

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

APPEN LIMITED

ABN/ARBN

60 138 878 298

Financial year ended

31-December-2015

Our corporate governance statement² for the above period above can be found at:³

these pages of our annual report: _____

this URL on our website: <http://investors.appen.com/investors/?page=Corporate-Governance>

The Corporate Governance Statement is accurate and up to date as at 26 February 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date here: 29 February 2016



Sign here: _____

Company Secretary

Print name: LEANNE RALPH

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://investors.appen.com/investors/?page=Corporate-Governance</p> <p>... the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
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PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://investors.appen.com/investors/?page=Corporate-Governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In the Annual Report for 2015.</p> <p>http://investors.appen.com/investors/?page=Announcements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>... the fact that we follow this recommendation:</p> <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	<p>... our code of conduct or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: http://investors.appen.com/investors/?page=Corporate-Governance	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual	<p>[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i> ... and a copy of the charter of the committee: <input checked="" type="checkbox"/> at this location: http://investors.appen.com/investors/?page=Corporate-Governance </p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>attendances of the members at those meetings; OR</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In the Annual Report for 2015.</p> <p>http://investors.appen.com/investors/?page=Announcements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our continuous disclosure compliance policy or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://investors.appen.com/investors/?page=Corporate-Governance</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	<p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>for information about the company:</p> <p>http://appen.com</p> <p>for information on the governance of the company:</p> <p>http://investors.appen.com/investors/?page=Corporate-Governance</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
6.2	<p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
6.3	<p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://investors.appen.com/investors/?page=Corporate-Governance</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i> ... and a copy of the charter of the committee: <input checked="" type="checkbox"/> at this location: http://investors.appen.com/investors/?page=Corporate-Governance ... and the information referred to in paragraphs (4) and (5): <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> at this location: In the Annual Report for 2015. http://investors.appen.com/investors/?page=Announcements [If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: <input type="checkbox"/> in our Corporate Governance Statement OR	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
	<input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>		
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location: <hr/> <i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; OR</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: <input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location: <hr/> <i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location: <hr/> <i>Insert location here</i></p>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://investors.appen.com/investors/?page=Corporate-Governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input type="checkbox"/> at this location:</p> <p>In the Annual Report for 2015.</p> <p>http://investors.appen.com/investors/?page=Announcements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
	<input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<u>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</u>		
- <i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>- <i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Statement

Appen Limited
ACN 138 878 298

Corporate Governance Statement

Introduction

The practice of good corporate governance is vital in enhancing investor confidence in corporate accountability by demonstrating a commitment to transparency. The Board of Appen Limited (**Appen** or **Company**) is committed to the principles of good corporate governance.

The ASX Corporate Governance Council (**Council**) was formed in August 2002 to develop an industry-wide framework for corporate governance for listed companies. The resulting ASX Corporate Governance Principles and Recommendations (3rd edition) (**Recommendations**) form the benchmark for corporate governance in Australia.

The Recommendations are intended to be a reference point for companies about their corporate governance structures and practices. A company may choose not to implement certain Recommendations, provided that the company explains why it has not done so and what alternate approaches have been adopted.

This statement outlines the main corporate governance practices currently in place for Appen.

The corporate governance policies and practices described below are those that are currently in place, unless otherwise indicated. The Board continues to review the governance framework and practices of the Company to ensure they meet the interests of shareholders.

All references to the Group's website are to: www.appen.com

Board

1 Introduction

1.1 The role of the board (**Board**) is to oversee the management of the Company as well as provide strategic guidance. The Board has adopted a Board charter (**Charter**) which formally sets out the functions and responsibilities of the Board, with the objective of the Board being able to perform its role more effectively. This creates a system of checks and balances to provide a balance of authority.

(Compliant with ASX Recommendation 1.1)

2 Directors

2.1 The Chairman, Chris Vonwiller is a non-executive director. The Board has determined, that Mr Vonwiller cannot currently be considered an independent director, due to his substantial shareholding in the Company. Notwithstanding this non-independence, Mr Vonwiller is considered by the other directors to be the most appropriate director to be Chairman of the Board due to his experience with the Company and the industry.

2.2 The duties of Chairman and of Chief Executive Officer are carried out by separate people.

Name of Director	Independent? Y/N	Any relationship affecting independence?	Skills and experience relevant to the position	Term of office
Chris Vonwiller (Chairman)	N	Substantial Shareholder	Former CEO of the Company. Over 30 years experience in the technology sector.	6 years
Mark Brayan	N	Executive Director	International experience in the technology sector and leadership of ASX listed companies.	Appointed July 2015
Jeremy Samuel	N	Director of a major Shareholder	An experienced non-executive director and director of Anacacia Capital, a private equity investor.	6 years
Bill Pulver	Y	None	Former CEO of the Company.	6 years
Robin Low	Y	None	Experienced non-executive director and former partner at PricewaterhouseCoopers	Appointed October 2014
Steve Hasker	Y	None	Global President, The Nielsen Company. Experienced in digital and media. A guest lecturer at NYC and Columbia University on social networks and consumer behaviour.	Appointed April 2015
Deena Shiff	Y	None	Experienced non-executive director and former partner at Mallesons Stephen Jaques. Ms Shiff was also a Group Managing Director of Telstra.	Appointed May 2015

(Compliant with ASX Recommendations 2.3, 2.4 and 2.5)

3 Responsibilities

3.1 The responsibilities of the Board, as set out in the Charter, include:

- (1) providing leadership and approving the strategic objectives of the Company and establishing goals to promote their achievement;
- (2) monitoring the operational and financial position and performance of the Company;
- (3) implementing procedures to allow directors to inform themselves of the Company's business and financial status;
- (4) establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;

- (5) determining dividend policy and the amount, nature and timing of dividends to be paid (if any);
- (6) approving and monitoring the progress of major capital expenditure, capital management and major acquisitions and divestitures;
- (7) providing oversight of the Company, including its control and accountability systems;
- (8) establishing written policies on compliance, risk oversight and management;
- (9) setting appropriate levels of delegated authority to management;
- (10) assessing and determining whether to accept risks beyond the delegated authority provided to management;
- (11) overseeing management's implementation of the Company's strategic objectives and its performance generally;
- (12) reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, in conjunction with the Company's Audit and Risk Management Committee, and ensuring they are operating effectively;
- (13) appointing and removing the Chief Executive Officer (or equivalent) (**CEO**) and monitoring their performance;
- (14) appointing and removing other senior executives (including senior and key officers of the Company) (**Senior Executives**);
- (15) ratifying the appointment of the Directors and, where appropriate or applicable, the Company secretary (**Secretary**);
- (16) approving the Company's remuneration framework, including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO;
- (17) identifying business risks facing the Company and using reasonable endeavours to ensure that appropriate monitoring and reporting internal controls are in place to manage such risks;
- (18) approving and monitoring financial and other reporting and disclosure, including the Company's budgets and the external audit;
- (19) using reasonable endeavours to ensure the Company complies with its responsibilities under the *Corporations Act 2001* (Cth), the Company's Constitution, the ASX Listing Rules and other relevant laws;
- (20) to the extent practicable ensuring that the Company's workforce, including its Board of Directors, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company;
- (21) from time to time considering the social, ethical and environmental impact of the Company's activities, setting standards and monitoring compliance with the Company's sustainability policies and practices;
- (22) exercising due care and diligence and sound business judgment in the performance of those functions and responsibilities;

- (23) providing oversight and monitoring of Workplace Health & Safety (**WHS**) issues in the Company and considering appropriate WHS reports and information; and
- (24) using reasonable endeavours to ensure that appropriate resources are available to Senior Executives.

3.2 The responsibilities delegated by the Board to the Senior Executives include:

- (1) managing day-to-day operations in accordance with the standards for social and ethical practices which have been set by the Board; and
- (2) developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives.

(Compliant with ASX Recommendation 1.1)

4 Company Secretary

4.1 As outlined in the Board Charter, the Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

(Compliant with ASX Recommendation 1.4)

5 Board Structure and Composition

5.1 The Board is currently structured such that four of the directors are independent directors. By “independent” it is meant that the Board has determined that each director is independent of management and free of any business or other relationship that could materially interfere with the exercise of independent judgment.

5.2 Apven is committed to ensuring that the composition of the Board includes directors who bring an appropriate mix of skills, experience, expertise and diversity to Board decision making. The Board has collective business expertise in the areas of speech and search technology services, finance and capital markets, legal acumen, and sales and marketing in the digital age. The Chairman is a non-executive director.

(Compliant with ASX Recommendations 2.3, 2.4 and 2.5)

6 Board Matrix

6.1. The Board considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities in a publicly listed, speech and search technology services company.

The full biographies of all directors are included in the Director’s Report in the Annual Report. Below is a summary of skills possessed by directors.

Non-executive directors Mr Chris Vonwiller and Mr Bill Pulver have a deep knowledge and understanding of the services provided and the operations of the company through their prior roles as CEO of the Company. Mr Pulver and Mr Jeremy Samuel also bring broad governance knowledge, including skills and experience in the areas of risk and financial controls in the technology sector and other industries.

Ms Robin Low complements and strengthens these skills with her accounting and governance background as a former partner at Pricewaterhouse Coopers.

In April 2015 the digital technology skills of the Board was further enhanced with the appointment of Mr Steve Hasker. Ms Deena Shiff was also appointed during 2015 and brings strong legal and communications experience to the Board. Both Mr Hasker and Ms Shiff also have significant international business experience. These appointments were the culmination of an extensive search conducted by an external search firm, which included appropriate background checks (including criminal, bankruptcy, education, qualifications and reference checks) in respect of each director candidate.

Mr Mark Brayan as an executive director, brings to the Board the ability to debate and discuss all issues with his unique knowledge, experience of, and perspective on, all Company services.

The diagram below sets out the skills and experience considered by the Board to be important for its Directors to collectively have.

In addition to the skills and experience set out in diagram below, the Board considers 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.



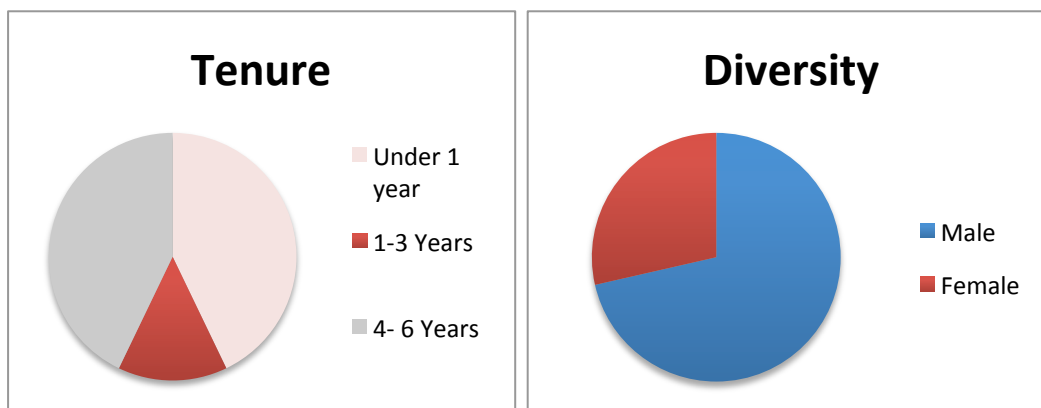
SKILL	DESCRIPTION
Strategy	Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions.
Finance	The ability to analyse financial statements and reporting, critically assess the financial performance of the group, contribute to budget planning and efficient use of capital and resources.
Operations	A broad range of commercial and business experience in business systems, practices, improvements, risk and compliance, sales, maintenance, technology and human resources.
Sales and Marketing	Clear understanding of developing and implementing brand strategy, recruiting, running and incentivising sales teams, setting sales budgets and targets and getting brand “cut-through”. These skills must also be applicable to the online and digital space.

Capital markets	Expertise in considering and implementing efficient capital management including alternative capital sources and distributions, yields and markets.
Industry experience	Experience and broad understanding of the technology market, including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework.
Mergers and Acquisitions	Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments.
People and performance	Appreciation for the best practices in HR planning and management with familiarity in employment legislation and labour relations, recruitment, compensation, performance reviews and conflict management.
Legal and compliance	Ability to identify key risks to the group in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems.
ASX governance	Knowledge and experience in best practice ASX and Corps Act Governance structures, policies and processes .
Technology/Digital	Expertise in the analysis of Technology/digital feasibility and assessment, strategies for optimising value and understanding and mitigating risk from of Technology/digital opportunities.
Industry relations	Expertise in the industry both in terms of policy development, interest group input and lobbying and legislation. Effective networks.
Corporate History	A good understanding of recent corporate background including organisational structure, litigation, key contracts and relationships, performance and capital structures
Leadership	Successful senior executive positions held

In facilitating the development of the skills summary above, each director is in the process of undertaking a self-assessment of their skills and experience. The results of this assessment will be included in the next Corporate Governance Statement.

While the current Board composition meets the Company's needs, this skills and experience analysis will assist to identify opportunities for Director training and development and to inform skills gaps that may be addressed through future Board appointments.

- 6.2 The Board's tenure and diversity are depicted in the diagrams below. The Board promotes diversity in line with its policy and diversity is a consideration when making Board appointments.



(Compliant with ASX Recommendation 2.2)

7 Independent Directors

- 7.1 A director is deemed to be independent if, amongst other things, they are a non-executive director and considering the following factors:
- (1) whether they are a substantial shareholder;
 - (2) whether they are employed in an executive capacity currently or have been within the Company in the last three years;
 - (3) whether they are a material consultant to the Company currently or have been within the last three years;
 - (4) whether they are a material supplier or customer of the Company;
 - (5) whether they have any material contractual relationship with the Company;
 - (6) whether they have served on the Board for a period which could materially interfere with their ability to act in the best interests of the Company; and
 - (7) whether they are free from any interest which could materially interfere with their ability to act in the best interests of the Company.
- 7.2 The Company assesses the materiality thresholds referred to above, and other matters, on a case-by-case basis. The independence of directors is assessed as required, but in any case on an annual basis and recorded in the minutes of the board meeting at which the matter was considered.
- 7.3 The Company currently has a majority of independent directors. The Board is of the view that the current composition of the Board is appropriate for the current stage of business

with extensive knowledge of the business and the industry residing with existing directors. Each director, irrespective of their independence status, carries out their role with an independent mind.

(Compliant with ASX Recommendations 2.3 and 2.4)

8 Establishment of Committees

8.1 The Board has established the following committees:

- (1) Nomination and Remuneration Committee – to deal with the appointment and removal of the Company’s Directors and to ensure that the Company remunerates fairly and responsibly *(further details of which are discussed in point 10)*; and

(Compliant with ASX Recommendations 2.1 and 8.1)

- (2) Audit and Risk Management Committee – to protect the integrity of financial reports *(further details of which are discussed in points 16-18)*.

(Compliant with ASX Recommendations 4.1 and 7.1)

9 Composition of Committees

9.1 **Members of Committees**

As at the date of this statement, the composition of the Committees is as follows:

Member	Nomination and Remuneration Committee	Audit and Risk Management Committee
Chris Vonwiller		X
Mark Brayan		
Robin Low	X	X
Bill Pulver	X	
Jeremy Samuel		
Deena Shiff		X
Steve Hasker	X	

Each of the Committees consists of a majority of independent directors and consequently the Company complies with the ASX Recommendations 2.1, 4.1, 7.1 and 8.1.

(Compliant with ASX Recommendations 2.1, 4.1, 7.1 and 8.1)

9.2 Attendance at Meetings

The meeting attendance of all Board and Committee members is detailed in the annual report.

(Compliant with ASX Recommendations 2.1, 4.1, 7.1 and 8.1)

10 Appointment and Removal of Directors

10.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee makes recommendations to the Board on the tenure, size and composition of the Board. Below is a summary of the Nomination and Remuneration Committee's role and responsibilities, structure and membership requirements.

(1) Members

The Nomination and Remuneration Committee is comprised of three members, all independent directors. As at the date of this document, the Chair is Mr Bill Pulver, a non-executive director. Members of the Nomination and Remuneration Committee are appointed and removed by the Board. Members of the Nomination and Remuneration Committee must have an appropriate level of understanding of:

- (a) the principles of corporate governance, including knowledge of the ASX Recommendations;
- (b) the Company's businesses and organisation structure;
- (c) the functions of the Board and the various roles and responsibilities of directors and other Senior Executive positions;
- (d) Company management, at a senior management level;
- (e) the disclosure requirements under the *Corporations Act 2001* (Cth) and the ASX Listing Rules in respect to executive and director remuneration; and
- (f) the complexities involved in negotiating and determining executive remuneration packages.

(2) Responsibilities

Responsibilities of the Nomination and Remuneration Committee include:

- (a) recommendations for the appointment and removal of directors;
- (b) assessing director competencies;
- (c) evaluating the Board's performance;
- (d) review of Board succession plans;
- (e) the executive remuneration policy;
- (f) the non-executive remuneration policy;
- (g) remuneration packages for executive directors and Senior Executives;

- (h) merit recognition arrangements; and
- (i) termination arrangements.

(3) **Meetings**

The Nomination and Remuneration Committee meets as frequently as required and at least twice a year. Any member of the Nomination and Remuneration Committee may request that the Secretary call a meeting. A quorum at such meetings consists of at least two members, one of which must be independent (to the extent that a member of the Nomination and Remuneration Committee is an independent director). The number of times the committee has met during the year ended 31 December 2014 is noted in the Annual Report.

(Compliant with ASX Recommendations 2.1, 8.1 and 8.2)

10.2 **Appointing New Directors To The Board**

Nominations for new directors are made by the Nomination and Remuneration Committee and considered by the Board as a whole. Assessment criteria include background, experience, professional skills, personal qualities, whether their skills and experience will augment the existing Board and their availability to commit themselves to the Board's activities.

All newly appointed directors who are appointed by the Board, must stand for election by shareholders at the next annual general meeting. All relevant details will be provided in the Notice of Meeting for the Annual General Meeting scheduled for May 2016 to enable shareholders to make an informed decision on the election or re-election of directors.

The Board undertakes the appropriate checks before appointing new directors to the Board and this process was followed with the recent selection of Mr Hasker and Ms Shiff.

All directors have written agreements in place outlining the terms of their appointment.

The Company has a comprehensive induction program for new directors and provides appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as a director, effectively.

(Compliant with ASX Recommendations 1.2, 1.3, 2.1 and 2.6)

11 **Independent Advice**

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

(Compliant with ASX Recommendation 1.1)

Remuneration and Performance

12 **Summary Of Performance Evaluation**

- 12.1 The performance of Senior Executives is reviewed regularly against both quantitative and qualitative measures to ensure that they obtain adequate feedback on the discharge of their responsibilities.

- 12.2 The Nomination and Remuneration Committee is responsible for evaluating the Board's performance. A performance review of the Board, its committees and individual directors has not yet been undertaken as the Company only listed on 07 January 2015. However, the committee has initiated an external review of the Board, its committees and individual directors, to be conducted before 30 June 2016.
- 12.3 The performance of senior executives is assessed on an annual basis after the end of each financial year. A performance evaluation of senior executives took place in February 2016 for the year ended 31 December 2015. All Senior Executives are employed pursuant to written employment agreements.

(Compliant with ASX Recommendations 1.3, 1.6, 1.7 and 2.1)

13 Remuneration Policy

- 13.1 The Company's remuneration policy is designed to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration is intimately connected to performance and is intended to be appropriate for the results delivered. The Company's policies are designed to attract and maintain talented and motivated directors and employees as well as raising the level of performance of the Company.

(Compliant with ASX Recommendation 8.1)

- 13.2 The Board has the discretion to reward eligible employees with the payment of bonuses, share options and performance rights and other incentive payments. These incentive payments are designed to link rewards to performance and are determined by both financial and non-financial imperatives.

(Compliant with ASX Recommendation 8.1)

14 Remuneration Of Non-Executive Directors

- 14.1 Non-executive directors are remunerated via fees paid in cash. Non-executive directors do not participate in the schemes designed for the remuneration of executives, nor do they receive options, bonus payments or any retirement benefits other than statutory superannuation.

(Compliant with ASX Recommendation 8.2)

15 Equity Based Remuneration

- 15.1 The Nomination and Remuneration Committee is responsible for considering and developing a policy on whether participants in an equity-based remuneration scheme are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Company's Securities Dealing Policy prohibits the use of derivatives or similar instruments in relation to Company securities.

(Compliant with ASX Recommendation 8.3)

Financial Reporting

16 Internal Auditing

- 16.1 The Company does not have an internal audit function, however, procedures have been put in place to manage risk and ensure, as far as possible, accuracy in financial reporting. These procedures are supervised by the Audit and Risk Management Committee. These procedures include various reporting mechanisms from management to the Board and the Audit and Risk Committee, close interaction between management and the Audit and Risk Committee and meetings with the auditor without management present. There is also at least one meeting in the annual Board calendar to incorporate a review of the Company's risk framework.

An Audit and Risk Management Committee has been established by the Board to protect the integrity of financial reports. The importance of an Audit and Risk Management Committee is universally recognised in the practice of good corporate governance and plays a key role in focussing the Board on matters relevant to the integrity of financial reporting.

(Compliant with ASX Recommendations 4.1, 7.1 and 7.3b)

The Board has adopted a Charter for the Audit and Risk Management Committee which specifies that that the Audit and Risk Management Committee should consist of:

- (1) only non-executive directors;
- (2) a majority of independent directors (to the extent practicable given the size and composition of the Board);
- (3) an independent chairperson, who is not the Chair of the Board; and
- (4) at least three members.

(Compliant with ASX Recommendations 4.1 and 7.1)

16.2 Composition of the Audit and Risk Management Committee

As at the date of this document, the Audit and Risk Management Committee consists of:

- (1) Robin Low, BComm, FCA (Chair);
- (2) Deena Shiff, BLs, BEc, FIAD; and
- (3) Chris Vonwiller, BSc, BEng (Hons) MBA.

(Compliant with ASX Recommendations 4.1 and 7.1)

16.3 Charter of the Audit and Risk Management Committee

The charter of the Audit and Risk Management Committee sets out its role and responsibilities, structure and membership requirements.

(1) Responsibilities

The responsibilities of the Audit and Risk Management Committee includes:

- (a) overseeing the independence of the external auditors; and

(b) the management of operational risk.

(2) **Meetings**

The Audit and Risk Management Committee meets as frequently as required and at least three times a year. Any member of the Audit and Risk Management Committee may call a meeting. A quorum at such meetings consists of at least two members, one of which must be independent (to the extent there is an independent director on the Audit and Risk Management Committee). A full record of individual attendances and Committee meetings is noted in the Company's annual report.

(3) **Expertise**

Every member of the Audit and Risk Management Committee is able to read and understand financial statements and at least one member is a qualified accountant or other financial professional with experience in financial and accounting matters.

(4) **Reporting**

The Audit and Risk Management Committee reports to the Board at the first Board meeting subsequent to each Audit and Risk Management Committee meeting. Each report contains all matters relevant to the Audit and Risk Management Committee's role and responsibilities.

(Compliant with ASX Recommendations 4.1 and 7.1)

17 External Auditing

- 17.1 The Audit and Risk Management Committee is responsible for making recommendations to the Board concerning the appointment of external auditors and the terms of their engagement. The Audit and Risk Management Committee reviews the performance of the external auditors and annually reviews the Company's and subsidiary's policy on maintaining the independence of the external auditor. The independent external auditor reports directly to the Audit and Risk Management Committee and the Board.

Risk Management

18 CEO and CFO Assurances

- 18.1 In order to create an environment for identifying and capitalising on opportunities, the Board has established a sound system of risk oversight and management. To encourage management accountability in this area, Senior Executives are required to design and implement the risk management and internal control system to manage the Company's material business risks and report on whether those risks are being managed effectively.

The Audit and Risk Management Committee is charged with risk oversight and, alongside an annual review, at least one annual committee meeting includes a risk assessment framework review. The Audit and Risk Management committee has undertaken an initial review of the Company's risk management framework during the year ended 31 December 2015 and has committed to continue to refine and define areas of risk and risk mitigation during the 2016 financial year by having this as an agenda item at most committee meetings. In addition, one meeting per year has been scheduled to deal with risk management.

(Compliant with ASX Recommendation 7.2)

- 18.2 Further, both the CEO and Chief Financial Officer (**CFO**) are required to provide written assurances to the Board that the financial reports submitted to the Board present a true and fair view of the Company's financial position and operational results and that the Company's risk management and internal compliance and control system is operating efficiently and effectively.

(Compliant with ASX Recommendation 4.2)

19 Risk Management Policy

- 19.1 In order to recognise and manage risk the Company has established an internal compliance system under which risk is identified, assessed, monitored and managed. This structure is designed and implemented by the Audit and Risk Management Committee as it oversees the establishment and implementation of the risk management system.

(1) **Risk management**

All material risks affecting the Company, including both financial and non-financial matters, are considered and reviewed regularly by the Audit and Risk Management Committee. In addition, there is at least one committee meeting which includes a review of the risk management framework of the Company.

(2) **Assessment of effectiveness**

The effectiveness of the risk management system is reviewed by the Audit and Risk Management Committee at least once a year.

(3) **Economic, environmental and social sustainability risks**

The Audit and Risk Committee has determined the Company does not have any material exposure to economic, environmental and social sustainability risks.

(Compliant with ASX Recommendations 7.1, 7.2 and 7.4)

Code of Conduct

20 Summary of Code of Conduct (Code)

- 20.1 The Company seeks to be recognised as an organisation committed to the highest ethical standards in business. The Code provides an outline of the standards of ethical behaviour expected of directors and employees and provides for the accountability of unethical practices.

The conduct of the directors and employees is governed by the following principles:

(1) **Responsibilities to shareholders and the financial community**

- (a) the Company values communication with its shareholders, other stakeholders, and the public at large. Full, fair and timely disclosure of relevant information is made to shareholders and the ASX;

(2) **Employment practices**

- (a) integrity and professionalism – to act honestly and with integrity in all dealings of the Company;

- (b) active compliance with the law;
 - (c) achieving gender diversity set by the Board in accordance with the diversity policy – to disclose progress towards achieving them;
 - (d) conflicts of interest – to fully disclose any matters which may lead to conflicts of interest; and
 - (e) confidential information – complying with the restrictions on the use of non-public information except where disclosure is either authorised or mandated by law;
- (3) **Fair trading and dealing**
- (a) the Company will not engage in anticompetitive practices that unlawfully restrict the free market economy.

As part of the active promotion of ethical behaviour, any behaviour that does not comply with this Code must be duly reported. Protection will be provided for those who report violations in good faith.

A copy of the Code of Conduct policy is available on the Company website.

(Compliant with ASX Recommendations 1.5 and 3.1)

Policies

21 Summary Of The Provisions Of The Securities Dealing Policy

- 21.1 The Company has adopted a policy on the trading of the Company's securities by potential 'insiders' (**Securities Dealing**) which is formulated to establish compliance standards designed to promote ethical and responsible decision making. In the spirit of transparency and complementing the laws prohibiting insider trading, the Securities Dealing Policy is published on the Company's website. This policy also complies with the disclosure provisions of the ASX Listing Rules.

The Securities Dealing Policy applies constraints on directors, key management personnel and employees of the Company.

(1) **Notification**

Designated persons, including directors, officers and other key management personnel level one management and above, are required to notify an appropriate senior member of the group of their intention to trade Company securities and obtain consent to do so. Subsequent confirmation of the trading that has occurred is also required.

(2) **Communication**

All employees of the Company, including directors, key management personnel, and officers, are prohibited from communicating price sensitive information to a person who may deal in securities of the Company. External advisers must be bound by confidentiality agreements.

(3) **Blackouts**

All designated persons and employees must only deal in securities of the Company during:

- (a) the six week period following the announcement of the Company's half yearly or annual financial results to ASX (**Trading Window**), commencing one business day after the release of financial results, but subject to any additional restriction that the Company may put in place during that period; and
- (b) any other period designated by the Board.

(Compliant with ASX Listing Rules 12.9, 12.10, 12.11 and 12.12)

22 Summary of Shareholder Communication Policy

22.1 The Company's communications strategy (contained in the Shareholder Communication Policy) is designed to empower shareholders by giving them access to balanced and understandable information on the Company. The Company is required under the *Corporations Act 2001* (Cth) and the ASX Listing Rules to keep the market fully informed of all information that could have a material effect on the value of its securities.

(1) **Regular shareholder communication**

The Company is committed to maintaining direct, open and timely communications with all shareholders. The access and use of electronic communication provides broader access to Company information by investors and stakeholders and a greater opportunity for more effective communication.

Shareholders are offered the option to receive communications from, and send communications to, the Company and Link Market Services, the Company's share register.

Part of the Company's communication strategy involves making it easier for shareholders to participate in general meetings. All shareholders will be invited to attend the annual general meeting and the Chairman address and CEO's presentation are released to the market prior to the commencement of the meeting so that all stakeholders are informed.

The Company will also request that the external auditor attend the annual general meeting and be available to answer shareholder questions regarding the audit and the preparation and content of the audit reports.

(2) **Website**

In line with ASX Listing Recommendation 6.1, the Company provides information about itself and its governance to investors via its website.

(3) **Investor Relations Program**

The Company regularly engages directly with its investors and also holds investor briefings at least twice per year. This, together with the annual general meeting forms the basis of the Company's investor relations program.

A copy of the Shareholder Communication and Participation Policy is available on the Company website.

(Compliant with ASX Recommendations 4.3, 6.1,6.2, 6.3 and 6.4)

23 Summary of the Price Sensitive Information Policy

- 23.1 The purpose of the Price Sensitive Information Policy is to ensure that there are mechanisms in place to provide all investors with equal and timely access to material information concerning the Company. Such information must be presented in a clear and balanced way so as to not omit any material information.

These policies are designed to ensure that the Company meets its continuous disclosure obligations under the ASX Listing Rules.

(1) Type of information that needs to be disclosed

Listing Rule 3.1 states that any information that a reasonable person would consider to have a material effect on the price or value of Appen securities must be disclosed.

(2) Disclosure Officer

The Board has appointed the Secretary to act as the disclosure officer (**Disclosure Officer**) to be responsible for communications with the ASX and to determine what information must be disclosed. The Disclosure Officer holds the primary responsibility for ensuring that the Company complies with its disclosure obligations.

In addition, the directors, employees and consultants are all equally responsible for reporting price sensitive information that is not generally available to the Disclosure Officer.

A copy of the Price Sensitive Information Policy is available on the Company website.

(Compliant with ASX Recommendation 5.1)

24 Summary of the Diversity Policy

- 24.1 The Board has adopted a Diversity Policy is to assist the Company to achieve objectives and deliver outcomes for its stakeholders, by enabling it to attract and retain the most qualified and experienced individuals to its workforce. A copy of the Diversity policy is available on the Company website.
- 24.2 The Company aims to ensure that its workforce, including its board of directors, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company.
- 24.3 The Policy sets out the guidelines by which the Company endeavours to increase diversity throughout the Company, including at Board level.

(1) Statement of principles

The Company is committed to:

- (a) equality of opportunity throughout the organisation;
- (b) recruiting and retaining the best candidates for positions; and
- (c) treating individuals with respect.

(2) **Board responsibilities**

As outlined in the Diversity Policy, the Board is charged with establishing measurable objectives for achieving gender diversity targets, within the Company and Board. The Board is to annually assess the performance of the Company in achieving the objectives and also review the objectives themselves.

As the Company only listed in January 2015, the Board has not yet established gender diversity targets. The Board expects to consider this in due course and then will report at the end of next reporting period, the achievement of these diversity targets.

The Board is to ensure that as part of its Board selection policy, recruitment and selection practices at Board level are appropriately structured so that a diverse range of candidates are considered and there are no conscious or unconscious biases that might discriminate against certain candidates.

(3) **Management responsibilities**

Management is charged with achieving the diversity objectives set by the Board and will be responsible for reporting to the Board on the progress towards, and the achievement of, the diversity objectives.

(4) **Reporting**

The Company has always had a policy of actively encouraging gender diversity at all levels in the organisation, and a culture that supports workplace diversity. This is evidenced by the following percentages as at 31 December 2015:

- The proportion of female directors: 29%
- The proportion of female employees in the whole organisation: 53%
- The proportion of female employees in senior positions: 38%.

(Compliant with ASX Recommendations 1.5 and 3.1)

This Corporate Governance Statement was approved by a resolution of the board on 26 February 2016.