



<b>Company</b>	Appen Limited
<b>Code</b>	APX
<b>Meeting</b>	AGM
<b>Date</b>	28 May 2021
<b>Venue</b>	Hybrid meeting at Four Seasons Hotel, Sydney and Online
<b>Monitor</b>	Peter Gregory

<b>Number attendees at meeting</b>	119 participants online and 40 in physical attendance
<b>Number of holdings represented by ASA</b>	58
<b>Value of proxies</b>	\$1.4m
<b>Number of shares represented by ASA</b>	103,651
<b>Market capitalisation</b>	\$1.64B
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with NED Bill Pulver and Linda Carroll, Investor Relations

## Exciting growth plans marred by first strike

Appen's AGM was a hybrid meeting with the chair enabling maximum opportunity for shareholder participation through the clear and orderly management of shareholder questions.

[https://webcast.openbriefing.com/7379/player/index.php?player\\_id=43674](https://webcast.openbriefing.com/7379/player/index.php?player_id=43674)

The AGM presentations highlighted the strong start to the year, but with Covid related factors affecting the second half; the rapid growth in China, the world's second largest AI market, and the sharp increase of committed revenue (as opposed to project revenue) to 31% of 2H2020 revenue.

The CEO explained that the availability of quality data was the biggest obstacle to uptake of AI and described how, in response, Appen was evolving from a service led business to product led business. The recently announced restructure will enable the delivery of high-quality training data faster, at a larger scale and with improved unit economics. Their customer centric approach, through the four business units of Global, Enterprise, China, and Government, will focus on the needs of target customers.

## Responses to ASA questions

Business unit reporting - For the immediate future Appen will report on the two segments of the existing Global business and new markets of Government, China, and Enterprise. As the individual components of new markets reach scale they will report separately. The new structure will give the teams hyper focus, agility, and the ability to independently make decisions.

The challenges and focus for each business are:

- Global - the major challenge is maintaining growth and growing share and improving margin.
- Enterprise – high growth and investing in products
- China - growing rapidly so management of the business is critical. Having to closely monitor the geopolitical situation
- Government - strong demand but to manage government purchasing cadence Appen will partner with government technology integrators

Margin improvement – Historically, margin improvement has come from scale, and it has enabled investment in product development and new markets. Margin from the Global business is improving and will continue to be reinvested to grow the business.

US \$ exchange risk – Appen will continue to use hedging to protect Australian shareholders and dividends against currency risk

## Other questions

Autonomous vehicle opportunity – Appen has customers in the US and China and has a very real focus on this market.

Chinese geopolitical risk – Appen sits outside any immediate risk, with local Chinese management, strong relationships with government, and being seen to providing a valuable service to Chinese companies and employing local people. Appen have a completely separate tech stack developed in China and all Chinese data remains in China. There is no data interchange between China and other geographies. The situation now appears good but can change rapidly and we continue to monitor that.

ESG – It receives serious attention at board level. Ethical AI is a big focus – Appen have been helping develop responsible AI standards through their partnership with the World Economic Forum.

## Voting

The remuneration report resulted in a first strike with 47.5% against, and the related item for the grant of performance rights to the CEO was barely carried with only 56.1% for votes.

The company had received feedback from stakeholder groups that the points of objection were retesting of the LTI and the increase in the STI proportion of the total package. The board committed to considering shareholder views as future decisions are made on remuneration and noted the shared objective of having a remuneration structure that drives long term sustainable performance.

With Item 5 for the grant of performance rights to the CEO, ASA asked for the rationale behind the STI increase. The response was that Appen benchmark against USA and Australian like companies and found

that for cash reward Appen ranked around 37 percentile. To become market comparable the board was working to improve this without changing the overall compensation.

Item 4 for reelection of Robin Low - ASA asked about her workload – she responded citing her history of contribution, and that she was very confident she would be able to manage her Appen responsibilities.