

# People and Culture Committee Charter

**Appen Limited**  
ACN 138 878 298

# People and Culture Committee Charter

## 1 Introduction

This Charter sets out the role, responsibilities, composition and membership of the People and Culture Committee (**Committee**) of Appen Limited (**Company**).

Ultimate responsibility for the Company's remuneration matters rests with the full Board, notwithstanding the establishment of the Committee.

## 2 Roles and responsibilities of the Committee

The role of the Committee is to assist the board of directors of the Company (**Board**) in fulfilling its responsibilities to shareholders and regulators, and provide advice, recommendations and assistance to the with respect to people and culture matters. This Committee incorporates the functions of a remuneration committee and a nomination committee as recommended by the ASX Corporate Governance Council.

### 2.1 People and culture

- (a) (**culture**) review and oversee the Company's key people and organisational culture strategies and their alignment with the Group's overall strategy and vision.

### 2.2 Talent and succession planning

- (a) (**appointments**) approve the appointment of the Chief Executive Officer (CEO) and the CEO's direct reports and the general terms of their employment contracts, including any termination payments;
- (b) (**succession plans - Board**). reviewing Board and being conscious of each Director's tenure, to maintain an appropriate balance of skills, experience, expertise and gender diversity;
- (c) (**succession plans - executives**). oversee the succession plans and processes for the CEO, direct reports to the CEO, and other key leadership roles, and review the pool of internal candidates to fill these positions; and
- (d) (**talent management**) review talent management within the Company generally.

### 2.2 Remuneration policies and practices

- (a) (**policies and practices**) oversee and advise the Board on remuneration policies and practices and ensure these policies and practices:
  - (i) enable the Company to attract and retain high quality directors, and attract, retain and motivate senior executives, with the expertise to enhance the performance and growth of the Company and create value for security holders, within the Company's values and risk appetite, by providing remuneration packages that are equitable and externally competitive;
  - (ii) clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives;
  - (iii) seek to ensure that the level and composition of remuneration packages are fair, reasonable and responsible, having regard to the performance of the Company and the relevant Director, executive or employee without

rewarding conduct that is contrary to the Company's values or risk appetite, and in the case of non-executive directors, do not conflict with their obligation to bring an independent judgement to matters before the board; and

- (iv) identify if there is any gender or other inappropriate bias in remuneration for directors, Senior Executives or other employees.

## 2.3 Remuneration matters

- (a) The Committee is responsible for developing, reviewing and making recommendations to the Board on:
  - (i) **(directors' fees)** the Company's remuneration framework for directors, including, the process by which any pool of directors' fees approved by shareholders is allocated to directors;
  - (ii) **(director minimum shareholding)** periodically review the policy and practices regarding the minimum shareholding for directors and ensure the detail of the policy is disclosed in the remuneration report;
  - (iii) **(senior executives)** the remuneration packages to be awarded to senior executives;
  - (iv) **(disclosure)** separately disclosing its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives;
  - (v) **(policies)** the Company's recruitment, retention and termination policies for the CEO and senior executives and any changes to those policies;
  - (vi) **(incentive schemes)** incentive schemes, if appropriate, for the CEO and senior executives;
  - (vii) **(equity based)** equity-based remuneration plans, if appropriate, for senior executives and other employees; and
  - (viii) **(superannuation)** superannuation arrangements for directors, senior executives and other employees.
- (b) The Committee is also responsible for monitoring and providing input to the Board regarding:
  - (i) **(updates)** legislative, regulatory or market developments likely to have a significant impact on the Company and legislative compliance in employment issues;
  - (ii) **(Company trends)** the remuneration trends across the Company, including:
    - A. the trends in base pay for senior management relative to that of all Company employees; and
    - B. remuneration by gender; and
  - (iii) **(benefits)** major changes to employee benefits structures in the Company.

## 2.4 Incentive schemes and equity based remuneration

For any incentive schemes or equity based plans which are adopted, the Committee is responsible for:

- (a) **(reviewing)** reviewing their terms (including any eligibility criteria and performance hurdles);
- (b) **(performance hurdles)** reviewing and being comfortable that incentive schemes or equity based plans are designed around appropriate performance benchmarks and ensuring that the performance-based component of each executive remuneration package must be clearly linked to specified performance targets. These targets should be aligned to the Company's short and long-term performance objectives and should be appropriate to its circumstances, goals, values and risk appetite;
- (c) **(administration)** overseeing their administration (including compliance with laws that restrict participants from hedging the economic risk of their shareholdings) and disclosing its 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;
- (d) **(shareholder approval)** considering whether shareholder approval is required or desirable for the schemes or plans and for any changes to them; and
- (e) **(payments and awards)** overseeing that payments and awards of equity are made in accordance with their terms and any shareholder approval; and
- (f) **(recommendations)** making recommendations to the board in relation to the above.

## 2.5 Executive remuneration policy

In fulfilling these responsibilities, the Committee will seek to ensure that:

- (a) **(alignment)** the remuneration structure for senior executives and the organisation as a whole is aligned to the Company's purpose, values, risk appetite and strategic objectives;
- (b) **(distinguishing structures)** a clear distinction is maintained between the structure of non-executive directors' remuneration and that of executive directors and senior executives;
- (c) **(linking rewards)** a proportion of executive directors' and senior executives' remuneration is structured in a manner designed to link rewards to corporate and individual performance (reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals), and promotes behaviour in line with the Company's values;
- (d) **(remuneration policy)** the remuneration policy is designed to attract, maintain and motivate executive directors and Senior Executives with the aim of enhancing the performance and long-term growth of the Company, without rewarding conduct that is contrary to the Company's values or risk appetite
- (e) **(remuneration consultant)** any engagement of a remuneration consultant is approved by the Board or the Committee and the remuneration consultant must report its recommendation directly to either or both of the members of the Board (other than an executive

director) or members of this Committee;

- (f) **(no influence)** the arrangements put in place to ensure that any remuneration recommendation made by the remuneration consultant is made free from undue influence from any member of the key management personnel to whom the recommendation relates;
- (g) **(providing information)** sufficient information is supplied to the Board to ensure that the Board makes an informed decision in relation to the Committee's recommendations;
- (h) **(superannuation)** recommendations are provided to the Board with respect to superannuation arrangements;
- (i) **(termination payments)** advice and recommendations are supplied to the Board on the Company's termination and redundancy policies and the payments made to outgoing executive directors and Senior Executives. The Committee should ensure that termination payments:
  - (i) are fair to the individual and the Company;
  - (ii) do not reward failure or misconduct; and
  - (iii) comply with the requirements of the *Corporations Act 2001* (Cth); and
- (j) **(review)** regular reviews of the remuneration policy and other relevant policies are undertaken and any changes recommended to the Board.

## 2.6 Nomination matters

The Committee is responsible for:

- (a) **(Board size)** making recommendations regarding the size and composition of the Board that allows for decisions to be made expediently, a range of different perspectives to be put forward regarding issues before the Board and a range of different skills to be brought to Board deliberations;
- (b) **(director competencies)** identifying and making recommendations regarding the necessary and desirable competencies of Directors;
- (c) **(skills matrix)** formulating 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, insuring the skills matrix is assessed on an annual basis to ensure it remains relevant to the Company, and ensuring the skills matrix is compliant with ASX Corporate Governance principles and Recommendations;
- (d) **(director recommendations)** developing and reviewing the process for the selection, appointment and re-election of directors, and making recommendations to the Board by:
  - (i) evaluating the balance of skills, experience, independence, knowledge and diversity of directors sitting on the Board;
  - (ii) in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment; and
  - (iii) ensuring that appropriate checks are carried out before putting forward a candidate for appointment or election as a

director;

- (e) **(providing information)** reviewing the Notice of Meeting to be comfortable that shareholders are provided with material information in the Committee's possession relevant to a decision as to whether or not to elect or re-elect a director in accordance with the ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> edition);
- (f) **(induction)** implementing induction programs for new directors, including ensuring that directors have sufficient understanding of the business;
- (g) **(on-going programs)** implementing programs to enhance director competencies so they can perform their roles as directors effectively, and to update directors' knowledge and skills, including:
  - (i) key developments affecting the Company, industry and environment in which it operates; and
  - (ii) receipt of briefings on material developments in laws, regulations and accounting standards relevant to the Company;
- (h) **(assessing time commitment)** reviewing the time required to be committed by non-executive directors to properly fulfil their duties to the Company and whether non-executive directors are meeting these requirements;
- (i) **(assessing independence)** assisting the Board in assessing the independence of each non-executive director, with reference to the criteria outlined in the ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> edition);
- (j) **(governance matters)** reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time.

## 2.7 Diversity and inclusion

- (a) **(diversity policy)** overseeing the implementation of the Diversity and Inclusion Policy and assessing progress in achieving the objectives of the Diversity and Inclusion Policy;
- (b) **(diversity commitment)** coordinating with the Board to ensure that the Company meets its commitment to becoming a diverse and inclusive workplace;
- (c) **(gender diversity)** making recommendations to the board in relation to measurable gender diversity targets for the board, the senior executive team and the organisation as a whole, and ensuring a process exists to monitor the achievement of these targets;
- (d) **(gender diversity – Board)** if the Company is in the S&P/ASX 300 Index ensure that the measurable objective for achieving gender diversity in the composition of the board is not less than 30% of its directors of each gender within a specified period; and
- (e) **(diversity culture)** identifying ways to promote a culture supportive of diversity including recruitment from a diverse pool of candidates and reviewing nomination practices against measurable objectives for achieving gender diversity.

## 2.8 Annual performance review

- (a) **(assessing performance - Board)** implementing a formal and rigorous process (including considering whether to use external facilitators) to evaluate the performance of the chairman, Board, Board committees, individual directors and addressing issues that may arise from the review; and
- (b) **(assessing performance – executives)** oversee the annual performance review of the CEO and the direct reports to the CEO.

## 3 Composition

### 3.1 Members

The Committee will consist of at least three members, a majority of whom are independent directors and all of whom are non-executive directors.

The term of service of Committee members will be reviewed by the Board at least annually, with a view to rotating members periodically, but without losing the continuity of experience and knowledge gained by members of the Committee. The members of the Committee will be appointed and removed by the Board.

The company will disclose the relevant qualifications and experience of the members of the Company.

To the extent practicable given the size and composition of the Board from time to time, the Committee should have appropriate diversity of membership to avoid entrenching unconscious bias. Each member must be free from any interest, business or other relationship which, in the opinion of the Board, could, or would reasonable be perceived to, materially interfere with the exercise of his or her independent judgment as a member of the Committee.

### 3.2 Expertise

Each member of the Committee is expected to possess adequate remuneration, regulatory and industry knowledge to carry out his or her responsibilities as a member of the Committee.

### 3.3 Chair and company secretary

The Chair of the Committee must be an independent non-executive director. The Chair of the Committee is appointed by the Board.

The Company Secretary will act as secretary of the Committee unless determined otherwise by the Board.

## 4 Meetings

### 4.1 Frequency

The Committee will meet as frequently as required in order to undertake its role effectively.

The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee or Board.

#### 4.2 **Agenda and notice**

The Secretary will be responsible, in conjunction with the Chair and management, for drawing up the agenda (supported by any necessary explanatory documentation) and circulating it to Committee members prior to each meeting. The Secretary must notify members of the Committee of the date, time and location of Committee meetings as far in advance as possible.

#### 4.3 **Quorum**

A quorum for Committee meetings will be at least 2 members. To the extent that a member of the Committee is an independent director, one of the members of the quorum must be an independent director.

#### 4.4 **Minutes**

The Company Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable after the close of the meeting.

#### 4.5 **Attendance**

The Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate. Voting at Committee meetings is restricted to Committee members. Any member of the Board may attend a meeting on request.

The Annual Report for a relevant financial year will disclose the number of times the Committee met throughout that financial year and the individual attendance of each member of the Committee at those meetings.

#### 4.6 **Conflicts**

No member of the Committee will participate in the determination of their own remuneration of the specific remuneration policies that are applicable to them, with the exception of the Company's remuneration framework for Directors, including, the process by which any pool of Directors' fees approved by shareholders is allocated to Directors.

### 5 **Objectivity**

The Committee has the right to seek internal and external advice when it considers such advice necessary in order to fulfil its responsibilities.

Senior Executives must supply the Committee with information in a form, timeframe and of a quality that will enable the Committee to effectively discharge its duties.

The Committee must ensure that it obtains sufficient information to enable it to make informed decisions with respect to the advice and recommendations it provides to the Board.

The Committee may seek input from individuals on remuneration policies, but no individual should be directly involved in deciding their own remuneration.

If the Committee includes an executive director, they should be alive to the potential conflict of interest in being involved in setting the remuneration for other executives which may indirectly affect their own (for example, through setting a benchmark or because of relatives). That executive director should also not be involved in deciding their own remuneration.

## **6 Access to internal or external resources**

In order to ensure the Board is able to discharge its responsibilities properly, the Committee should establish a process whereby directors:

- (a) can obtain independent legal, financial, remuneration or other professional advice when necessary at the expense of the Company;
- (b) are encouraged to, and in fact actively, request additional information where they consider that the information supplied by internal or external sources is insufficient to allow them to make informed decisions; and
- (c) can access the Company Secretary whenever required.

## **7 Reporting**

### **7.1 Reporting to the Board**

The Committee must report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues. Such reports must include detailed disclosure of executive remuneration policies which are subject to an advisory vote by shareholders.

In complying with the 'Two-Strikes Rule', the Committee must provide guidance to the Board on remuneration strategy, particularly where there has been a 'first strike' against the Company's remuneration report upon being put to a meeting of shareholders.

### **7.2 Annual report**

The Committee will liaise with the Audit and Risk Management Committee and the Board in relation to the Company's remuneration related reporting in the financial statements and remuneration report.

The Committee is responsible for review of the remuneration report to be included in the Company's Annual Report, and subsequent recommendation to the Board of its adoption. The Committee should ensure that the material and disclosures which relate to the Company's remuneration policies and practices, information concerning the directors and the performance evaluation of the Board and Senior Executives is included. The relationship between remuneration and performance and how it is aligned to the creation of value for shareholders should be clearly articulated to investors.

The Committee must provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance statement in the Annual Report which relate to the Company's nomination and remuneration policies and procedures.

The Committee Chair will attend the Company's annual general meetings prepared to respond to any shareholder questions on the Committee's activities.

## **8 Committee's performance evaluation**

The Committee will review its performance from time to time.

The performance evaluation will have regard to the extent to which the Committee has met its responsibilities in terms of this Charter.

## **9 Review and publication of the Charter**

This Charter shall be reviewed annually with the purpose determining its relevance to the current needs of the Company and amendments approved by a resolution of the Board.

The charter will be made publicly available on the Company's website in a clearly marked corporate governance section and the key features will be published in the Corporate Governance Statement.

Adopted on 17 December 2020