

Powering the

AI
life
cycle

2021 Corporate Governance Statement

The Appen Limited Board of Directors (**Board**) is pleased to present Appen's Corporate Governance Statement for 2021 (**Statement**). This Statement outlines our principal corporate governance practices in place during the financial year ended 31 December 2021. Copies of all governance documents referred to in this Statement can be found at appen.com.

The Board and management team maintain a high standard of corporate governance as part of our commitment to create value for stakeholders through effective strategic planning, risk management, transparency, and corporate responsibility. The governance statement elaborates on how we execute our corporate governance practices.

Our governance policies and practices are 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.

The Board regularly reviews governance practices in light of changing stakeholder expectations, changes in the Company and relevant developments in corporate governance practices.

Our governance framework ensures accountability, both of the Board and senior executives, to the Company and 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.

2021 Areas of governance focus

Key areas of governance focus and activities undertaken by the Board, its Committees and management during 2021 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 crowd productivity.
- **Our people**
 - in 2021 we moved to a new organisational structure that is aligned to our product-led and customer-centric strategy. The changes reflect our evolution from providing AI data annotation services to the provision of a broad range of AI data annotation products – including proprietary technology and software – that unlock growth in new markets.
 - engaged external experts to conduct a culture study. As a result of this we developed a five-point plan to build a more constructive and empowering culture.
 - in 2021 our executive team was strengthened by the addition of four new members.
- **Global crowd**
 - reinforced our ongoing commitment to 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 that promotes fairness and operates with integrity in how we partner with our crowd.
- **Social and environment**
 - our first modern slavery statement was issued in June 2021 and summarises our ongoing commitment and efforts to address human rights and labour risks associated with our business. We developed and piloted responsible business training which included specific information on human rights and managing modern slavery risks.
 - we also commenced the integration of our supplier requirements from our Global Ethical Sourcing and Modern Slavery Policy into our ongoing supplier due diligence processes and continue to work with our suppliers and customers to manage the risks of modern slavery and human rights abuses in our supply chain.
 - at the beginning of the year, we launched our publication Embracing Responsible AI from Pilot to Production. We also continue to expand our key AI ethics considerations around bias, security, explainability, and impact. The aim is to improve quality, efficiency, transparency and responsibility for AI projects while promoting inclusivity and collaboration.
- **Governance and board renewal**
 - a key focus for the Board was our response to the first strike against the 2020 Remuneration Report received at the 2021 AGM. A review on Executive pay was conducted following consultation with proxy advisors on issues perceived in the current remuneration structure. As a result, changes have been made to our Long-Term Incentive Plan (LTI) with effect from 1 January 2022. Changes to the LTI Plan are contained in the 2021 Remuneration Report.
 - appointed Richard Freudenstein as the independent non-executive Chair of the Board.
- **Oversight of financial and capital management**
 - we moved to USD as our primary reporting currency to reduce foreign exchange translation risk.
- **Ethics and responsible decision-making**
 - commenced progress in reducing our GHG emissions by completing the first GHG inventory and reporting in line with the CDP Framework. We remain focused on setting our pathway to achieve net zero by 2050 and will outline these measures in our 2022 Annual Report.
 - partnered with our key customers to establish projects to identify and monitor our impact on social impact activities.
 - issued our first Modern Slavery Statement.
- **Compliance and risk management**
 - internal audit program – reviewed and assessed processes across key operational areas; including a review of our crowd pay processes.
 - reviewed the risk management framework, revised the risk appetite statement and updated our strategic risks to incorporate material ESG risks.

1 The Board of Directors

Relevant governance document:

– Board Charter

1.1 The responsibilities of the Board

The Board is accountable to stakeholders and as such the Board is responsible for demonstrating leadership, establishing strategic objectives, defining the Company’s mission, 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, the 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 Diagram 1.

Further detail around the responsibilities reserved for the Board and those specifically delegated to the Chief Executive Officer/ Managing Director (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.

Diagram 1

Appen Board

Formally delegates certain functions to Board Committees and to management via the formal Board and Committee Charters.

Directly retains responsibility for a number of matters, including:

- Overall strategic guidance, instilling the Company’s values and approving the Code of Conduct;
- Oversight of management;
- Oversight of financial and capital management;
- Promotion of effective engagement with shareholders;
- Promoting ethical and responsible decision-making;
- Satisfying itself that there is a robust risk management framework in place;
- Reviewing the Company’s Risk Appetite;
- Monitoring the systems of compliance, risk management and control;
- Overseeing the Company’s process for making timely and balanced disclosure of all material information; and
- Oversight of policies governing the Company’s relationship with other stakeholders and those related to Environment Social & Governance (ESG), Work, Health & Safety (WHS) and other regulatory and statutory requirements



1.2 Board composition

As at 31 December 2021 there were six directors on the 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 Richard Freudenstein	12 August 2021	Independent, non-executive director and Chair
Mr Mark Brayan	13 July 2015	Non-independent, Chief Executive Officer and Managing Director
Ms Deena Shiff	15 May 2015	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 2021 – Mr Richard Freudenstein, Ms Robin Low, Mr Steve Hasker, Ms Deena Shiff and Ms Vanessa Liu. The Board has made this assessment on the basis that none of these directors falls within any criteria listed in Box 2.3 of the ASX Governance Principles.

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 Mark Brayan by virtue of his executive CEO/MD position is considered non-independent, based on the criteria in Principle 2 of the ASX Governance Principles.

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

1.4 Our Chair

As noted above, the directors have elected Mr Richard Freudenstein as Chair of the Board. Mr Freudenstein was appointed as an independent non-executive director on 12 August 2021, and appointed as Chair of the Board upon Mr Christopher Vonwiller's retirement on 28 October 2021. The duties of the Chair 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 the 2021 Annual General Meeting, Mr Stephen Hasker and Ms Robin Low were 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 2021. After a number of changes were incorporated into the matrix in 2020, no further changes were made in 2021.

The Board comprises highly experienced senior business leaders from a variety of professional backgrounds who each meet the fundamental requirements and, collectively, possess the necessary mix of skills, experience, tenure and diversity considered necessary to appropriately govern the Company.

From time to time there may be areas identified by the Board where additional knowledge would be beneficial, which it addresses by engaging external advisors and/or requesting more detailed reporting from management.

In reviewing 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 follows:

High: Strong working knowledge or expertise and experience;

Medium: Solid working knowledge and some experience; and

Low: Limited knowledge and not an area of experience.

These numbers are extracted directly from the Board Skills Matrix.

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.

Board skills and experience

The Board maintains a Board Skills Matrix that outlines the skills and experience that directors need to collectively possess for the Board to effectively discharge its duties. It is reviewed annually to ensure the core competencies listed remain relevant to the Company. The Board also regularly monitors and reviews its performance and the performance of its Committees.

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.	

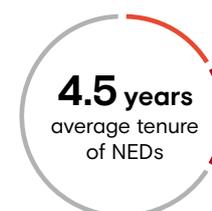
■ High competency and experience ■ Medium competency and experience

Board diversity



■ Male 50%
■ Female 50%

Non-executive director tenure



■ 0-1 year 17%
■ 1-3 years 17%
■ 3-5 years 0%
■ 5+ years 67%

International business experience



■ High 83%
■ Medium 17%

Director independence



■ Independent 5
■ CEO 1

2 Operation of the Board

Relevant governance documents:

- Audit and Risk Management Committee Charter
- People and Culture 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
- People and Culture Committee (previously 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 2021 Directors' Report and in Section 2.7 below. 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 2021 is set out in the following table.

Table 3

Committee	Members	Composition	Key Responsibilities
Audit and Risk Management Committee	Ms Robin Low (Chair) Ms Deena Shiff Ms Vanessa Liu	<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 Chair 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: <ol 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; and f. 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.

Committee	Members	Composition	Key Responsibilities
People and Culture Committee	Mr Steve Hasker (Chair)	<ul style="list-style-type: none"> At least three members, the majority of whom are independent directors. 	<p>Advising the Board on:</p> <ul style="list-style-type: none"> key people and organisational culture strategies and alignment with the Company's overall strategy and mission; talent and succession planning for executives and the Board; remuneration policies and practices for the Board, the CEO, the CFO, senior executives, and other persons whose activities, individually or collectively, affect the financial soundness of the Company; reviewing terms of incentive schemes and equity based remuneration; reviewing performance benchmarks and ensuring they are appropriate to the Company's circumstances, goals, values and risk appetite; overseeing the implementation of the Diversity and Inclusion Policy and assessing progress in achieving the objectives of that policy; 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; and 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.
	Ms Robin Low	<ul style="list-style-type: none"> The chair should be an independent director. 	
	Mr Richard Freudenstein	<ul style="list-style-type: none"> 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 balances stakeholder expectations against good practice in Australia and the US. Remuneration is intimately connected to performance and is intended to be aligned with shareholder experience. 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 People and Culture 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 LTI Plan.

In making its recommendations the People and Culture 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 directors comply with this policy.

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

The Board is committed to enhancing its effectiveness through performance management and review. The 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.

During the year ended 31 December 2021, 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.

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 in the 'Remuneration Report'.

2.4 Independent advice

In order to facilitate independent judgement in decision-making, following consultation with the Chair 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 and Committee meetings

Details of Board and Committee meetings held during the year and individual directors' attendance at these meetings is summarised below and can also be found in the Directors' Report in the 2021 Annual Report.

	Board		Audit and Risk Management Committee		People and Culture Committee	
	A	B	A	B	A	B
Chris Vonwiller ¹	13	13	3	3	-	-
Richard Freudenstein ²	7	7				
Bill Pulver ³	11	11	-	-	2	2
Robin Low	16	16	4	4	4	4
Steve Hasker	16	16			4	4
Deena Shiff	16	16	4	4	-	-
Mark Brayon	16	16	-	-	-	-
Vanessa Liu	16	16	1	1		

A: Meetings eligible to attend

B: Meetings attended

¹ resigned 28 October 2021

² appointed 12 August 2021

³ resigned 25 August 2021

3 Diversity and Inclusion

Relevant governance document:

– Diversity and Inclusion Policy

3.1 Diversity and inclusion at Appen

We believe that diversity, inclusion and equity is fundamental to the success of our business. As a provider of high-quality training data for artificial intelligence we employ a diverse group of people across the US, UK, Australia, the Philippines, Japan, China and continental Europe. The diversity of our people enables us to provide diverse data sets that to better serve our customers.

Our Diversity Policy focuses on increasing gender and ethnic diversity amongst employees, in senior management, and on the Board. In 2021, we formed our Diversity and Inclusion department as part of the Learning and Development function. The department is led by the Senior Director, Learning, Development, and Inclusion and is supported by the Diversity and Inclusion Committee which is comprised of Appen employees. The committee charter notes:

Our vision is to promote diversity, inclusion, and equity at Appen.

- We promote understanding, empathy, and respectful dialogue among colleagues on issues of diversity, inclusion and equity.
- We listen to and focus on the voices and lived experiences of those not represented or under-represented in the company due to inequalities in society.
- We 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.

Diversity principles are also embedded in our hiring practices, and we remain committed to ensuring that our communication with prospective employees and contractors is inclusive and respectful. We recognise that our hiring practices are the building blocks of our success, as maintaining a diverse workforce enables Appen to deliver diverse data sets to our customers. During the year, we completed a review of our external facing documents including crowd surveys and documents used in the hiring process to ensure they contained inclusive language. Where our communications did not meet our criteria or contained questions about an individual's appearance without any context, they were updated.

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, including through our High Potential Leadership Program. The program is designed to identify and invest in employees for senior leadership positions. In 2021, 90% of the participants in the High Potential Leadership Program were female. We've also worked closely with experts focusing on leadership culture with intention to improve retention of high-quality leaders.

To better support families and primary caregivers, we provide various support services. In 2021, we expanded our partnership with Mavin Clinic, a telehealth service for women and families so that Appen employees can access virtual care across every stage of the parenting journey at no cost. This year, we also increased paid parental leave from four to six weeks.

As at 31 December 2021, the Company had the following gender diversity:

Table 4

	Female representation	
	2021	2020
Total workforce	58%	58%
Board Director	50%	43%
Executive Team/Senior Vice President	30%	12.5%
Vice President	16%	25%
Senior Director	45%	50%
Director	39%	59.5%
Manager	59%	60.7%

In addition to gender, the Company's Diversity Policy supports the Company's stance of a policy of non-discrimination with the aim to treat all employees fairly.

3.3 Appen crowd diversity

The diversity of our Crowd across more than 170 countries and speaking 292 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. This year we added several Impact Sourcing programs to help add to the diversity and inclusivity of our crowd.

In June 2021, we entered into an impact sourcing partnership with WorkforceGPS – which is an online technical assistance website that provides webinars, research and other types of content to promote good workplaces practices. It is sponsored by the Employment and Training Administration of the U.S. Department of Labor.

In September 2021, we partnered with Workforce Solutions in the South and North Capital Area and in the Middle Rio Grande. Workforce Solutions is under the direction of the Texas Workforce Commission and helps bring community partners and employers together. We have also partnered with an impact sourcing partner in Rwanda with Kepler. Kepler is a non-profit organisation that supports students, mostly in east Africa to secure a US-accredited degree through their partnership with Southern New Hampshire University without leaving Rwanda. In total, we supported 14 applications.

In addition, Appen has partnered with Autism Hounslow to deploy app-based microwork to people living with Autism in and around London. Participants are gathering information on certain geographic landmarks using a new build of the Appen App. This is a project that exemplifies our commitment to driving inclusivity through innovation.

4 Risk Management and Assurance

Relevant governance document:

- Audit and Risk Management Committee Charter
- Environment Position Statement
- Global Ethical Sourcing and Modern Slavery Policy

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, was 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 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. KPMG has provided an independence declaration to the Board for the year ended 31 December 2021, and this declaration forms part of the 2021 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 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 CFO 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.

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 2021.

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 Environmental and Social Sustainability Risks

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

- *Environmental including climate change risks* – we have a relatively small environmental impact within our own operations and have committed to further reducing the impact of our operations, including our offices, facilities, travel and data centre usage. We completed our first GHG emissions inventory during the year, covering Scope 1 and 2 as well as limited Scope 3 categories and have reported our emissions under the CDP Framework for 2020. This assessment enables us to better measure our impact, set targets and establish initiatives that will make a difference. 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 2021 Annual Report.
- *Social risks* – we are committed to understanding and managing the risk of modern slavery and human rights abuses. We have set out expectations for suppliers and ourselves in Our Global Ethical Sourcing and Modern Slavery Policy. Our first modern slavery statement was issued in June 2021 and summarises our ongoing commitment and efforts to address human rights and labour risks associated with our business. We developed and piloted responsible business training which included specific information on human rights and managing modern slavery risks. We also commenced the integration of our supplier requirements from our Global Ethical Sourcing and Modern Slavery Policy into our ongoing supplier due diligence processes and continue to work with our suppliers and customers to manage the risks of modern slavery and human rights abuses in our supply chain.

More information about Appen's ESG risks and mitigation strategies is provided in the 'Identifying and managing risk' section of the 2021 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

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;
- outline employment practices adopted by the Company; and
- 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

The Company's Whistleblower/Speak Up Policy, allows 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 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 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 expect to publish our second modern slavery statement in the first half of 2022.

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 reported and celebrated across the Company. 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 Borders 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

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.

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

6 Engaging with Shareholders

Relevant governance documents:

- Continuous Disclosure Policy
- Shareholder Communication and Participation Policy

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 promoting effective two-way communications with all shareholders and the broader investment community so that they understand Appen's business, governance, financial performance and future prospects. Our policy is that shareholders and other investors 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 (which includes ESG material);
- the Annual General Meeting;
- live webcasts of results briefings and Annual General Meetings; and
- provision of information and resources through the online Investor Centre 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 Centre. 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 two-way communication.

All formal reporting and Company announcements made to the ASX are published on our website after confirmation of lodgement has been received from the ASX.

All new and substantive investor or analyst presentations are 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 2021 AGM was held as a hybrid meeting which allowed shareholders and other interested parties to participate in the meeting physically or online.

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.

Shareholders are entitled to ask questions about the Company and of the auditor as to its conduct of the audit and preparation of reports.

The Chair'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. Links to these contacts are available on Appen's website.

6.4 Investor engagement program

We have a dedicated Investor Relations function that facilitates investor engagement with institutional shareholders, retail shareholders and investor groups, analysts and proxy advisors.

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
- a technology day which is 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

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 encourages 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 directors comply with this policy.

Appen will revise its current minimum shareholding requirement for Executive KMP for FY22. This requirement will be 100% of fixed remuneration for the CEO and 50% of fixed remuneration for its other KMP, to be achieved over a 5-year period. The Executive KMP minimum shareholding requirement is to be approved by the board

This Corporate Governance Statement is current as at 24 February 2022 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/>.