



# Board Charter

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# Board Charter

## 1 Introduction

This Board Charter has been developed and approved by the Board of Appen Limited (**Company**) to outline the manner in which the Board discharges its responsibilities.

The powers and duties of individual Directors are set out in the Constitution and at law.

## 2 Role and Responsibilities of the Board

### 2.1 Role

The role of the Board is to demonstrate leadership, define the Company's purpose, establish strategic objectives, approve the Company's statement of values and code of conduct and the oversight of the management of the Company. The Board derives its authority to act from the Company's constitution. The Board must ensure the activities of the Company comply with the Company's constitution and with legal and regulatory requirements.

### 2.2 Strategy

The Board is responsible for:

- (1) demonstrating leadership;
- (2) setting the strategic objectives of the Company;
- (3) defining the Company's purpose;
- (4) approving the Company's statement of values and code of conduct to ensure the desired culture within the Company;
- (5) ensuring that a process is in place so that it is informed of any material breaches of the code of conduct;
- (6) appointing the Chairman and any deputy Chairman;
- (7) reviewing and approving strategy plans and performance objectives of the Company consistent with the corporate strategy, and reviewing the assumptions and rationale underlying the strategy plans and performance objectives; and
- (8) monitoring and overseeing management's implementation of the Company's strategic objectives, instilling of the Company's values and its performance generally.

### 2.3 Oversight of Management

The Board is responsible for:

- (1) appointing and removing the Chief Executive Officer (**CEO**) and monitoring their performance;
- (2) appointing and removing other senior executives (including senior and key officers of the Company) (**Senior Executives**) and the Company Secretary;

- (3) approving succession plans for key individuals;
- (4) monitoring Senior Executives' performance and implementation of the Company's strategic objectives against measurable and qualitative indicators, instilling of the Company's values, encouraging enhanced effectiveness and ensuring that appropriate resources are available;
- (5) approving the Company's remuneration framework, policies and practices and satisfying itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite;
- (6) approving appropriate levels of delegated authority to management;
- (7) assessing and determining whether to accept risks beyond the delegated authority provided to management;
- (8) providing advice and counsel to management;
- (9) whenever required, challenging management and holding it to account; and
- (10) satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board to enable the Board to discharge its duties.

#### 2.4 Oversight of Financial and Capital Management

The Board is responsible for:

- (1) monitoring the integrity of the Company's accounting and corporate reporting systems (including the external audit) and requiring that financial records are properly maintained, and financial statements comply with appropriate accounting standards;
- (2) reviewing and approving annual and half-yearly financial reports;
- (3) monitoring operational and financial position and performance of the Company on an ongoing basis;
- (4) approving and monitoring operational budgets, major capital expenditure, major acquisitions and divestitures and material commitments;
- (5) establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;
- (6) capital management including approving decisions affecting the capital of the Company, capital structure and major financing arrangements; and
- (7) determining the dividend policy of the Company and determining the basis upon which the dividends will be paid.

#### 2.5 Ethics and Responsible Decision-Making

The Board is responsible for:

- (1) promoting ethical and responsible decision-making and charging management with the responsibility for creating a culture in the Company of ethical and responsible behaviour, including:

- (i) acting in the best interests of the Company;
  - (ii) acting with high standards of personal integrity;
  - (iii) complying with applicable laws, regulations, codes and policies; and
  - (iv) not knowingly participating in any illegal or unethical activity;
- (2) establishing, monitoring and promoting a code of conduct and related policies to guide the directors, management and employees in practices necessary to maintain confidence in the Company's integrity (including encouraging the reporting of unlawful or unethical behaviour and protecting whistleblowers who report violations in good faith);
  - (3) approving the Company's whistleblower policy;
  - (4) satisfying itself that a process is in place so that it or a committee of the board is informed of any material incidents reported under the whistleblower policy;
  - (5) approving the Company's anti-bribery and corruption policy;
  - (6) satisfying itself that a process is in place so that it or a committee of the board is informed of any material breaches of the anti-bribery and corruption policy;
  - (7) monitoring the effectiveness of the Company's governance practices and accountability for contraventions;
  - (8) establishing, monitoring and promoting a diversity policy to outline the Company's commitment to diversity and inclusion in the workplace and setting out a framework to achieve the Company's diversity goals;
  - (9) on an annual basis 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; and
  - (10) overseeing the Company's management of climate change related risks and opportunities and approving the Company's climate change related disclosures.

## 2.6 Compliance and Risk Management

The Board is responsible for:

- (1) identifying, analysing and evaluating material risks for the Company on an ongoing basis;
- (2) setting risk appetite guidance within which the Board expects management to operate (including the nature and extent of risks that can be taken to meet objectives) and monitoring the Company's operations within that guidance;
- (3) satisfying itself that the Company has in place an appropriate risk management framework (for both financial and non-financial risks);

- (4) monitoring a system of internal compliance, risk management and control, and systems of legal compliance that govern the operations of the Company, and monitoring that they are operating effectively;
- (5) approving the statement in the directors' report on the main internal and external risk sources that could adversely affect the Company's prospects for future financial years (as required by the Corporations Act);
- (6) monitoring the Company's governance and compliance framework and systems for the Company to meet regulatory, contractual, internal and other requirements;
- (7) providing oversight and monitoring of Workplace Health & Safety (**WHS**) issues in the Company and considering appropriate WHS reports and information; and
- (8) overseeing and regularly reviewing written policies, codes and procedures governing compliance and risk oversight and management.

## 2.7 Shareholders

The Board is responsible for seeking to promote effective engagement with shareholders and providing them with appropriate information and facilities to allow them to exercise their rights as shareholders effectively. This includes:

- (1) giving ready access to information about the Company and its governance, including on its website;
- (2) implementing an investor relations program to facilitate two-way communications with investors;
- (3) communicating openly with security holders, including by electronic means; and
- (4) encouraging and facilitating the participation of security holders in their meetings.

## 2.8 Other Stakeholders

The Board is responsible for establishing and monitoring:

- (1) policies governing the Company's relationship with other stakeholders and the broader community; and
- (2) to the extent relevant, policies relating to environmental, employment, occupational, health and safety, social responsibility, sustainable development and other matters, and other regulatory and statutory requirements.

## 2.9 Disclosure and Communication

The Board is responsible for overseeing the Company's process or making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price of value of the Company's securities.

### 3 Composition of the Board

#### 3.1 Size

The Company's Constitution provides for a quorum for a directors' meeting of 4 directors entitled to vote and sets out the manner in which the number of Directors of the Board is determined.

#### 3.2 Independent Directors

The Board will consist of a majority of independent non-executive Directors. The Company will disclose the names of the directors considered by the Board to be independent Directors.

A director is considered an independent director if he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders.

A director who:

- (a) is, or has been, employed in an executive capacity by the Company or any group member and there has not been a period of at least three years between ceasing that employment and serving on the Board;
- (b) receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- (c) is, or has been within the last three years, in a material business relationship (eg as a supplier, professional advisor, consultant or customer) with the Company or any group member, or an officer of, or otherwise associated with, someone with such a relationship;
- (d) is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder of the Company;
- (e) has close personal ties with any person who falls within any of the categories described above; or
- (f) has been a director of the Company for such a period that their independence from management and substantial holders may have been compromised,

will not be independent, unless the Board is satisfied on reasonable grounds that the director is independent despite the existence of one or more of these circumstances. In each case, the materiality of the interest, position, association or relationship needs to be assessed by the board to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to

bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

The Nomination and Remuneration Committee will assess the independence of each non-executive director in light of interests disclosed by them at least annually at or around the time that the Nomination and Remuneration Committee considers candidates for election to the Board. Each non-executive director must provide the Board with all relevant information for this. If a non-executive director's interests, positions, associations or relationships change, the assessment should be made as soon as practicable after the Nomination and Remuneration Committee becomes aware of the change. The outcome of this assessment will be reflected in the Corporate Governance Statement.

If the Board determines that a director's independent director status has changed, that determination will be disclosed to the market in a timely manner.

### 3.3 **Board Skills Matrix**

To the extent practicable, the Board will use reasonable endeavours to ensure that, collectively, it has the appropriate range of expertise to properly fulfil its responsibilities identified by the board's skills matrix. The Company seeks to have directors with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of and competence to deal with current and emerging issues of the business.

The Board shall have a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve.

The Board shall review the board skills matrix on an annual basis to ensure it remains appropriate for the business.

### 3.4 **Individual Directors**

In accordance with statutory requirements and in keeping with developments at common law, the Directors have the following responsibilities:

- (1) exercise their powers and discharge their duties in good faith and in the best interests of the Company;
- (2) use their powers of office for a proper purpose and not for personal advantage or for the benefit of another party;
- (3) use due care and diligence;
- (4) make an effort (as is reasonably required in the circumstances) to become and remain familiar with the affairs of the Company;
- (5) review, question and challenge, where appropriate, the accuracy of the minutes and board papers;
- (6) actively engage in the conduct of board matters;
- (7) attend all Board meetings and Board functions unless there are valid reasons for non-attendance;

- (8) notify other directors of their material personal interests and take reasonable steps to avoid actual, potential or perceived conflicts of interest except those circumstances permitted by the Corporations Act; and
- (9) commit the necessary time and energy to Board matters to ensure that they are contributing their best endeavours in the performance of their duties for the benefit of the Company, without placing undue reliance on other Directors or Senior Executives to fulfil these duties.

### 3.5 **Appointment and Election/Re-election of the Directors**

The process of selection and appointment of new directors to the Board is that the Nomination and Remuneration Committee identifies candidates with appropriate skills, knowledge, experience, independence and expertise that best complement the Board's effectiveness. These candidates will then be recommended to the Board. When the Board considers that a suitable candidate has been found, that person may be appointed by the Board to fill a casual vacancy in accordance with the Company's constitution but must stand for election by shareholders at the next annual general meeting.

Non-executive directors are appointed pursuant to formal letters of appointment setting out the terms and conditions of their appointment to ensure that directors understand their key responsibilities and the Board's expectations. Executive directors and other senior management will have their roles and responsibilities and the Company's expectations set out in a service contract. Directors will be expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.

Directors must retire from office in accordance with the Company's constitution and ASX Listing Rules. Retiring directors may be eligible for re-election. Before each annual general meeting, the Chairman together with the Company Secretary will determine those directors who are to be re-elected by shareholders. The Board will assess the performance of any director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the director (in the absence of the director involved). The Board (excluding the Chairman) will conduct the review of the Chairman.

All material information considered relevant to a decision on whether or not to elect or re-elect a director will be disclosed to shareholders, including the director's relevant skills and experience, details of other material directorships currently held by the candidate, the length of service currently served by the directors, whether the director is considered independent and a statement by the board as to whether it supports the election or re-election of the candidate and a summary of the reasons why.

## 4 **Role of the Chair and the Company Secretary**

### 4.1 **Chair**

The Board elects the chairperson (**Chair**) in accordance with the Constitution. A deputy chair (**Deputy Chair**) may also be elected.



To the extent practicable given the size and composition of the Board from time to time, the Chair will be an independent non-executive Director. The Chair should not also perform, or have performed, the role of CEO of the Company during the past three years.

The Chair is responsible for:

- (1) leadership of the Board, for the efficient organisation and conduct of the Board's function;
- (2) seeking to ensure that all the Directors are briefed in relation to issues arising at Board meetings;
- (3) chairing Board meetings and shareholder meetings;
- (4) seeking to facilitate effective contribution by all directors and monitoring board performance;
- (5) maintaining a regular dialogue and mentoring relationship with the CEO and Senior Executives, serving as a primary link between the Board and management and providing continuity between Board meetings, by:
  - (a) being the major point of contact between the Board and the CEO;
  - (b) being kept fully informed of current events by the CEO on all matters which may be of interest to the Directors; and
  - (c) regularly review with the CEO and such other Senior Executives as the CEO recommends, progress on important initiatives and significant issues facing the Company; and
- (6) ensuring the efficient organisation and conduct of the Board's function.

#### 4.2 **Company Secretary**

The Company Secretary is appointed by the Board and is accountable directly to the Board through the Chairman on all corporate governance matters and the proper functioning of the Board.

The Company Secretary shall be available to all Directors and board committees.

The Secretary is responsible for:

- (1) carrying out the administrative and legislative requirements of the Board;
- (2) monitoring that policies and procedures of the Board are followed;
- (3) organising Board and committee meetings and coordinating the dispatch of agendas, board and committee papers;
- (4) preparing minutes of meetings;
- (5) advising the Board and committees on governance matters;
- (6) assisting to organise and facilitate the induction and professional development of the Directors;

- (7) seeking to ensure that the Company complies with its requirements under the Corporations Act regarding its registered office, annual returns and notices to be lodged with ASIC; and
- (8) liaising with ASX and other regulatory authorities as required.

## **5 Delegations of Authority**

### **5.1 Delegation to the CEO and Management**

The Board delegates to the CEO the authority to manage the day to day affairs of the Company and the authority to control the affairs of the Company in relation to all matters other than those reserved to the Board and its committees under their charters or under specific limitation or guidance from the Board.

The CEO has authority to delegate to the senior management team who are responsible for:

- (1) implementing the strategic objectives of, and operating within the risk appetite set by the Board and for all other aspects of the day to day running of the Company; and
- (2) providing the Board with information to enable the Board to perform its responsibilities.

From time to time the Board may review the division of functions between the Board and management so that it continues to be appropriate to the needs of the Company.

### **5.2 Delegation to Committees**

To assist the Board in properly executing its duties, the Board has the authority to establish and determine the powers and functions of the committees of the Board.

Standing Committees established by the Board each operate under a charter, approved by the Board, which set out the committee's authority, responsibilities, membership and operation.

There are two standing committees:

- (a) Nomination and Remuneration Committee; and
- (b) Audit and Risk Management Committee.

The Board may establish other committees from time to time to consider other matters of special importance.

Directors are entitled to attend committee meetings and receive committee papers. Committees will maintain minutes of their meetings and are entitled to obtain professional or other advice in order to effectively carry out their proper functions. The Chair of each committee will report on committee meetings to the Board at the next full Board meeting following the committee meeting.

## **6 Meetings**

The Board has established procedures for conducting Board meetings and meetings of the various Board Committees.

Subject to the Constitution, non-executive Directors may confer periodically without executive Directors or other Senior Executives present.

## **7 Board Performance**

The Board will regularly assess and review the performance of the Board, the Company's committees and individual Directors.

The Board will consider periodically using external facilitators to conduct its performance reviews.

The Board will select a suitable non-executive Director to conduct the performance evaluation of the Chair after having canvassed the views of the other Directors.

The Company will disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

## **8 Induction and continuing education**

The Board must implement an appropriate induction and education process for new Board appointees.

The Board must consider the need for Director education from time to time and where considered necessary ensure that Director education occurs regularly and that the Directors are given the opportunity to undertake professional development education in order to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

## **9 Independent professional advice**

Following consultation with the Chair, to facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at the Company's expense whenever that Director judges such advice necessary for them to discharge their duties and responsibilities as Directors or a conflict of interest arises between the Director and the Company. Generally, this advice will be available to all directors if the Chair considers the advice relevant for them to discharge their responsibilities as directors.

## **10 Policies**

### **10.1 Establish policies**

The Board (or appropriate Board committee) is responsible for establishing and reviewing, and overseeing the implementation and monitoring the effectiveness of, policies relating to various matters, including:

- (1) risk management;
- (2) securities trading;
- (3) code of conduct;
- (4) communications strategy with shareholders; and
- (5) price sensitive information, including continuous disclosure.

## **11 Review of Charters**

Board and Committee charters will be reviewed at least annually and amendments approved by a resolution of the Board.

## **12 Public availability of materials**

The Board must ensure that a copy of this Charter is made publicly available on the Company's website in a clearly marked corporate governance section.

Adopted on 28 January 2021