



For personal use only

Notice of AGM 2020

Friday 29 May 2020

10.00am AEST



24 April 2020

Dear Appen Shareholder,

On behalf of the Directors of Appen Limited (**Appen**), I am pleased to invite you to attend the 2020 Annual General Meeting (**AGM**) of Appen. Enclosed is the Notice of Meeting that sets out the business of the AGM.

Appen's 2020 AGM will be held on Friday 29 May 2020 commencing at 10.00am (AEST).

Due to the restrictions imposed by the Australian and State Governments as a result of the COVID-19 pandemic, the meeting will be held as a virtual-only meeting. The Appen board's goal remains to ensure investor engagement and encourage investor participation in our AGM and technology will enable this.

All Appen investors can participate in the AGM through the online platform at <https://agmlive.link/APX20> Further details on how to participate in the AGM online are set out in the attached Notice of Meeting and in the Online Platform Guide.

The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The Online Platform Guide will be released to the ASX and is also available on our website at www.appen.com (under Investors).

I encourage you to complete and return the enclosed Voting Form no later than 10.00am (AEST) on Wednesday 27 May 2020 in one of the ways specified in the Notice of Meeting and on the Voting Form.

Please read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Voting Form and consider how to vote on each resolution by marking either the "For" box, the "Against" box or the "Abstain" box on the Voting Form. Subject to the abstentions noted in the Explanatory Memorandum, the Directors of Appen unanimously recommend that shareholders vote in favour of all resolutions.

Shareholders participating in the AGM through the online platform will have the opportunity to submit questions to the Board and Appen's external auditors during the AGM. If you would like to ask a question prior to the AGM, please do so through our Investor Centre (login via www.linkmarketservices.com.au), or alternatively submit the enclosed AGM Question Form.

Thank you for your continued support of Appen. I look forward to the opportunity to engage with you at our 2020 AGM.

Yours sincerely,

Chris Vonwiller
Chair

APPEN LIMITED
ACN 138 878 298

Notice of Annual General Meeting (Notice)

Notice is hereby given that the Annual General Meeting (**AGM**) of Shareholders of Appen Limited **Appen** or the **Company**) will be held as a virtual-only meeting, due to the restrictions imposed by the Australian and State Governments, on Friday 29 May 2020 at 10.00am (AEST) (**Meeting**).

The Explanatory Memorandum accompanying this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum, Voting Procedures and the Proxy Form comprise part of this Notice.

Business Of The Meeting

Item 1: Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report of the Company for the financial year ended 31 December 2019.

All Shareholders can view the Annual Report which contains the Financial Report for the year ended 31 December 2019 on the Investors Page of the Appen website at www.appen.com.

Item 2: Remuneration Report

To consider and, if thought fit, to pass the following as an advisory resolution of the Company:

"To adopt the Remuneration Report for the year ended 31 December 2019."

Notes:

- i. In accordance with section 250R of the Corporations Act 2001, the vote on this resolution will be advisory only and will not bind the directors or the Company.
- ii. A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

Item 3: Election of Director - Ms Vanessa Liu

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That Ms Vanessa Liu, being a director who was appointed by the Board on 27 March 2020 and whose appointment as a director expires at the conclusion of the Annual General Meeting of the Company in accordance with clause 67.2 of the Company's Constitution and being eligible, offers herself for election, be elected as a director of the Company."

Item 4: Re-election of Director - Mr Christopher Vonwiller

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That Mr Christopher Vonwiller, being a Director who is retiring in accordance with clause 68 of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Item 5: Grant of Performance Rights to Mr Mark Brayan, Managing Director and Chief Executive Officer

To consider, and if thought fit, pass the following as an ordinary resolution of the Company:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant and issue of 78,125 Performance Rights to Mr Mark Brayan, the Chief Executive Officer and Managing Director of the Company, and the subsequent issue of Shares on the vesting of such Performance Rights, on the basis set out in the Explanatory Notes to this Notice of Meeting.”

Note: A voting exclusion statement applies to this resolution (see Explanatory Memorandum for details).

Item 6: Non-executive Directors’ Remuneration

To consider and if thought fit, pass the following as an ordinary resolution of the Company:

“That, for the purposes of Listing Rule 10.17 and for all other purposes, effective from the close of the Meeting the total amount that may be paid in aggregate and in any one year by the Company to the non-executive Directors as remuneration for services be increased by \$100,000, from \$800,000 to \$900,000.”

Note: A voting exclusion statement applies to this resolution (see Explanatory Memorandum for details).

Voting Procedures at the AGM

All Resolutions will be by Poll

In accordance with clause 62.3 of the Company’s Constitution (**Constitution**), the Chair intends to demand a poll on each of the resolutions proposed at the Meeting. Each resolution considered at the Meeting will therefore be conducted by a poll. The Chair considers voting by poll to be in the interests of the Shareholders as a whole and is a way to ensure the views of as many Shareholders as possible are represented at the Meeting.

Entitlement to Vote

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company as at 7.00pm (AEST) on Wednesday 27 May 2020 (**Entitlement Time**).

This means that if you are not the registered holder of a Share in the Company at the Entitlement Time, you will not be entitled to vote at the Meeting.

Direct Voting

In accordance with clause 64.1 of the Constitution, the Directors have determined that at the AGM, a Shareholder who is entitled to attend and vote on a resolution at the AGM is entitled to a direct vote in respect of that resolution.

Casting your Direct Vote in real time using the Online Platform

Shareholders have the opportunity to participate in the Meeting through the online platform at <https://agmlive.link/APX20>. This platform will enable Shareholders to view the Meeting live, lodge a direct vote in real time and ask questions online.

How to Vote

Direct vote – prior to the AGM

In accordance with clause 14.23 of the Constitution, Shareholders are able to vote directly on resolutions considered at the Meeting **at any time between the date of this Notice of Meeting and 10.00am (AEST) on Wednesday 27 May 2020**. For details about how you can submit your Voting Form, please refer to the section below titled 'Submitting your Voting Form prior to the AGM'.

If you lodge a direct vote you are voting directly and are not appointing a third part, such as a proxy, to act on your behalf.

The Appen Direct Voting Regulations governing direct voting are available on the Appen website at www.appen.com (under Investors). By submitting a direct vote, you agree to be bound by the Appen Direct Voting Regulations.

Direct Vote – during the AGM using the Online Platform

Shareholders using the online platform (at <https://agmlive.link/APX20>) will be able to vote directly through the online platform **at any time between the commencement of the AGM (10.00am AEST on Friday 29 May 2020) and the closure of voting as announced by the Chair during the AGM**.

More information about how to use the online platform (including how to vote and ask questions online during the AGM) is available in the Online Platform Guide, which has been lodged with the ASX and is available at our website at www.appen.com (under Investors). If you intend to use the online platform, then before the AGM we recommend that you ensure the online platform works on your device. Further instructions are provided in the Online Platform Guide.

The Appen Direct Voting Regulations governing direct voting are available on the Appen website at www.appen.com (under Investors). By submitting a direct vote, you agree to be bound by the Appen Direct Voting Regulations.

Appointment of Proxy

A Shareholder who is entitled to vote at this Meeting is entitled to appoint not more than two proxies to vote in place of the Shareholder.

If the Shareholder appoints two proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise.

If no proportion or number of votes is specified, each proxy may exercise half of the Shareholder's votes. If the specified proportion or number of votes exceeds that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

A proxy need not be a Shareholder of the Company. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Subject to the specific proxy provisions applying to Items 2, 5 and 6 (see the Explanatory Memorandum below):

- If a Shareholder has not directed their proxy how to vote, the proxy may vote as the proxy determines; and
- If a Shareholder appoints the Chair of the Meeting as proxy and does not direct the Chair how to vote on an item of business, the Chair will vote in accordance with his voting intention as stated in this Notice of Meeting.

Proxy Voting by the Chair

For Item 2 (Remuneration Report), Item 5 (Grant of Performance Rights to the CEO) and Item 6 (NED Remuneration), where the Chair is appointed as a Shareholder's proxy and that Shareholder has not specified the way in which the Chair is to vote on Items 2, 5 and 6 the Shareholder is directing the Chair to vote in accordance with the Chair's voting intentions for these items of business, even though Items 2, 5 and 6 are connected with the remuneration of Key Management Personnel (**Key Management Personnel** or **KMP**).

The Chair intends to vote all undirected proxies in favour of the resolutions in the Notice of Meeting, including Items 2, 5 and 6.

Submitting your Voting Form prior to the AGM

To be valid, a Voting Form must be received by the Company in the manner set out in this Notice of Meeting.

The Chair's decision on the validity of a direct vote, vote cast by a proxy or vote cast in person, is conclusive and the Company reserves the right to declare invalid any Voting Form not received in this manner.

For your proxy or direct vote prior to the AGM to be effective, your completed Voting Form must be received by the Company share registry, Link Market Services, no later than 10.00am (AEST) on Wednesday 27 May 2020. After this time, you will still be able to lodge your direct vote during the AGM by submitting your direct vote using the online platform.

To be effective, Proxy Form's must be completed, signed and lodged (together with the relevant original power of attorney or a certified copy if the proxy is signed by an attorney) with the Company's share registry, as an original or by facsimile, **no later than 10.00am (AEST) on Wednesday 27 May 2020 (Proxy Deadline)**.

Proxy forms may be submitted in one of the following ways:

Online: Via the Company's Share Registry Investor Centre at www.linkmarketservices.com.au. Please refer to the Proxy Form for more information. You will need your Securityholder Reference Number (**SRN**) or Holding Identification Number (**HIN**).

Mobile device: Using a mobile device by scanning the QR code on the back of the Voting Form. To scan the QR code you will need a QR code reader application that can be downloaded for free on your mobile device. You will also need your SRN or HIN and postcode for your shareholding.

By post: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235. Please allow sufficient time so that it reaches Link Market Services Limited by the Proxy Deadline;

By fax: (02) 9287 0309 (within Australia), +61 2 9287 0309 (from outside Australia);

By hand delivery: Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

Proxy Forms and Powers of Attorney must be received by the Proxy Deadline.

Power of Attorney

A proxy appointment and the original power of attorney (if any) under which the proxy appointment is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than the Proxy Deadline.

Questions from Shareholders

Shareholders who would like to register questions in advance of the AGM can do this via our Investor Centre or alternatively submit the enclosed AGM Question Form.

To allow time to collate questions and prepare answers, please submit any questions by 5.00pm Friday 22 May 2020.

Questions will be collated and, during the AGM, the Chair and/or CEO will seek to address as many of the more frequently raised topics as possible. Please note that individual response will not be sent to Shareholders.

Conduct of the Meeting

Appen is committed to ensuring that its shareholder meetings are conducted in a manner which provides shareholders who participate in the AGM with the opportunity to participate in the business of the AGM in an orderly fashion and to ask questions about and comment on matters relevant to the business of the meeting or about Appen generally.

The Chair of the Meeting will exercise his powers as the Chair to ensure that the Meeting is conducted in an orderly and timely fashion, in the interests of Shareholders who are participating in the Meeting.

Enclosures

Enclosed are the following documents:

- Voting Form to be completed if you wish to submit a direct vote prior to the AGM. Shareholders are encouraged to use the online voting facility that can be accessed through the Investor Centre to ensure the timely and cost effective receipt of your vote or proxy;
- AGM Question Form; and
- A reply paid envelope for you to return these forms if you do not use the online facility.

BY ORDER OF THE BOARD



Carl Middlehurst
Company Secretary
24 April 2020

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in relation to the business to be conducted at the Company's AGM to be held on Friday, 29 May 2020.

The purpose of this Explanatory memorandum is to provide Shareholders with information that is reasonable required by Shareholders to decide how to vote on the resolutions.

Subject to the abstentions noted below in respect of each resolution, the Directors unanimously recommend Shareholders vote in favour of all resolutions. The Chair of the Meeting intends to vote all available undirected proxies in favour of each resolution.

The resolutions in Items 3 - 6 are ordinary resolutions, which require a simple majority of votes cast by Shareholders entitled to vote on the resolution. The resolution in Item 2 relating to the Remuneration Report, is advisory and does not bind the Directors or the Company.

Item 1: Financial Statements and Reports

As required by section 317 of the *Corporations Act 2001* (Cth) (**Corporations Act**) the Financial Report, Directors' Report and Auditor's Report of the Company for the most recent financial year will be presented to the meeting. The Financial Report contains the financial statements of Appen Limited and its subsidiaries.

There is no requirement for a formal resolution on this item.

The Chair of the Meeting will allow a reasonable opportunity at the Meeting for Shareholders to ask questions about or make comments on the management of the Company. Shareholders will also be given a reasonable opportunity at the Meeting to ask the Company's auditor, KPMG, questions about the Auditor's Report, the conduct of its audit of the Company's Financial Report for the financial year ended 31 December 2019, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of KPMG in relation to the conduct of the audit.

Shareholders may submit written questions to the Company in relation to the above matters. Written questions must be received no later than 5.00pm (AEST) on Friday 22 May 2020. A form to facilitate the submission of questions is attached to this Notice and it includes details on the return of this form to the Share Registry.

Item 2: Remuneration Report

In accordance with section 300A of the *Corporations Act* the Company has prepared a Remuneration Report for the consideration of Shareholders. The Remuneration Report is included in the Company's Annual Report for the year ended 31 December 2019.

As provided by section 250R(3) of the *Corporations Act*, the resolution on this item of business is advisory only and does not bind the Board or the Company.

The Company's objective is to provide the maximum benefit to shareholders. The Board believes that the Company will achieve this objective by retaining a high quality Board and executive team remunerated fairly and appropriately. The Company's remuneration philosophy is to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration should be linked to performance and appropriate for the results delivered. The Company's

policies are designed to attract and maintain talented and motivated Directors and employees, thereby raising the level of performance of the Company and enhancing shareholder value.

Director's Recommendation

The Directors unanimously recommend Shareholders vote in favour of the resolution.

Voting Exclusion Statement

As required by the Corporations Act, the Company will disregard any votes cast on Item 2 by any member or a former member of the Company's Key Management Personnel whose remuneration details are disclosed in the Company's 2019 Remuneration Report, or a Closely Related Party of any such member. However, the Company need not disregard a vote cast on Item 2 if:

- a. it is cast by a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy to vote on the resolution in that way; or
- b. it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote on the resolution, that authorises the Chair to vote on the resolutions even though that resolution is connected with the remuneration of a member of the Company's KMP.

A closely related party includes close family members and companies the KMP controls.

What this means for Shareholders: If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on the proposed resolution in Item 2. If you intend to appoint the Chair of the Meeting as your proxy, you can direct him how to vote by marking the boxes for Item 2 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Item 2 and give the Chair your express authority to vote your undirected proxy (in which case the Chair will vote in favour of this item of business).

Item 3: Election of Director - Ms Vanessa Liu

The Board appointed Vanessa Liu as an independent non-executive Director on 27 March 2019. Her presence on the Board deepens and extends the board's understanding of emerging technology trends and enterprise uptake of artificial intelligence, especially in the US market.

Clause 10.7 of the Constitution and ASX Listing Rule 14.4 states that a Director appointed to fill a casual vacancy holds office until the conclusion of the next annual general meeting but is eligible for election at that annual general meeting. In accordance with this requirement, Ms Liu now retires from the Board and offers herself for election.

Vanessa is the Vice President of SAP.iO, the early stage venture arm of SAP which invests in and accelerates startups in enterprise technology. In her role, she is overseeing SAP.iO's North American Foundries in New York and San Francisco.

Vanessa was most recently the Chief Operating Officer at Trigger Media Group, a \$22MM digital media incubator. In her role, she co-founded, incubated and oversaw business operations and strategic initiatives of Trigger's portfolio companies: InsideHook (the essential digital lifestyle guide for adventurous and discerning men) and Fevo (SaaS technology bringing friends and networks together

for group experiences at live events).

Previously, Vanessa was an Associate Partner at McKinsey & Company's Media and Entertainment Practice, based in Amsterdam, London and New York. In this role, Vanessa was responsible for serving clients in a variety of media and high tech sectors including online advertising, magazine and newspaper publishing, television, video content production, and information services, particularly on issues of digital media strategy, emerging market strategy, growth and innovation.

Vanessa graduated magna cum laude with an AB in psychology from Harvard University and cum laude with a JD from Harvard Law School. She was a Fulbright Scholar at Universiteit Utrecht in the Netherlands where she conducted independent research on the International War Crimes Tribunal for the Former Yugoslavia and the International Court of Justice. She serves as Vice President of the Harvard Alumni Association.

The Company confirms that appropriate checks into Vanessa's background and experience were carried out prior to her appointment with no information of concern raised during the recruitment process. In addition, Vanessa has no known interest, position or relationship that will influence or reasonably be perceived to influence her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the Company as a whole rather than in the interests of an individual shareholder or other party.

Having had regard to the ASX Corporate Governance Principles and Recommendations (4th edition) (**ASX Principles**), the Board (with Ms Liu abstaining) considers Ms Liu to be an independent director.

Director's Recommendation

The Board (with Ms Liu abstaining) unanimously supports the re-election of Ms Liu and recommends that Shareholders vote in favour of Ms Liu's election as a Director of the Company.

Item 4: Re-election of Director - Mr Christopher Vonwiller

Clause 68.1 of the Constitution and ASX Listing Rule 14.4 states that a Director must not hold office without re-election past the third AGM following the Director's appointment or last election date, or for more than three years whichever is the longer. Mr Chris Vonwiller was last re-elected by shareholders at the annual general meeting held on 26 May 2017 and therefore has offered himself for re-election at this Meeting.

Chris has been the Non-Executive Chairman of Appen since its listing on the ASX in 2015, having formerly served as Appen CEO from 1999-2010. Prior to joining Appen, Chris served for 20 years in senior executive positions with the Australian telecommunications carrier Telstra Corporation Limited, playing a leading role in the development and deployment of innovative internet services, multimedia, and pay television. Chris is a member of the Australian Government's Digital Experts Advisory Committee and a former Chairman of the Warren Centre for Advanced Engineering at The University of Sydney.

Chris holds degrees in science and engineering, with honours, from The University of Sydney and an MBA from Macquarie University. He was elected a Fellow of the Australian Academy of Technological Sciences and Engineering in 2007.

Chris is also a member of the Audit and Risk Management Committee.

Having had regard to the ASX Principles the Board (with Mr Vonwiller abstaining) does not consider Mr Vonwiller to be an independent director due to his significant shareholding in the Company. However, the Board considers that Mr Vonwiller's significant knowledge of, and experience in, this sector enables him to make a considerable contribution to the Board, particularly as Chair. The Board further considers that Mr Vonwiller brings independent judgement to bear on matters brought before the board for consideration.

Director's Recommendation

The Board (with Mr Vonwiller abstaining) unanimously supports the re-election of Mr Vonwiller and recommends that Shareholders vote in favour of Mr Vonwiller's re-election as a Director of the Company.

Item 5: Grant of Performance Rights for Mr Mark Brayan

Background

ASX Listing Rule 10.14 provides that the Company must not permit any Directors to acquire securities under an employee incentive scheme without the approval of Shareholders.

Accordingly, Item 5 seeks the approval by Shareholders pursuant to ASX Listing Rule 10.14 to grant Performance Rights (**Rights**) to Mr Brayan, Executive Director of the Company, as part of his remuneration for the year ended 31 December 2020 in accordance with the terms and conditions of the Appen Long Term Incentive Plan (**Plan**), and to the issue of Shares on the vesting of the Rights.

As the Rights are to be issued under the Plan, the terms and conditions of the Plan govern the Rights to be issued to Mr Brayan. The terms and conditions of the Plan were approved by Shareholders at the 2018 annual general meeting and a copy of the Plan rules can be found on the Company website www.appen.com.

Details of Rights grant to Mr Brayan, Managing Director and Chief Executive Officer

The terms of Mr Brayan's employment contract with Appen allows him to participate in the Plan. The Board has proposed that for the year ending 31 December 2020, Mr Brayan be eligible for Rights as outlined below.

For the year ending 31 December 2020, Mr Brayan's remuneration comprises the following components:

- fixed remuneration, including statutory superannuation of \$750,000 per annum;
- an at-risk short term incentive of \$750,000 per annum, with payout capped at 150% for overperformance, payable in cash; and
- an at-risk long term incentive of 78,125 Rights.

The Rights are granted under the Plan and subject to the terms and conditions of that Plan, in addition to the rules outlined below.

If Item 5 is approved by Shareholders, the Company will issue the Rights shortly after the Meeting.

In determining the remuneration to be granted to Mr Brayan the Board considered the:

- i. Company's remuneration strategy;
- ii. Company's performance – the Company has delivered a ~40x share price growth since listing in 2015 even with the recent COVID-19 induced market correction;
- iii. role and contribution of Mr Brayan to the achievement of the Company's objectives; and
- iv. current market practice for remuneration of executive officers in positions of similar responsibility.

Appen is a global business, headquartered in Australia and operating mainly in the US. Appen competes in some of the tightest talent markets in the world and requires remuneration that attracts and retains high-performing global executives.

Compensation practices in the US technology and Australian public company markets vary considerably and require different reference points, expertise and data sources. The following sources were relied upon for the review of executive pay in 2020:

- US technology market data (compiled in October 2019)
 - derived from a leading external specialist technology and life sciences compensation firm based in San Francisco, using a peer group of ~80 public technology companies with median revenue of US \$325M and median market cap of US \$2.3BN.
- Australian data (compiled in November and December 2019)
 - derived from a leading external global service provider, using market data for ASX listed companies with market capitalisation between 50% and 200% of Appen's market capitalisation.
 - data has been obtained from companies' most recent annual reports. For companies that had not yet released their FY19 annual report by 31 October 2019, data has been sourced from their FY18 annual report.
- The analysis relied on the specialist technology firm's target pay positioning for high growth companies:
 - target cash (Base plus short term incentive (**STI**)) at the 50th percentile;
 - target equity (long term incentive (**LTI**)) between the 50th and 75th percentile; and
 - target total pay between the 50th and 75th percentile.

The review highlighted the following in respect of the Managing Director remuneration:

- the base salary (including superannuation) is well below market at the 7th percentile;
- total cash salary (base plus STI) is also under market at the 18th percentile; and
- total remuneration (total cash plus LTI) is at the 82nd percentile due to the high growth of Appen's share price. LTI represents 74% of total remuneration.

Following the review, the Managing Director's pay for 2020 was reviewed as follows:

- Base salary to increase to \$750,000 per annum. This is under the 25th percentile of the peer group, but in balance considering the LTI components.
- STI increase to \$750,000 per annum (100% of base salary). Total cash (base plus STI) is under the 25th percentile.
- LTI grant of 78,125 Rights to be provided in 2020 and vest in 2023, subject to achieving annual performance targets in 2020, 2021 and 2022. The value of the LTI at \$25.60 (struck on 19 November 2019) per share equates to \$2.0 million.
- The Managing Director's remuneration remains heavily skewed to variable compensation (85% of total compensation versus the benchmark of 66%).
- This provides for total remuneration in 2023 (upon vesting) in the fourth quartile. The Nomination and Remuneration Committee believes this is a fair and competitive package for the compensation of the Managing Director given the high performance of the company and the alignment with shareholders through the heavy skew to variable compensation.

Vesting of Rights

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives by reference to both Company and individual performance;
- align the interests of executives with those of Shareholders;
- encourage retention of executives and other employees;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The Board's objective is to achieve an LTI Plan that:

- aligns shareholder objectives with senior management being incentivized to achieve long term sustainable growth in value;
- supports the Company's focus on ethical and sustainable operations, including interactions with the crowd, employees, customers and the environment; and
- provides for remuneration packages that are competitively positioned, in each of the markets in which Appen operates, to attract and retain staff with the necessary skillsets to achieve the short, medium and long term strategic objectives of the Company and increase shareholder value.

The Plan is intended as the primary vehicle for aligning the interests of the Company's senior management and shareholders, and for the retention of key executives. It is intended that the Plan will be used to deliver awards to employees in all countries, subject to variations to meet specific legal or tax requirements.

In order to meet the above objectives, the Board has taken a blended approach to the Australian and US long term incentive practices. The key components of the performance rights to be granted to Mr Brayan are as follows:

- achievement of an underlying basic EPS (**UBEPS**) growth test over three consecutive years, tested annually (subject to the UBEPS vesting levels below);
- performance hurdle re-testing is permitted as long as the equivalent Compound Annual Growth Rate (**CAGR**) is achieved. (i.e. 20% UBEPS CAGR is achieved over a 2 year period when measured at the end of year 2, or 20% UBEPS CAGR is achieved over a 3 year period when measured at the end of year 3); and
- continuation of employment until the beginning of the calendar year in which the performance rights are subject to vesting.

The Rights (and associated conditions) to be granted to Mr Brayan as part of his remuneration for the year ended 31 December 2020 are tabled below:

Plan	Tranche	Number of Rights	Performance Measure	Performance Target	Performance Target Measurement Date	Vesting Condition	Vesting Date
2020	One	26,042 (78,125 x 1/3)	UBEPS	20% growth FY20 vs FY19	End 2020	Employed at 1 January 2023	1 January 2023
2020	Two	26,042 (78,125 x 1/3)	UBEPS	20% growth FY21 vs FY20 or 2 year CAGR of >=20% (FY19 – FY21)	End 2021	Employed at 1 January 2023	1 January 2023
2020	Three	26,041 (78,125 x 1/3)	UBEPS	20% growth FY22 vs FY21 or 3 year CAGR of >=20% (FY19 – FY22)	End 2022	Employed at 1 January 2023	Upon release of 2022 results

UBEPS vesting levels are as follows:

EPS Target	% Vesting of Rights
100% or more of EPS Target	100%
90-99% of EPS Target*	50-80%
Less than 90%	Nil

*at the board's discretion

No amount is payable in return for the grant of the Rights.

The following terms and conditions apply to Mr Brayan's Rights:

- From the vesting date and once confirmed by Mr Brayan, Appen will cause the relevant number of APX Shares to be issued or transferred to Mr Brayan.
- No amount is payable in return for the issue or transfer of APX Shares.

Shareholder approval – Corporations Act

Under Part 2D.2 of the Corporations Act, subject to a number of exemptions, Shareholder approval must be obtained before the Company (or a Related Body Corporate or prescribed superannuation fund in relation to the Company) can give a person a "benefit" in connection with the person's retirement from a managerial or executive office.

Under the Appen Long Term Incentive Plan, where a participant in that plan ceases to be an employee of Appen (other than in prescribed circumstances) all unvested Rights held by that participant will lapse. In circumstances where the reason for that participant ceasing employment is because of death, total and permanent disability or any other reason with the approval of the Board, the Board has discretion as to how unvested Rights are to be treated. In the context of exercising this discretion, providing Shares to the person may constitute a termination benefit regulated by Part 2D.2 of the Corporations Act.

Shareholder approval – ASX Listing Rules

ASX Listing Rule 10.14 requires Shareholder approval before a Director can acquire shares or rights to shares under an employee incentive scheme. Approval from Shareholders is being sought to grant rights to Mr Brayan under the Appen Long Term Incentive Plan in respect of FY20 with any Rights issued within 12 months after the date of this Meeting.

Information required by ASX Listing Rule 10.15

ASX Listing Rule 10.15 requires the following information to be disclosed in relation to the Rights to be granted to Mr Brayan, Managing Director and CEO, under the Plan. Other disclosure requirements of this listing rule have been disclosed earlier in this commentary:

i. Maximum number and class of securities proposed to be issued

The maximum number of Rights (defined earlier in this memorandum) for which approval is being sought to grant to Mr Brayan within 12 months of this Meeting, is 78,125.

After the grant of Rights, the number of Shares that Mr Brayan may receive at the end of the vesting period on the vesting date will be determined having regard to the satisfaction of the relevant performance condition.

ii. Mr Brayan's current remuneration

Mr Brayan's current remuneration package is disclosed earlier in this memorandum.

iii. Number of Rights previously issued to Mr Brayan under the Plan

Plan under which Rights were Granted	Number of Rights Granted	Average Acquisition Price Paid by Mr Brayan for these Rights
FY16 LTI Plan	95,535	\$nil
FY17 LTI Plan	59,430	\$nil
FY18 LTI Plan	23,153	\$nil
FY18 Special	150,000	\$nil
FY18 STI	150,000	\$nil
FY19 LTI Plan	160,000	\$nil

iv. Details of the Rights

Details of the Rights are disclosed earlier in this memorandum and these are subject to the terms and conditions of the Plan, a copy of which can be found on the Company website www.appen.com.

v. Issue date of Rights

The Rights will be granted to Mr Brayan no earlier than immediately following this Meeting and no later than 12 months after this Meeting, on the conditions described in the Explanatory Memorandum.

vi. Price for each Right (and the price for each APX Security that vests)

There is no payment for the grant of Rights or upon vesting of the Rights required by Mr Brayan.

vii. Material Terms of the Plan

The Rights are subject to specific terms outlined earlier in this memorandum and the terms and conditions of the Plan, a copy of which can be found on the Company website www.appen.com.

viii. Terms of any loan made to Mr Brayan in relation to the acquisition of the Rights

There is no loan provided in relation to the acquisition of the Rights by Mr Brayan.

ix. Disclosure

Details of any securities issued under the Plan will be published in Appen's annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.

x. Persons who are entitled to participate in the Rights Plan

The eligible participants under the Plan are employees of the Company (including Directors) or others who are determined by the Board to be eligible participants for the purposes of the Plan.

Mr Brayan is the only person referred to in ASX Listing Rule 10.14 who is currently entitled to participate in the Plan.

In any case, any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after the resolution in Item 5 is approved and who were not named in this Notice will not participate until approval is obtained under this rule.

Voting exclusion

The Company will disregard any votes cast in favour of the Resolution in Item 5 by any Director of the Company (except one who is ineligible to participate in the Plan), including Mr Brayan and any associate of any such persons. However, the Company need not disregard a vote cast in favour on Item 5 if:

- a. it is cast by a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy to vote on the resolution in that way; or
- b. it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides.

In addition, no KMP of the Company or a Closely Related Party or Associate of such a KMP may vote as a proxy on the proposed Item 5 unless:

- a. the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed Item 5; or
- b. the person is the Chair of the Meeting and votes as a proxy appointed by writing that authorises the Chair to vote on Item 5 even though the resolution is connected directly or indirectly with the remuneration of KMP of the Company.

Directors' Recommendation

The Board, with Mr Brayan abstaining, recommends that Shareholders vote in favour of the resolution in Item 5.

Item 6: Non-executive Director's Remuneration

Under clause 83.1 and ASX Listing Rule 10.17, the maximum annual remuneration that can be paid to all of the non-executive directors taken together (the NED Remuneration Pool) must be approved by shareholders by ordinary resolution.

The current NED Remuneration Pool of \$800,000 was approved by Shareholders at Appen's 2018 AGM. The Resolution in Item 6 proposes to increase the NED Remuneration Pool by \$100,000 to \$900,000 with immediate effect.

Increasing the NED Remuneration Pool does not mean that the whole of the new maximum amount will be used, nor does it indicate that non-executive director fees will necessarily increase. The Board has determined that there is no intention to increase board fees for 2020.

The proposed increase in the maximum aggregate amount payable to non-executive Directors is to ensure there is sufficient headroom to allow for a potential increase in the total number of non-executive directors in the future, which would allow for orderly Board success and transition planning by allowing an outgoing director to remain on the Board for a period of time while new directors benefit from a transfer of director knowledge and responsibilities.

For the purposes of ASX Listing Rule 10.17, Appen confirms that in the three years before the date of this Notice no securities have been issued to non-executive Directors under ASX Listing Rule 10.11 or 10.14.

Directors' Recommendation

Given the interest in this matter of each non-executive director, the Board as a whole makes no recommendation on the Resolution in this Item.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Item 6 by or on behalf of a director of Appen or an associate of a director. However, the Company need not disregard a vote cast on Item 6 if:

- a. it is cast by a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy to vote on the resolution in that way; or
- b. it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides.

Glossary

\$ means Australian Dollars.

AEST means Australian Eastern Standard Time as observed in Sydney, Australia.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASX means ASX Limited ACN 008 624 691.

ASX Listing Rules means the Listing Rules of the ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.

ASX Principles means the ASX Corporate Governance Principles and Recommendations (4th edition).

Board means the current board of directors of the Company.

Closely Related Party has the meaning as defined in section 9 of the Corporations Act.

Company means Appen Limited (ACN 138 878 298)

Constitution means the Company's Constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Entitlement Time means 7.00pm AEST Wednesday 27 May 2020.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Notes means the Explanatory Notes accompanying the Notice.

Items means the resolutions set out in the Notice, or any one of them, as the context requires.

Key Management Personnel has the meaning as defined in section 9 of the Corporations Act.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

Option means an option to acquire a Share under the Plan or other employee incentive plan, as the context requires.

Plan means Appen Long Term Incentive Plan.

Proxy Deadline means 10.00am AEST Wednesday 27 May 2020.

Proxy Form means the proxy form accompanying the Notice.

Related Body Corporate has the meaning set out in section 50 of the Corporations Act.

Remuneration Report means the remuneration report set out in the Director's Report section of the Company's annual financial report for the year ended 31 December 2019.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Rights mean long term incentive rights to acquire a Share issued under the Plan.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Link Market Services Limited.

Shareholder means a holder of a Share.

For personal use only

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Appen Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474



X99999999999

VOTING FORM

I/We being a member(s) of Appen Limited and entitled to attend and vote hereby appoint:

A VOTE DIRECTLY

elect to lodge my/our vote(s) directly (mark box)

i in relation to the Annual General Meeting of the Company to be held at **10.00am (AEST) on Friday, 29 May 2020**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR

B APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10.00am (AEST) on Friday, 29 May 2020** (the Meeting) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in: Online at <https://agmlive.link/APX20> (refer to details in the Virtual Annual General Meeting Online Guide available at appen.com/investors/announcements/).

Important for Items 2, 5 & 6: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Items 2, 5 & 6, even though the Items are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Items

2 Remuneration Report

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

3 Election of Director - Ms Vanessa Liu

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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4 Re-election of Director - Mr Christopher Vonwiller

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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5 Grant of Performance Rights to Mr Mark Brayan, Managing Director and Chief Executive Officer

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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6 Non-executive Directors' Remuneration

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf and your votes will not be counted in computing the required majority.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form, including where the Items are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10.00am (AEST) on Wednesday, 27 May 2020**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN)..



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your vote by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Appen Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* in business hours (Monday to Friday, 9:00am–5:00pm)

