Appetite Statement, which outlines the types and extents of risk that Appen is willing to accept in pursuit of its strategic objectives while adhering to the Company's values. The risk appetite is scheduled to be reviewed on an annual basis and is updated with the risk management framework.

4.3 External auditor

One of the functions of our Audit and Risk Management Committee is to review and monitor the performance and independence of the external auditor.

Our current auditor is KPMG. During 2020, Mr Cameron Slapp was appointed as lead audit partner as a result of auditor partner rotation.

KPMG has provided an independence declaration to the Board for the year ended 31 December 2020, and this declaration forms part of the 2020 Directors' Report. Details of non-audit services provided by the external auditor over the reporting period are included in the Financial Statements.

Our external auditor is required to attend the annual general meeting and is available to answer questions from shareholders about the conduct of the audit and the preparation and content of the external auditor's report; accounting policies adopted by the Company in relation to the preparation of the financial statements; and independence of the auditor in relation to the conduct of the audit.

4.4 Internal auditor

The responsibility for oversight of an effective system of internal control has been delegated by our Board to the Audit and Risk Management Committee. Responsibility for providing assurance over this system is executed by the internal Audit and Risk function. The Audit and Risk function reports functionally to the Audit and Risk Management Committee for the strategic direction and accountability purposes and reports administratively to the Chief Financial Officer to facilitate administrative and day to day operations.

The Head of Audit & Risk has direct communication access to the CEO/MD and the Audit and Risk Management Committee and reports to them directly on the Strategic Internal Audit Plan and results of Internal Audit activities.

Diagram 7



The Audit and Risk function is responsible for the following internal audit activities:

- development of a risk-based annual Internal Audit Plan for the Audit and Risk Management Committee's approval. The annual Internal Audit Plan is structured to align with Appen's strategic priorities and key risks. An integrated assurance mapping and planning process is undertaken to ensure that Internal Audit work considers the work performed by other assurance providers and targets areas where internal audit would be of the greatest value based on the level of risk, change programs, and treatment reliance across both non-financial and financial risks.
- execution of the Internal Audit Plan in line with approved audit methodologies, including:
 - providing risk-based and objective assurance that Appen's controls are:
 - effectively designed to manage Appen's risks and achieve objectives, and
 - are operating in an efficient, effective, and ethical manner.
 - assisting management in improving business performance through advice and insight, and
- reporting results to management and the Audit and Risk Management Committee, including reporting on the progress in addressing significant control and risk issues.

4.5 Integrity in Financial Reporting and Periodic Corporate Reports

We have a requirement that the CEO/MD and CFO provide written assurance to the Board, prior to the approval of the Company's financial statements for each financial period, that in their opinion, the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of Appen's financial position and performance, and that this opinion has been formed on the basis of a sound system of risk management and internal control which operates effectively.

This written declaration was received by the Board prior to its approval of the full year and half year financial statements for the financial year ended 31 December 2020.

We have a process in place to verify the integrity of any other financial or non-financial corporate reports not reviewed by the external auditor. Any periodic corporate report receives the approval of the Board prior to release to the market. This approval is based on a review of all relevant information provided by management. The specific process for each periodic corporate report will vary depending on the particular release but generally involves management analysis, discussion and recommendation, backed up by supporting documentation.

4.6 Economic, Environmental and Social Sustainability Risks

The Board considers the Company's exposure to economic, environmental, and social sustainability risks, and we have policy frameworks to manage both the risks and the opportunities.

- *Economic risks* – the business is exposed to economic conditions in our largest markets, and there is a material risk in customer concentration. In response, key areas of strategic focus include customer and revenue diversification and expansion into new growth markets.
- *Environmental including climate change risks* – our environmental risks and impacts are low as our core business activity is data annotation, and we do not consume large amounts of resources within our operations. We are, however, committed to managing and minimising the environmental footprint of our operations, including our offices, facilities, travel, and data centre usage. The Board also considers the physical and transition risks that climate change poses to the business. Our approach to climate change is outlined in line with the recommendations of the Taskforce on Climate-related Financial Disclosures in the 2020 Annual Report.
- *Social risks* – we consider the salient human rights and labour risks associated with crowd and remote workers and have practices and processes in place to mitigate the risks, including a Crowd Code of Ethics and a Global Ethical Sourcing and Modern Slavery Policy.

More information about Appen's ESG risks and mitigation strategies is provided in the 'Identifying and managing risk' section of the 2020 Annual Report.

5 Corporate Responsibility

Relevant governance documents:

- **Code of Conduct**
 - **Whistleblower / Speak Up Policy**
 - **Anti-Corruption and Anti-Bribery Policy**
 - **Global Ethical Sourcing and Modern Slavery Policy**
 - **Privacy Statement**
 - **Crowd Code of Ethics**
 - **Environment Position Statement**
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5.1 Our values

We launched our new Mission, Vision, and Values in early 2020, which provides our workforce a clear focus on delivering value in a sustainable way.

Our **values** are:

Performance is having the focus and agility to achieve quality outcomes and exceed expectations. We never stop learning and push and challenge ourselves every day.

Honesty is being a truth-teller in a respectful way; taking accountability for our actions; giving and receiving direct feedback; and, being honest with each other, our customers, our crowd, and ourselves.

Humility is being part of a team; giving credit and showing gratitude to others for their contributions; seeking diverse perspectives; and, not being afraid to ask for help when we don't know something.

Grit is about taking ownership; not giving up; and, finding the courage to succeed. Grit and resilience give us the confidence and determination to achieve our goals.

Our **mission** is to help build better artificial intelligence (**AI**) by creating large volumes of high-quality training data faster.

Our **vision** is to make AI work in the real world. We believe AI can transform the way organisations and companies do business.

5.2 Code of Conduct

Our Code of Conduct (the **Code**) outlines the standards of conduct expected of our business and its people, taking into account the Company's legal and other obligations to its stakeholders. The Code applies to the directors of the Company and all employees of the Company and its subsidiaries (**Group Personnel**).

As well as the legal and equitable duties owed by Group Personnel, the purpose of this Code is to:

- articulate the high standards of honesty, integrity, professionalism, ethical and law-abiding behaviour expected of Group Personnel;
- encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders (including employees, customers, suppliers, and creditors);
- guide Group Personnel as to the practices thought necessary to maintain confidence in the Company's integrity;

- d. outline employment practices adopted by the Company; and
- e. set out the responsibility of Group Personnel to report any violations of this Code or unethical or unlawful behaviour.

Given our business, we are working with customers to understand and address the emerging societal impact of artificial intelligence, including ethical implications and privacy issues.

5.3 Whistleblower / Speak Up Policy

We have adopted a Whistleblower / Speak Up Policy, the purpose of which is to allow people who are concerned about any improper conduct to feel comfortable reporting that conduct. It enables reporting of dishonest, fraudulent, illegal, or otherwise improper behaviour by employees, contractors, partners, former employees, and other relevant stakeholders.

The policy provides information on how disclosure can be made and ensures anonymity and confidentiality is maintained.

A third-party service has been engaged to ensure any concerns can be reported anonymously, tracked, and resolved.

5.4 Anti-Corruption and Anti-Bribery Policy

We are committed to directors, officers, employees, and agents conducting themselves according to the highest standards of ethical conduct, including a zero tolerance for bribery and corruption.

To this end, we have adopted an Anti-Corruption and Anti-Bribery Policy designed to ensure compliance with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. It also is also designed to implement specific local anti-corruption laws (for example, the FCPA and provisions in the Australian Criminal Code relating to bribery and corruption). The Policy is applicable to all of our operations worldwide. All staff are required to acknowledge this Policy, and training is also conducted to ensure awareness. This Policy is complemented by our Crowd Code of Ethics.

5.5 Global Ethical Sourcing and Modern Slavery Policy

Following the passage of the Australian Modern Slavery Act (2018), we adopted a Global Ethical Sourcing and Modern Slavery Policy reflecting our commitment to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain and impose the same high standards on our suppliers, contractors, and other business partners.

We intend to publish a modern slavery statement in the first half of 2021.

5.6 Privacy

We have published a Privacy Statement, which ensures compliance with privacy laws where the Company operates. Also, after the California Consumer Privacy Act of 2018 became law on 01 January 2020, a dedicated Privacy Policy for California Residents was adopted. We have implemented various systems and processes internally to manage privacy, ensure compliance and mitigate risks.

5.7 Global Social Responsibility

We have an active Corporate Social Responsibility (**CSR**) program that supports those in need in the countries in which the company operates. Participation is encouraged, and community projects are

publicised and celebrated. We also support research and provide technical and linguistic resources towards community projects.

Our corporate approach to CSR includes partnerships with organisations such as Translators without Boards and the National Council of Disability Affairs in Manila, Philippines. Our employees also have a voice and are able to raise awareness around a need by contacting the CSR committee and asking for it to be a focus for employees around the globe. Funds raised are matched by the Company.

We strive to ensure that crowd workers have sustainable conditions, with responsible remuneration at or above local minimum wage. We are a member of the Global Impact Sourcing Coalition (GISC), a group devoted to inclusive hiring practices across the globe.

5.8 Appen's Crowd Code of Ethics

As mentioned previously in this Statement, we have adopted a Crowd Code of Ethics to ensure that our crowd is treated equitably around the world. This codifies a long-standing set of values in the organisation regarding the ethical treatment and sustainability of our crowd - ensure fair play, inclusion, a voice for crowd workers, respect their privacy and confidentiality, provide transparent communication, and support the well-being of our crowd workers. The Crowd Code of Ethics will evolve to support the Company's continued focus on building sustainable practices in the use of labour to support artificial intelligence advancements with an ethical approach.

5.9 Environment, Social and Governance (ESG)

Sustainable and responsible business practices are important to the creation of value for our crowd workers, employees, customers, suppliers, and shareholders, and the community and environment at large. We listen to feedback from our stakeholders on what is most important to them. We also focus on what is most material for our business and where we can make a meaningful difference. We provide updates on our commitments, activities, and progress in our Annual Report. For information on how we manage ESG risks, see Section 4.6 of this Statement.

5.10 Cybersecurity

Security is an essential and core competency of our business model. Our approach to security is comprehensive and entails people, processes, and technology to ensure the right outcome for our clients, regulators, employees, and shareholders.

We have established a number of dedicated information security and privacy roles throughout the business. Mandatory Security Awareness and Privacy training is conducted for all employees as part of the employee on-boarding process and then annually for remediation purposes, and this is being rolled out to independent contractors based on requirements.

We have implemented various internationally recognised standards and maintains various systems and processes in order to deal with cybersecurity threats that our business faces, including:

- Security incident management process modelled on NIST standards
- Data protection is achieved via daily backups, and disaster recovery plans are in place for business-critical systems
- Data privacy compliance is in place – specifically for GDPR, Philippines Privacy Act, and Australian Privacy Act
- ISO 27001:2013 certification and supporting processes in the UK, Philippines, China and currently extending it to USA in 2021, along with Along with Cyber Essentials, SOC2, and ISO9001 certifications

- Annual penetration testing by a third-party professional service security organisation focused on both infrastructure and application (O-WASP10)
- Patching policy that defines a structured and consistent approach to ensuring that patching is assessed and applied according to operating environment and risks
- Implementing secured facilities in regional locations
- Annual incident management table-top independent review
- Cybersecurity maturity assessment benchmarking
- Annual review of IT Security policies and standards
- Quarterly review of Privilege User register
- Annual simulated phishing campaigns for staff
- Insider Threat process definition

Technology standards have been introduced globally across Appen to ensure consistency and reliability. The following technology standards apply:

- Data encryption is in place when data is at rest and in transit for critical systems
- Unified Threat Management security and infrastructure and Log management
- Client device encryption
- Virtual Private Network utilised as required
- Secured File Transfer Protocols available as required
- Centralised access controls via directory services based on 'least privilege'
- Single sign-on and multi-factor authentication
- Endpoint Detection and response

Whilst we have a robust security environment, we are continuously working on improvements to our security profile and processes based on current best practices.

6 Engaging with our Shareholders and Investors

Relevant governance documents:

- **Continuous Disclosure Policy**
 - **Shareholder Communication and Participation Policy**
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6.1 Communications and external disclosure

We have adopted a Continuous Disclosure Policy, the objectives of which are to:

- ensure that the Company is able to meet its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act; and
- establish internal procedures so that all Group Personnel understand their obligations to ensure:
 - confidential information is protected; and
 - disclosure of price sensitive information to the Disclosure Officer.

The purpose of this policy is to:

- a. ensure that the Company immediately discloses all price-sensitive information to ASX in accordance with the ASX Listing Rules and the Corporations Act;
- b. confirm officers and employees are aware of the Company's continuous disclosure obligations; and
- c. establish procedures for:
 - the collection of all potentially price-sensitive information;
 - assessing if information must be disclosed to ASX under the ASX Listing Rules or the Corporations Act;
 - releasing to ASX information determined to be price-sensitive information and to require disclosure;
 - dealing with market rumours and speculation;
 - communicating with analysts and investors;
 - establish authorised Company spokespersons; and
 - responding to any queries from ASX (particularly queries under Listing Rule 3.1B).

The overarching principle of this policy is governed by Listing Rule 3.1, which requires the Company to immediately notify the ASX of any information that a reasonable person would expect to have a material effect on the price or value of Appen's quoted securities, provided that the information does not fall within the exception to disclosure under the Listing Rules. The Policy provides for the exceptions to Listing Rule 3.1 as outlined in Listing Rule 3.1A.

Further, all material ASX announcements are promptly circulated to directors upon the release to the market.

6.2 Shareholder communications

We are committed to maintaining direct, open, and timely and effective two-way communications with all shareholders. Our policy is that shareholders are informed of all material developments that impact the Company.

We communicate with shareholders via the following means:

- release of half-year and full-year financial statements;
- release of ASX Announcements relating to important strategic and financial initiatives;
- investor Technology Day presentations;

- publication of an Annual Report;
- the Annual General Meeting;
- live webcasts of results briefings and Annual General Meetings; and
- provision of information and resources through the online Investor Center at www.appen.com/investors

We also invite shareholders to communicate directly with us and provide contact information and a dedicated email address on our Investor Center. All shareholders have the option to receive communications from, and send communications to, the Company and our Share Registry electronically.

To also facilitate communication, we have established a Shareholder Communication and Participation Policy. The aim of this Policy is to promote and maintain the confidence of the Company's shareholders through ongoing timely, balanced and effective communication.

When we hold a new investor or analyst presentation, a copy of the presentation materials is released to the ASX ahead of the presentation.

6.3 General Meetings

Our annual general meeting is convened once a year, usually in May. The 2020 AGM was held as a virtual meeting as a result of Government mandated restrictions during the COVID-19 pandemic.

In relation to our meetings of shareholders, an explanatory memorandum on the resolutions is included with the notice of meeting, which provides all relevant information to enable shareholders to make informed decisions on the matters put to them.

Shareholders are encouraged to vote on all resolutions, and unless specifically stated otherwise in the notice of meeting, all shareholders are eligible to vote on all resolutions. Shareholders who cannot attend the annual general meeting may lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry by mail, hand delivery, facsimile, or electronically.

We have always adopted the process of all resolutions being decided by a poll.

Transcripts of the chairman's address and any investor presentation are released to the ASX prior to the commencement of the annual general meeting, and the outcome of voting on resolutions at the meeting is released to the market after the conclusion of the meeting. Both documents are also be posted on the Company website.

In the event that shareholders cannot attend formal meetings, they can lodge a direct vote online or return their voting form to the share registry. In addition, shareholders are encouraged to submit questions prior to the meeting via the share registry portal.

All shareholders have the option to receive communications electronically from and send communications to the Company's registry service provider, Link Market Services.

6.4 Investor engagement program

We have a dedicated Investor Relations function and an investor engagement program for engaging with shareholders and the broader investment community.

Key activities in our investor engagement program include:

- the Annual General Meeting
- the release of our Annual Report
- regular releases of financial information, including half-year and full-year financial results, and trading updates as required
- media and analyst calls with Appen's CEO and CFO following the release of key financial information
- technical briefing days, which are typically held once a year
- the provision of investor-related resources on our website at www.appen.com/investors including information on the operations of the group, the Board, management, corporate governance charters and policies, ASX announcements, the share price, dividend distribution, and material ESG matters
- one-on-one briefings with members of the domestic and international investment community
- responding to shareholder queries
- engaging with the Australian Shareholders' Association, retail stockbrokers, and proxy advisor organisations

6.5 ASX Releases to the Board

We have a process of ensuring that all material ASX announcements are distributed to directors immediately upon its release to the market. This process is mandated in the Continuous Disclosure Policy.

7 Securities

Relevant governance document:

- **Securities Dealing Policy**
 - **Non-executive Director Shareholding Policy**
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7.1 Securities Dealing Policy

We have adopted a Securities Dealing Policy that is intended to explain the types of conduct in relation to dealing in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects our directors, officers, employees and management against the misuse of unpublished information that could materially affect the value of securities.

The Securities Dealing Policy sets out restrictions that apply to dealing with securities and defines “prohibited periods”, during which Designated Persons, are unable to deal in Appen securities.

In all instances, buying or selling of shares is not permitted at any time by any person who possesses price-sensitive information.

Our Security Dealing Policy provides that Designated Persons must not enter into any transaction that operates to limit the economic risk associated with holding securities in the Company. In addition, Designated Persons are prohibited from engaging in short-term dealing of Appen shares, where ‘short-term’ is considered six months.

7.2 Minimum shareholding policy

By promoting director and employee ownership of Appen’s shares, the Board hopes to encourage directors and employees to become long-term holders of Appen’s shares, aligning their interest with those of Appen’s.

As noted earlier in this Statement, Appen has adopted a Non-Executive Shareholding Policy, which places a minimum holding requirement on non-executive directors of the equivalent of one years’ pre-tax director fees after three years. All current directors comply with this policy but noting that Ms Vanessa Liu, who joined the Board in March 2020, is in the process of building her shareholding.

An Executive Share Ownership Policy applies to the CEO and executive KMPs. Under the policy, the total number of shares held by the CEO and executive KMP must be equivalent to at least 50% of the shares issued in respect of the performance rights granted in 2019, net of any necessary sales to cover tax obligations, while employed by the Company. This post vesting holding requirement ensures that executives continue to think and act like owners of the business. Share transfers to affiliate or related entities or persons are permitted.

This Corporate Governance Statement is current as at 22 February 2021 and has been approved by the Board.

Our Corporate Governance Statement and Key to Disclosures (Appendix 4G) have been lodged with the ASX and are available at <https://appen.com/investors/corporate-governance/>.