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ASX ANNOUNCEMENT

27 May 2022

2022 ANNUAL GENERAL MEETING – CHAIR’S ADDRESS

Appen Limited (**Appen**) (ASX:APX) provides the attached Chair’s address to be delivered at today’s Annual General Meeting commencing at 10.00am AEST.

The webcast of the AGM can be joined at: meetings.linkgroup.com/APX22

Authorised for release by the Chair of Appen Limited.

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About Appen

Appen is the global leader in data for the AI Lifecycle. With over 25 years of experience in data sourcing, data annotation, and model evaluation by humans, we enable organisations to launch the world’s most innovative artificial intelligence systems.

Our expertise includes a global crowd of more than 1 million skilled contractors who speak over 235 languages, in over 70,000 locations and 170 countries, and the industry’s most advanced AI-assisted data annotation platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products.

Founded in 1996, Appen has customers and offices globally.

Chair address
2022 Annual General Meeting
27 May 2022

Let me start my Chair address by saying it is a pleasure to address you today for the first time as Chair of Appen.

After joining the Board in August 2021, I took over from Chris Vonwiller as Chair in October last year.

I wanted to particularly acknowledge Chris, as he was integral to making Appen an incredible success story and steering the company to its global role in the AI industry.

Before I move on to the order of business for the Annual General Meeting today, I would like to address the announcements that were released on the ASX yesterday.

As we have noted in our announcements over the last 24 hours, we received an indicative offer from Telus International which was confidential, non-binding and conditional at a price of \$9.50. Telus is the owner of one of our key competitors, Lionbridge.

While there was some uncertainty about the Telus offer, in the interests of shareholders, we sought to engage with Telus to better understand their conditions and determine whether an improved offer could be made.

Naturally, before providing non-public information to a competitor, we negotiated a confidentiality and standstill agreement, which was in agreed form for a number of days, but which Telus has not signed.

As you would be aware, details of their proposal leaked just prior to the AGM. As a result of the loss of confidentiality, we were required to disclose the proposal.

Yesterday afternoon Telus sent us a letter that indicated they were revoking their offer, without providing any rationale or explanation. We sought to reach out to Telus through their advisers but have not been able to establish contact.

Importantly, as a confidentiality agreement was not executed, at no point did we provide any non-public information to Telus.

Meanwhile, your Board and management team are focused on those areas that are within our control – our strategy and how we are positioning Appen to capture the strong growth forecast for the AI data labelling industry.

Appen is a great company and has maintained its enviable track record of 25 years of continuous and profitable growth. Appen is the AI industry's largest provider of high-quality training data with global scale, and it is strongly positioned to capture substantial future growth opportunities. This is what attracted me to Appen.

Having said that, I understand that shareholders are very unhappy with where the share price is today. The Board and management acknowledge that some areas of our business have not delivered to their full potential. We also acknowledge the concern of some investors about not providing near-term guidance as we are focused on our long-term strategy.

For my address today, I would like to talk about our strategy and how we are positioning Appen to capture the strong growth forecast for the AI data labelling industry and deliver to our full potential.

In my short time as Chair, there has also been substantial renewal and change within the business. I will discuss each in turn, starting with board renewal and revisions of our remuneration framework.

I will also touch on our 2021 performance, including some of our non-financial performance metrics, and highlight how we are building a sustainable business, noting that Mark will provide more detail in his CEO address.

Let me start by making some comments on Board renewal and governance.

Board renewal and governance

In 2021 Board renewal and identifying opportunities to strengthen certain board skills has been a priority.

At last year's Annual General Meeting shareholders approved the increase in the maximum number of directors on the board from seven to 10. Following the retirement of Chris Vonwiller and Bill Pulver, this amendment to our constitution provided flexibility and has facilitated a period of smooth transition.

Chris retired from the board in October 2021, after serving as Appen's Chair for 12 years and CEO from 1999 to 2010. Bill retired from the Board in August 2021. He was CEO from 2010 to 2013 and then a non-executive director for eight years.

On behalf of the Board, I would like to acknowledge the tireless efforts of both Chris and Bill and their commitment over many years.

Upon Bill's retirement, Steve Hasker, an independent director since April 2015, was appointed as chair of the People and Culture Committee.

Previously referred to as the Nomination and Remuneration Committee – the committee was renamed and broadened its remit to reflect the importance of people and culture to Appen’s success. Steve provides us with extensive experience in global talent and remuneration management.

We also appointed Stuart Davis as an independent non-executive director to the Board. His appointment was effective 29 March, and he stands for election today.

Stuart is an experienced and highly respected director, with valuable audit experience and fin-tech knowledge. He is currently a non-executive Director of NEXTDC Limited, and a director of PayPal Australia Limited and BSP Financial Group Limited.

Vanessa Liu will stand for re-election as a non-executive director. Vanessa is based in New York. She brings deep experience in the US markets, technology developments, early-stage investments as well as a global perspective in sectors critical to Appen’s future growth. Vanessa’s expertise continues to serve us well.

Both Stuart and Vanessa will address shareholders on their candidacies later in the meeting.

In addition, Deena Shiff has decided not to stand for re-election and will retire from the board following today’s meeting. On behalf of my fellow directors, I would like to thank Deena for her valuable contribution to Appen. She has served as a director since May 2015 and leaves Appen with our best wishes.

We are actively recruiting for another independent non-executive director to join the Board. We want Appen directors to have deep industry perspectives and to bring experience from the regions in which we operate.

Therefore, we expect to strengthen the board with the appointment of another US-based director. We are committed to maintaining gender diversity on our board by targeting female non-executive representation of more than 40%.

I also offer myself for election today and will address shareholders later in meeting.

Appen’s strategy

Turning to our strategy.

Let me explain our strategy and the basis for our confidence in the future.

Appen supports the world’s most innovative technology companies in building large scale AI models. These models are increasingly being used in our daily lives, from search and social media to autonomous driving and speech interface systems. The key ingredient to AI applications is high-quality training data.

Appen's mission is to help our customers build better AI by creating large volumes of high-quality training data faster.

We are the market leader. Our customers value the combination of our expertise, technology, and large-scale crowd to deliver large volumes of high-quality training data.

However, the demands of our customers continue to evolve as existing AI models mature and new use cases and technology emerges. In response, we have developed a four-pillar strategy to capture this growth.

Under our first pillar, we plan to **Grow** and diversify our revenue by expanding within existing customers and continuing to invest in target customer segments, namely Enterprise, China, and Government.

The second pillar of our strategy aims to **Automate** the crowd and labelling processes to improve the productivity of our crowd. This improves our unit economics and provides high quality outcomes for our customers

The third pillar of our strategy is to **Expand** our product offering and increase our total addressable market by adding new products and capabilities. Recent examples include our investments in Quadrant and Mindtech.

And under our fourth pillar, we will **Evolve** how we do business to improve the scalability and productivity of the business. This is the focus of our transformation team.

Technology underpins all four pillars of our strategy.

We have built and acquired incredibly valuable technology that has underpinned our growth. We will continue to invest in technology to combine our expertise, technology, and crowd to deliver better outcomes for our customers.

Our technology enables Appen to take a product-led focus. In practical terms this means we can build scale and repeatable products and services.

To support the delivery of our strategy we have bolstered our management team with the appointment of five new functional leaders.

Mark will elaborate on our financial targets and introduce the team in his address.

Remuneration framework

I will now turn to the second item on today's agenda, the Remuneration Report, and the revision of Appen's remuneration framework.

The Chair of the Board's People and Culture Committee, Steve Hasker, will speak to the Remuneration Report in more detail shortly. I will therefore keep my comments brief.

At last year's AGM, 47.57% of shareholders voted against the approval of the 2020 Remuneration Report. This resulted in Appen incurring a 'first strike'.

Since last year's meeting, Appen has consulted with stakeholders to understand the concerns that led to the first strike. The feedback that we received from shareholders, proxy advisors and other stakeholders has been reflected in changes to our executive remuneration framework effective from 1 January 2022.

These changes included the introduction of non-financial measures for the STI scorecard – namely, crowd NPS, customer NPS and employee engagement.

STI vesting levels were also realigned to provide a fair level of reward for commensurate effort and a one-year deferral plan was introduced for 25% of the CEO's STI.

It is important to note that the majority of Appen's employees are overseas and more than 90% of revenue is derived from the US. For this reason, we have differentiated LTI remuneration structures which consider local market remuneration practices.

Importantly, we also removed the annual testing for the LTI, and as a result no re-testing can occur.

Appen's FY21 highlights

Turning to Appen's financial performance.

Since 2016, Appen's revenue has grown at a compound rate of 40%. This reflects the strength of our customer relationships, crowd model and ability to deliver high quality data.

In FY21 revenue grew 8.3% to US\$447.3 million and underlying EBITDA before the impact of FX was up 12.0% to US\$78.9 million, compared to FY20. And after the impact of FX underlying EBITDA was up 3% to \$77.7 million compared to FY20.

Our financial results for FY21 show a record full year revenue performance due to a strong second half performance for Global Services and a higher contribution from New Markets – underpinned by break-out revenue growth in China.

While our success in China has been supported by our ability to increase market share, we are yet to deliver on the full potential of our Enterprise business. In turn, we narrowly missed the lower end range of our EBITDA guidance of US\$81 million.

Appen's balance sheet remains resilient with a significant cash balance and no debt.

The full year dividend of 10 cents per share, which was 50% franked, was in line with FY20.

Building a sustainable business

An element of our strategy is focused on being a sustainable business and delivering value to all stakeholders – including shareholders, our customers, crowd, and our people.

Our 1 million plus crowd continues to be one of Appen's most valuable assets. We remain committed to ethical treatment of our crowd and have set out our standards in our Crowd Code of Ethics and our Global Ethical Sourcing and Modern Slavery Policy.

Diversity and inclusion are a key priority. AI requires diverse datasets representative of the real world to perform ethically and correctly. We therefore ensure that our crowd is suitably diverse to deliver on this commitment.

We are actively involved in Impact Sourcing partnerships to further support diversity and offer work opportunities to individuals of all abilities and backgrounds.

We recognise that our people are critical to our success. And we are focused on ensuring diversity amongst our full-time work force.

In 2020 and 2021 Appen maintained 58% female representation amongst its employees.

We also increased female representation to 50% and 38% in 2021 amongst our Board and senior leadership team respectively.

As a company entrusted with the data of our customers, crowd, employees, and shareholders, we implement rigorous security systems and processes based on international standards. Our in-house experts remain at the forefront of data security to protect stakeholder data and meet privacy obligations.

This year, we also partnered with the World Economic Forum to create responsible AI standards.

While Appen's business has a relatively small environmental footprint, we are committed to supporting international initiatives to transition to net zero emissions.

In 2021, we completed our first green-house gas emissions inventory for Scope 1 and 2. This year we will focus on determining our Scope 3 emissions and setting our pathway to achieve net zero by 2030.

Closing comments

On behalf of the Board, I would like to thank you – Appen's shareholders – for your patience and ongoing support. I hope that my address has provided you with a clearer understanding of our strategy and priorities.

I also wanted to thank Mark and the team for what has already been achieved. Mark has always led Appen with tireless determination and grit.

I look forward to working with the Board and management to further drive Appen's strategy and deliver value for shareholders. I now welcome Mark Brayan to provide his CEO address.

Richard Freudenstein
Chair