Appen

2023
Annual Report

Contents

Appen Limited
ABN 60 138 878 298

All amounts in this report are in United States (US) dollars unless otherwise stated.

About this report

This Annual Report combines our financial and non-financial performance, linking environmental, social and governance matters to our strategy and business performance.

In preparing our Annual Report, we have used the International Integrated Reporting Council (IIRC) Framework, the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) to guide our disclosures on how Appen creates value for shareholders and which topics are most material to our business.

Underlying results are alternative measures to those recommended under International Financial Reporting Standards (IFRS) and are used by management to assess the underlying performance of the business. Underlying results have been derived from statutory measures contained in the financial statements but have not been subject to audit. A reconciliation between statutory and underlying results is detailed on page 31 of this report.

Sustainable Development goals

We support the United Nations' Sustainable Development Goals (SDGs), and by doing our part to contribute to the success of the SDGs we believe we can help contribute to a more sustainable future. On page 144 we have identified five SDGs as priority SDGs where we believe we can best contribute.

Reporting currency

Appen reports its financial results in United Stated (US) dollars.

Forward-looking statements

This report contains forward-looking statements. These statements involve subjective judgement and analysis and are subject to significant uncertainties, risks, and contingencies, many of which are outside the control of Appen. In particular, they speak only as of the date of this report, they are based on particular events, conditions or circumstances stated in the materials, they assume the success of Appen's business strategies, and they are subject to significant regulatory, business, competitive, currency and economic uncertainties and risks. Except as required by applicable regulations or by law, Appen does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance.

Material issues

A matter is considered material if senior management and the board believe it could significantly impact the value created and delivered in the short, medium, and long term. We identify and capture material issues through stakeholder engagement and our annual risk and materiality assessment. The outcome of these processes and our material issues are described on page 143.

Operating and Financial Review

The sections of this report from pages 10 to 51 titled the Chair message, CEO message, How we create value, Identifying and managing risk and Our approach to governance, comprise our Operating and financial review (OFR), and form part of the Directors' report.

Real world AI

transforming the lives of
our customers and crowd

About Appen

Appen is a global market leader in data with expertise in deep learning and generative AI. With almost three decades 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 one million skilled contractors who speak more than 500 languages[1], in over 200 countries[2], as well as our advanced AI data platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products.

In 2023 Appen re-positioned itself to take advantage of its full growth potential and to capture all available opportunities in the generative AI space. We launched a new set of generative AI or LLM products that provide a comprehensive data platform for customers to generate meaningful value when they build and integrate generative AI models in their organisations. Our vision is to expand our addressable market, which will help to diversify our customer base, deliver margin improvement, increase revenue visibility and deliver strong return on investment.

Deep-learning AI			Generative AI	
Data collection	**Data annotation**	**Relevance**	**Fine tuning**	**Assurance**
Point of interest	Annotation	Search relevance	Human feedback	A/B testing
Speech	Categorisation	Content moderation	Instruction datasets	Benchmarking
Custom collections		Ad evaluation	Model evaluation	Certification
Synthetic data			AI feedback	Monitoring
	Appen Data Annotation Platform			
Appen Crowd marketplace				

1 Self-reported.
2 Self-reported, includes territories.

Our purpose

This year, we defined our new purpose and values to support our transformation and create an environment where everyone can thrive, feel valued, and grow to their full potential. We are excited by the opportunities that lie ahead and our purpose talks to our role in unlocking the power of AI for Good to build a better world. Our new values unite us – they guide our decision making and how we behave.

Our purpose:
We unlock the power of ‘AI for good’ to build a better world

Perspective:
We are a learn-it-all culture and embrace that comfort and growth do not coexist

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Our values

Customer obsessed

We believe our customer relationships are the ultimate differentiator and the foundation of our success.

Action oriented

We take decisive action, fast pace and make informed decisions quickly to drive progress and achieve results.

Courage to innovate

We have the courage to innovate and foster breakthrough thinking and make it our engine for growth, success, and progress.

Winning together

We foster teamwork and collaboration, celebrate each other’s success, and work together towards common goals.

2023 at a glance

Financial

Revenue (US$M)

$273.0M

↓29.7% from $388.1m in FY22

Underlying EBITDA

$(24.5)M

compared to $11.0 million in FY22

Underlying EBITDA excluding FX

$(20.4)M

compared to $13.6m in FY22

Statutory NPAT

$(118.1)M

compared to $(239.1)m in FY22

Customers

35

Customer NPS
↑ from 22 in FY22

171

New Market customers

22

LLM model builders as customers

83

New projects for Global Services

Our people

75%

Employee engagement

↓ from 78%

50%

Female representation amongst our board

22%

Female representation amongst our senior leadership

95%

Completion rate of mandatory compliance training

Our crowd

27

Crowd NPS

↓ from 31

Global

Ethical and Modern Slavery policy

Ethical AI

through our Crowd code of ethics

Improving

the crowd experience with technology upgrades

Technology

$34.6M

product investment

99.9%

system uptime

8

secure ISO 27001 certified facilities

Nil

reported material data breaches

Social & Environment

Signatory to the

UN Global Compact

Net zero

by 2030

'AI for Good'

Committee established

5

impact sourcing partnerships with NGOs

Resetting our business

2023 has been a disappointing year for shareholders and a challenging time for Appen. While the rise of generative AI has created significant excitement, difficult macro conditions and a slowdown in tech spending persisted. This year our immediate focus has been to reset the business by refreshing our leadership, removing costs and positioning Appen to participate in the generative AI services market.

FY23 impacted by external conditions

For the 2023 financial year, Appen announced a Statutory Loss of $118.1 million reflecting a non-cash impairment of $69.2 million. The impairment relates to Appen's investment in its Global Services business. Importantly, the non-cash post tax impairment does not affect Appen's liquidity.

Total operating revenue declined 29.7% to $273.0 million and Appen recorded an underlying EBITDA (before foreign exchange) loss of ($20.4) million, compared to $13.6 million in the prior year. Appen's results reflect a challenging external environment as customers continued to optimise their tech spend and evaluate their AI strategies.

Pleasingly, China recorded annual revenue growth of 2.7% compared to the prior year as it achieved a quarterly revenue record of $11.1 million in Q4FY23. The Quadrant business, which has been fully integrated into New Markets, also recorded a strong revenue uplift, albeit from a small base.

There have also been some early benefits from Appen's generative AI offerings; however, these have been insufficient to offset the revenue and earnings declines in our global and non-global business.

The board remained focused on maintaining adequate balance sheet flexibility. In support of our strategy reset, Appen raised A$60 million of equity in June 2023 and a further A$30 million of equity in December 2023.

At the end of the year, Appen had $32.1 million (equivalent to A$48.6 million)[1] in cash.

Once again, the board made the decision not to declare an interim or final dividend in 2023 due to Appen's financial performance and to ensure an appropriate allocation of capital.

Resetting Appen

Critical to Appen's ongoing success is to ensure we operate efficiently and sustainably.

At the beginning of 2023, we began a transformation process to reset Appen to better capture the growth in generative AI and improve performance of our core business. This included a new strategy to deliver long term growth and revenue diversification along with a $60 million cost reduction program.

Some of the key areas identified for improvement included a leadership and strategy refresh, operational improvements to project delivery and crowd management and strengthening of Appen's sales and marketing functions.

During the year, Appen also launched a new set of large language models (LLMs) for fine tuning and assurance to enable enterprise customers to capture value from generative AI models. Increasing Appen's market channels was also a key focus and the partnership with NVIDIA

1 Assumes FY23 average exchange rate AUD|USD 0.66.

has produced tangible benefits with the signing of our first million-dollar Fortune 500 company deal.

We remain committed to sizing our cost base in line with our revenue opportunity. In response to Google's decision to terminate its global services contract by 19 March 2024, we will further reduce our cost base by $13.5 million.

Change in leadership

On 5 February 2024, we appointed Ryan Kolln as our new CEO and Managing Director. Ryan has made extraordinary contributions to Appen during his time with the company. He has an intimate understanding of Appen's history, a strong technical understanding of the AI market, and a proven strategy background. The unique combination of his skills and experience makes Ryan the ideal leader to guide Appen through its next phase and navigate the evolving generative AI market.

On behalf of the Board, I want to acknowledge Armughan Ahmad's tenure as CEO. He held this position during a period of great change at Appen and oversaw a new strategic direction and re-sizing of the business. We wish him well for the future.

Board governance

There have been no changes to the Board in 2023. The appointments of Lynn Mickleburgh and Mini Peiris to the Appen Board on 29 July 2022 and 4 November 2022 respectively and their endorsement by shareholders at our AGM in May 2023 completes our process of Board renewal.

Executive remuneration

Commencing in FY22, Appen's short-term incentive (STI) scorecard for key management personnel represents a combination of financial and non-financial metrics. Appen will always regard its financial performance as paramount and assigns these metrics an STI weighting of 70%. Non-financial metrics reflect Appen's focus on its customers, crowd and people and are assigned an STI weighting of 30%.

The board understands that shareholders are disappointed with Appen's business and financial performance. Reflecting on the shareholder experience and 2023 financial outcomes there is no STI payable for the company's financial performance as revenue and earnings performance targets were not met.

This year, customer NPS was 140% of target and employee engagement was 91.9% of target (which was above the 90% payout threshold). In recognition of these results a partial STI will be paid to key management personnel to reward performance for these two metrics only. The STI equates to 10.6% of the maximum payable.

There was no STI payable to the former CEO.

I would encourage shareholders to read the remuneration report, commencing on page 62.

Operating sustainably

Our commitment to our stakeholders including our crowd, our customers and people remain as strong as ever.

We recognise the value of our one million plus crowd and the value our crowd provides to our customers. Despite the challenges faced by our business, we invested in systems and processes to improve the crowd and customer experience. Customer NPS has lifted significantly, however crowd NPS declined primarily due to lower project availability.

The high ethical treatment of our crowd remains a key priority. We stand by our commitment to the crowd as defined in our Crowd Code of Conduct, and our Global Ethical Sourcing and Modern Slavery Policy.

To deliver on our commitment to responsible AI and ensure that AI performs correctly, it requires diverse datasets that reflect the real world. This year, our teams conducted further research programs to understand representation across the Crowd and address any gaps. We also focused on our social impact – establishing five partnerships with global non-profits to foster diversity and offer work opportunities within our Crowd to underrepresented individuals, including refugees.

Promoting a diverse and inclusive culture across all aspects of Appen's business has been a long-held priority. In 2023 Appen achieved 55% female representation among its employees. We also maintained female representation of 50% among non-executive directors, however female representation among the senior leadership team declined from 30% to 22%. We acknowledge the extent of organisational change within Appen has adversely impacted female representation at senior levels.

Appen remains committed to supporting international initiatives to transition to net zero emissions. We have completed our initial Net Zero Roadmap and have committed to net zero by 2030. We are also working towards assurance for our emissions data and remain committed to the Science Based Target initiative.

Closing

Our people have worked hard to instil a greater level of operational rigour and reset Appen's business in an incredibly challenging environment. I thank them for their perseverance and ongoing commitment in supporting our crowd and customers.

While Appen's business returned to cash EBITDA profitability in December 2023 there is still much work to do. I am confident that under the stewardship of our new CEO, Ryan Kolln, together with the commitment of our people that Appen is on the right path.

Our constant focus remains on improving the company's performance and delivering better returns for shareholders. We thank shareholders for their ongoing support.

RICHARD FREUDENSTEIN
Non-executive Chair

Pivoting to Generative AI

I am honoured to have been appointed CEO of Appen. I also acknowledge that it's been a disappointing year for shareholders. Despite a challenging operating environment, we have made significant progress to reset the business. As CEO my priority is to continue evolving Appen, return our core business to profitability, and positioning the company to capture the full potential of generative AI.

FY23 operating performance

Our full year results are disappointing. FY23 revenue declined circa 30% to $273.0 million and we recorded an underlying EBITDA loss (excluding foreign exchange) of ($20.4) million, compared to $13.6 million in FY22.

In 2023, despite our presence in a rapidly expanding market, we encountered significant challenges affecting our revenue. This was driven by three primary market factors. Firstly, a large customer materially reduced their spend on human annotation work which had an outsized impact on Appen. Secondly, the introduction of mainstream generative AI in late 2022 resulted in many customers evaluating their AI strategies and slowed down investment in ramping existing AI models. Thirdly, many of Appen's customers were impacted by the broader technology slowdown which resulted in cost reduction measures.

While we can't control market conditions, we can control our operations and have focused on ensuring we have a sustainable business model. In 2023 we completed a $60 million cost out program that enabled the business to exit the year profitability on a cash EBITDA basis. The cost out program focused on some of the direct costs related to revenue, streamlining our existing operations, delayering the organisation, and optimising growth investments.

2023 was a breakout year for AI thanks to the mainstream introduction of generative AI. Open AI's ChatGPT was launched in late 2022 and showcased the potential of this new technology.

Despite the external challenges and their impact on our revenue, we saw a large volume of new opportunities in generative AI from existing and new customers, particularly in the second half of 2023. We are currently working with 22 large language model builders globally that are building generative AI foundation models. We also saw significant interest from Fortune 1000 companies that are looking to deploy generative AI in their operations. We anticipate that generative AI will materially expand our total addressable market, and we are well positioned to support companies involved in developing foundational models as well as those customising them.

Appen's Data Annotation Platform (ADAP) and crowd management platforms remain critical to how we deliver high quality data for our customers, including supporting generative AI. We have stepped up our product velocity and released new generative AI focused products including several features to support the new requirements of generative AI customers. In 2023 Appen's investment in product development was $34.6 million, or 12.7% of revenue.

We also opened a new technology hub in Hyderabad India to support Appen's global engineering function.

Building a world class go-to market function by driving a more consultative selling approach and standardising our sales and go-to market efforts is a key initiative. The sales team is now fully established. Our go-to-market function has been matched with our partnership ecosystem, as we collaborate with companies like NVIDIA to help expand our reach to more customers globally.

AI for Good focus underpins everything we do. Our customers value our commitment to promote responsible and ethical AI. We continue to support important initiatives, including the active recruitment of impact sourced contributors from Africa, where we provide work opportunities to refugees and other disadvantaged people.

Appen's future in a dynamic market

2023 has been the year of AI. It is an exciting time for AI as the demand and expectations around generative AI continue to grow. From our perspective, it is also a transition period as companies continue to evaluate their AI strategies considering not only generative AI, but also the challenging external environment.

While we see a great opportunity for Appen in the generative AI space, the benefits from generative AI are yet to show meaningful results. Most Enterprise customers were piloting large language models in FY23, as there are few customers using it in large scale production.

There is however, one constant. That is, humans play a critical role due to the subjective nature of generative AI outcomes. Technology used to develop generative AI relies on vast amounts of data to train base models. These models can be prone to error and human interaction is vital to align model outcomes with human values and reduce hallucinations, bias and toxicity.

Strategy and prospects

Our strategy remains focused on the three large customer segments of the AI data market. Firstly, customers that are developing deep learning models. This is our traditional customer base and we are focused on optimising how we deliver high quality data with more AI automation embedded in the process. We are making good progress in automation, with several customers now benefiting from automated data creation as a core element of our offering.

Secondly, we will support generative AI foundation model builders with their data needs. As mentioned, as at the end of FY23 we are working with the vast majority of large language model builders globally and expect to see growth in this customer segment continue.

Finally, we will support enterprises that are customising large language models for their internal use cases. Our focus is to provide a software suite that enables internal data science teams to connect with internal experts for model training data and feedback. This solution uses Appen's existing data annotation platform known as ADAP.

On 22 January 2024, we reported that one of our largest customers, Google, will terminate its global contract. We have carefully assessed our strategic options for the business and will implement a further cost out program of $13.5 million annualised. The loss of the Google contract is disappointing and was very unexpected.

As we look forward, I am highly optimistic about the future of Appen. Our focus remains on creating high quality data for the world's leading AI. Appen has evolved in the past and will continue to evolve as the market shifts.

Management change

As part of resetting Appen, we have transitioned to a leaner company and are focused on ensuring our executive team has deep operational expertise.

During the year, several changes were made to the executive team and we consolidated some functions.

Justin Miles has been appointed as Chief Financial Officer (CFO) effective 27 February 2024. Since August 2023, he has been acting as our interim CFO and was previously Deputy CFO. Justin is a seasoned finance leader who has been with Appen since 2016.

Mike Davie was appointed as our new Chief Product Officer in August 2023 and has now also taken on the role of Chief Technology Officer in addition to his existing responsibilities.

Andrew Ettinger is our new Chief Revenue Officer. He leads Appen's sales and marketing functions.

Details of the team can be found on pages 54 to 57 of this report.

It would be remiss of me not to acknowledge and thank the people who have left Appen due to our restructuring program. I extend my heartfelt thanks and best wishes to them.

Closing

In closing, I would like to thank the Board, management and Appen employees for their support. I am truly excited to be leading Appen and could not be prouder of the positive impact we create by promoting responsible and ethical AI.

While the external environment will continue to present challenges, I am confident we can return Appen to profitability and make further inroads into the generative AI space. I sincerely thank shareholders for their ongoing support. We will continue working hard to ensure a better future.

RYAN KOLLN
CEO and Managing Director

How we create value

Value Driver	Principle risks	How we deliver value
Technology, processes systems	→ Investment in technology, innovation and transformation → Compliance with security, privacy and other data regulations	→ Through our technology and innovative solutions, we look to streamline and automate processes so we can deliver AI training data at scale → Our engineer, privacy, and cyber security teams work to ensure that data availability targets are met, and data is protected and secure
Global crowd	→ Crowd conditions → Crowd supply meets customer demand	→ We are committed to treating our crowd fairly in accordance with our Crowd Code of Ethics → Whistleblower and Speak Up Policy is available to support crowd grievances → Our Impact Sourcing strategy provides jobs to people who have limited prospects for secure employment
Customer and brand	→ Changing customer strategy and needs → Ability to execute on operational requirements	→ We do great work for our customers and deliver a superior customer experience → Our LLM capabilities provide customers with resources to fine-tune and assure their AI models, helping to improve their customer experiences → Constantly monitoring relevant market and customer trends to meet the evolving needs of customers
Our people	→ Talent strategy and employee value proposition → Managing a culture of growth through change	→ By focusing on making Appen a great place to work and creating a culture where our people can thrive, grow and feel valued → Investing in our people and HR systems to build a workforce for the future and optimise the employee experience → Embedding diversity principles across our business via our Diversity and Inclusion policy
Financial	→ Strategic direction of the business → Financial sustainability	→ We aim to grow the business and to deliver increased revenue and earnings to support returns for shareholders → Capture the potential of generative AI
Social and environment	→ Compliance with legal, statutory and ethical obligations → Environmental, social and governance (ESG) risks and performance	→ We are taking steps to reduce the impact of our operations on the environment → Our platform removes traditional barriers to work and increases global participation and representation in the development of emerging technologies → We are committed to achieving fair AI and creating responsible AI standards

1 Due to budget constraints, the net zero emissions target for business operations has been revised from 2025 to 2030.

To deliver on our purpose and unlock the power of 'AI for good' to build a better world we draw our technology, scale and flexibility of our Crowd and deep expertise. We offer our customers highly flexible offerings – from fully tailored solutions to pre-labelled datasets and LLM solutions. We have a strong track record of AI deployment across many data types and a proven ability to meet production needs that achieve high benchmarks for data quality. The outcomes delivered for each value driver determines our ability to create value for our stakeholders – including Our Crowd, Our customers, Our people, shareholders, and the community more broadly. Even though we conduct our work with an innovative mindset and embrace new ways of doing things, our decisions are always supported by a disciplined approach to governance and risk management.
We support the United Nations' Sustainable Development Goals (SDGs). By doing our part to contribute to the success of these goals we believe we can help contribute to a more sustainable future and create value for our stakeholders.
We have identified the following six core priority SDGs where we believe we can best contribute.

Creating and measuring value	SDGs
→ Invested $34.6 million in technology and systems, including enhancements to ADAP to support LLM products and better support the crowd and customers → Development of a China intelligent LLM development platform → No material privacy breaches → Met or exceeded 99.9% uptime across all our platforms → Maintained certification for ISO 27001 and SOC 2 → Gained ISO 14001/ISO 45001 for four sites	Pages 12-14
→ We provided flexible, work-from-home opportunities to our global crowd of one million+ contractors → We helped make AI ethical and fair through our Crowd Code of Ethics → In response to crowd NPS we delivered initiatives to improve the crowd experience → Partnered with Mercy Corps, Na'amal, Generation and Konexio to bring digital work to underprivileged communities → Piloted demographic surveys to understand representation across the Crowd and identify gaps	Pages 15-17
→ Improved customer satisfaction with a significant uplift in our Net Promoter Score → Enhanced the customer experience through the launch of LLM fine tuning and assurance products → We demonstrated leadership in promoting responsible and ethical AI through our AI for Good strategy which also helps to enhance our brand	Pages 18-21
→ We have a target of 30% female representation of women in senior management positions and on the board. We exceeded this target at board level → Continue to respond to employee feedback to drive future engagement scores higher → Established and implemented Appen's new culture code	Pages 22-26
→ Completed equity raisings in June 2023 and December 2023 to support Appen's strategy refresh → Determined not to pay a dividend due to Appen's financial performance	Pages 27-31
→ Continued disclosure of scopes 1,2 and 3 and commenced work on assuring of the data → Continued implementation of our Net Zero Roadmap and working towards net zero across operations by 2030[1] → Commenced development of reporting on progress against United Nations Global Compact commitments	Pages 32-38

Technology processes, systems

Appen's technology processes and systems deliver AI training data at scale. We leverage advanced tools and methodologies to source, prepare, and evaluate data, ensuring the highest quality datasets for our clients. With the ability to support large language model (LLM) capabilities we are at the forefront of Generative AI, providing our customers with the resources they need to fine-tune their AI models and achieve optimal performance.

$34.6M
in product development

Nil
reported material data breaches

Priority SDG

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our comprehensive range of technology products and data services encompasses both deep learning and generative AI. This includes Appen Connect 2.0 and our Appen Data Annotation Platform (ADAP), a solution that allows internal teams and external customers to design and manage human annotation projects. Through the acquisition of Quadrant, we have integrated the data collection services of Geolancer and Hydra into our product suite. We also offer specialised services through our China platform tailored for the Chinese market.

Global Services, Global Product, Enterprise, Government

Appen Connect 2.0

Sources crowd

Matches to projects and annotation tasks

Handles crowd payments

Leverage crowd support capabilities

Appen Data Annotation Platform (ADAP)

Collect and annotate training data

Draw on powerful LLM capabilities (fine tuning and assurance)

Data Collection

Geolancer – Provides in-field data collection including point of interest data

Hydra – Allows mobile location DaaS data collection

QCMP – Manage user consent and data privacy compliance

China

China Platform

Provides crowd management and annotation for China markets

Harness intelligent LLM platform

Product development

In FY23, investment in product development (excluding amortisation) decreased 16.0% to $34.6 million and represented 12.7% of revenue (2022: $41.2 million or 10.6% of revenue).

This year we delivered several initiatives to improve the crowd and customer experience. As the industry evolves and projects become more complex, customers require a crowd with a more advanced skill set. In turn, we developed and upgraded the Appen Connect platform to enable a simpler, more effective creation and management of projects while providing functionality to rapidly source and match the right crowd contributors to the right project.

By the end of FY23, all contributor and project records were migrated to Appen Connect 2.0. In addition, all project teams were using the upgraded platform for project creation and project management of their crowd. The upgraded Appen Connect 2.0 platform is expected to be fully functional by Q3 in 2024.

We have seen some early benefits associated with the upgraded platform with reduced dependency on human input to manage project recruitment. Appen's recruitment function has become more automated, with the team reduced from 70 to seven employees.

Within the Appen Connect 2.0 platform, we have upgraded the following functionality:

- modernised and expanded our reporting and analytics capabilities to collect contributor, productivity, and quality data for individual projects.
- built a new fraud screening functionality which includes more sophisticated identity measures including ID validation, facial recognition, and proof of address.
- began piloting a new payment service to be used for all contributors, providing rapid payment functionality and increased flexibility of payment methods, while supporting a global crowd. Expected use of this new payment service is Q1 of 2024.
- built a more comprehensive profile record for individual contributors to record NPS score, support issues, parsed resume data, contributor skills such as language, domain expertise and educational records. This helps increase the knowledge Appen has on any individual contributor, enabling better crowd sourcing and recruitment outcomes.
- updated our communication platform to better support the demands of our project teams and improve support of the crowd.

To create a better user experience and seamless point of contact between Appen and our contributors, we merged Appen Mobile into Appen Connect 2.0. Our Crowd can access Appen Connect 2.0 on the web, on their phone or via an app.

Within ADAP we released enhancements and new features to support our LLM data products which enable Enterprises to fine tune, evaluate and monitor their LLM models. These products include AI chat feedback functionality, benchmarking solutions and text tools.

The AI Chat Feedback solution allows domain experts to have live conversations with Chatbots and review, rate and rewrite responses in real time. While the benchmarking solution addresses the challenge of model selection by enabling the efficient comparison of multiple models. Further detail of these offerings can be found in the Customer and Brand section on page 18.

We also added writing assistance tools in ADAP which include reinforcement learning with human feedback functionality and response writing such as rich text editors, gibberish detection and advanced duplicate detection.

Within ADAP, quality flow features were upgraded to provide customers with enhanced assurance methodology and highly flexible data annotation workflow capabilities. Other areas of investment included improving contributor productivity, increasing quality of data and reducing fraud.

Separately, Appen China developed its own intelligent LLM development platform which offers a comprehensive one-stop solution for AI clients in the industry. It integrates mainstream open-source large language models and covers a wide range of capabilities, including data set management, data annotation, computational resource scheduling, model evaluation, model fine-tuning, and model deployment. By leveraging the platform, Appen China provides end-to-end solutions for customised data and model development, enabling enterprises to easily adopt large language models and create high quality generative AI applications for transformative user experiences.

Managing and protecting data

At Appen, we manage and protect massive amounts of data, in line with security, privacy, and other data regulations. We are also mindful of the increasing risk posed by cyber security attacks and continue to adopt industry best practices to guard against this risk.

System and data security

Managing data security is an essential and a core competency of our business. Our approach is comprehensive and involves people, processes, and technology. As a minimum we adhere to industry recognised standards, such as the International Organisation for Standardisation (ISO) and National Institute of Standards and Technology (NIST) and implement global best practices.

Mandatory security awareness and privacy training is provided to all employees. We also conduct regular synthetic phishing tests to promote employee awareness of the threats and their responsibilities in managing data security. These tests also provide an indication as to the effectiveness of our training programs.

We provide customers with a range of secure technology solutions. Our SaaS customers can maintain their data in their environment and do not need to physically move it to our environment. For maximum data security, our software can be deployed in the customers' air-gapped environment or private cloud.

Customers with even higher data security requirements are able to use one of our eight ISO 27001 certified secure facilities in the Philippines, the UK and China.

Data privacy

Our engineering, security and privacy teams work closely together to ensure that data privacy is integrated into our systems. We also work to comply with specific data privacy requirements in the markets in which we operate, including the California Consumer Privacy Act, the Philippines and Australian Privacy Acts, and the EU/UK General Data Protection Regulation. Mandatory data privacy training is provided to all employees on an annual basis.

In 2023, China achieved BSI certification ISO 14001/ISO 45001 for four sites.

There were no reported material breaches in 2023[1].

Platform availability, reliability and resilience

Platform availability, reliability and resilience is a key focus of our engineering teams. The team works to strict system availability targets and ensures that our systems can safely scale in response to changes in demand. In FY23, we continued to meet or exceed 99.9%[2] uptime across all our platforms.

Cyber security

Our cyber security risk management framework is based on internationally recognised NIST standards and is structured to identify, detect, protect against, respond and recover to cyber security threats.

Security penetration testing is conducted annually by a third-party specialist, we have ISO 27001: 2013 certified facilities and our ADAP platform is SOC 2 Type-2 attested. Additionally, our UK and China facilities are ISO 9001 certified, and our UK facility is Cyber Essential Plus certified in line with UK requirements. Appen also achieved Payment Card Industry (PCI) compliance for its ADAP platform as per industry requirements.

Our IT Security policies and standards are adhering to ISO 27001 controls and the incident response procedure is aligned with the NIST CSF (Cyber Security Framework). We conduct several incident response tabletop exercises annually.

In 2022, a cybersecurity maturity assessment was conducted by an independent third party (PwC) utilising the NIST framework. The assessment showed that Appen's maturity level had improved. The results of this review continue to form the program of works to further mature Appen's cybersecurity capability.

In 2023, we enhanced the security posture of Appen by implementing Attack surface management, Security validation and Zero Fox takedown from Mandiant. Five of the ten project recommendations were completed in FY23, and the remainder will be finished by the end of FY24 in time for re-evaluation.

Appen has cyber security insurance in place.

Data encryption is in place when data is at rest and in transit for critical systems as per SAL (Secure Algorithm List). We have centralised access controls via SSO (Single Sign On) and MFA (Multi Factor Authentication) for additional layers of protection. Security logs from our critical systems are captured and monitored in a SIEM (Security Information and Event Management) tool.

We also have top tier network, perimeter, and end point security tools protecting the assets and monitoring inbound and outbound network traffic. Privilege access and vendor security reviews are conducted as per our standards.

FY24 focus

Appen is committed to innovation and excellence. We remain focused on revamping the crowd experience to foster a more engaging environment, advancing our annotation platform to support classified or sensitive projects, and automating processes through AI-based productivity enhancements. Advancing our cybersecurity maturity through dedicated programs, as well as data classification and loss prevention projects also remain key priorities.

1 Based on report from Privacy and Counsel team.

2 Based on report from third-party website monitoring company, StatusCake.

Global crowd

Our skilled and diverse crowd of more than 1 million contributors is key to our purpose of unlocking the power of AI to build a better world. Spanning more than 200 countries[1], speaking 500+[2] languages, and comprising a multitude of specialised areas of expertise we've assembled a crowd that's unmatched.

Ethical AI

through our Crowd code of ethics

27

Crowd NPS

↓4 points from 31 FY22

Priority SDG

Purpose of our crowd

Our crowd is our most valued asset, providing clients certainty that AI solutions will work, are aligned with their values, and with human values.

Our platform enables our contributors to work with our clients in deploying AI that is both responsible and ethical. Our clients deeply value the broad diversity of skills and capabilities our crowd has to offer.

Appen's flexible work from home model attracts the most trusted, qualified, and capable contributors from around the world.

Our crowd appreciate the opportunity to participate in the dynamic and growing AI market, developing technology skills and AI knowledge while earning money on projects that fit with their personal goals and lifestyle.

Importance of people in AI

At Appen, we believe that AI has the power to solve some of the world's biggest challenges when it is developed and deployed ethically, responsibly, and aligned with human values. We also believe that humans play a crucial role in the safe and effective deployment of AI.

We have built a diverse crowd which spans many cultures, ethnicities, age groups, life stages and occupations. Our crowd offers clients access to a rich diversity needed to train and align AI models with human values.

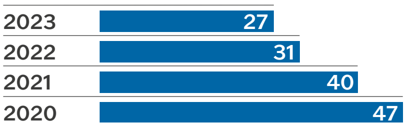
Human involvement is not a stage in AI development – it's the core. Human alignment helps to minimise hallucinations, bias and toxicity and should be incorporated at every stage. Keeping humans in the loop throughout AI development and deployment ensures AI is steered towards a future where technology augments human potential.

Crowd engagement

Our crowd Net Promoter Score (NPS) declined 4 points from 31 to 27 during the year. Responders raised concerns about the lack of project availability, duration of projects, amount of pay, support and communication. With development of Appen Connect 2.0 we hope to address some of these concerns.

1 Self-reported, includes territories.
2 Self-reported.

Crowd NPS[1]



Our strategy to get the right crowd

We deploy a variety of strategies and technology to ensure our Crowd includes the diversity of skills, experience and backgrounds required for our clients' projects. Requirements for more specific, specialised, and verified skills such as finance, coding, law, health, and creative writing are increasing as more clients work to develop and enhance generative AI and large language models (LLMs).

In 2023, we fundamentally overhauled most of our crowd facing systems. These enhancements deliver a better user experience, by providing a more efficient qualification process, without compromising our trust and safety standards for our customers.

We also expanded and upgraded our reporting and analytics capabilities to include richer contributor profiles – with hundreds of searchable profile skills and attributes now available. This helps to increase the knowledge that Appen has on an individual contributor. These enhancements also include quality data for individual projects which provide valuable insights for our customers.

Upgrades were also made to our communication platform to better support the crowd and we began piloting a new payment service with improved functionality and flexibility.

More details on Appen's technology initiatives to support its crowd can be found in the Technology process and systems section on page 12.

Crowd care

The fair and ethical treatment of our contractors, and our ongoing commitment to their wellbeing is a priority. As a company, we uphold responsible and sustainable labour and supply chain practices. We recognise this is the right thing to do and our customers also expect that their business partners uphold such standards.

Our Crowd Code of Ethics is central to how we care for our contractors. It includes our goal of fair pay and having our hourly rates exceed the minimum wage in markets where our managed services are used by customers. We continue to monitor hourly rates of pay of our crowd to ensure that any pay gaps are identified and resolved.

1 Measures the likelihood of crowd contractors to recommend Appen to a friend or colleague, according to a scale of 1–10 where 10 means extremely likely (0–6 Detractor, 7–8 Passive, 9–10 Promoter). NPS is calculated by subtracting the % of total detractors from the % of total promoters. Scores can range from – 100 to +100.

Our Global Ethical Sourcing and Modern Slavery Policy outlines what we expect of our suppliers. Our policy is published on our website at Global Ethical Sourcing and Modern Slavery Policy.

We also support our contractors under our Whistleblower and Speak Up Policy. This policy is also published on our website at Whistleblower Speak Up Policy.

Crowd diversity and inclusion

One of the six pillars of our Crowd Code of Ethics is inclusion and we are dedicated to offering opportunities to individuals of all abilities and backgrounds.

Our Impact Sourcing Partnerships between our customers and community partners continue to grow, bringing in people who would not otherwise have opportunities for meaningful employment.

More information about our impact sourcing partnerships can be found in the Social and environment section on page 32.

Our Crowd Code of Ethics

- → **Fair pay** – Our goal is to pay our crowd above minimum wage in every market around the world where we operate.
- → **Inclusion** – A diverse and inclusive culture is vital to our mission of helping build better AI. We offer opportunities for individuals of all abilities and backgrounds.
- → **Crowd voice** – Our crowd has a valued voice at Appen and their feedback helps us to continuously improve.
- → **Privacy and confidentiality** – Any information collected about the crowd is requested solely for the purposes of the project. We take precautions to protect that information and do not release private data on individuals to third parties without lawful basis.
- → **Communication** – We believe in helpful, transparent and responsive lines of communication with our crowd.
- → **Wellbeing** – We promote wellness, community and connections through online forums and best practices.

→ **Our Crowd Code of Ethics Statement is available at:** Our diverse global Crowd of 1M Contributors is Unmatched (appen.com)

FY24 focus

Our crowd is key to our ability to meet the needs of our clients. Attracting and retaining qualified people to work with clients to deploy AI that is effective and safe is critical to our operations and essential for the development of responsible AI. We remain focused on further enhancing the crowd experience to improve engagement.

Customer and brand

At Appen, our focus is to deliver great outcomes and experiences for our customers. As a global market leader and trusted partner, we provide high-quality, human centric data to promote responsible and ethical AI.

35

Customer NPS
↑ 13 points from 22 in FY22

171

new customers

22

LLM model builders as customers

Priority SDG

Delivering value for customers

Since 1996, we have powered innovative AI applications for global brands including Microsoft, Amazon, Pinterest, Salesforce, Oracle, Adobe and BestBuy. Appen has cultivated trusted partnerships and earned a reputation based on our ability to provide unbiased, high quality, and globally representative data. As the demand for AI continues to grow, we remain committed to our core belief that humans are at the heart of its success.

Our focus is on creating stronger, smarter, and more efficient AI systems for our clients and to help shape a future where human intellect and machine learning seamlessly collaborate.

We believe that the success of our clients lies in their ability to leverage data effectively. Our high-quality human-annotated datasets are essential in training and validating AI algorithms, ultimately leading to more accurate and reliable results.

AI can be a powerful tool for positive change in the world. The work we do for our customers is impactful and we are committed to using our expertise and resources to support initiatives that use AI for social good. From partnering with organisations focused on environmental conservation to supporting projects that promote diversity and inclusion, we are dedicated to making a difference through AI. Our customers value our unwavering focus to promote responsible and ethical AI.

Net promoter score

Our key customer satisfaction measurement tool is Net Promoter Score (NPS). We seek feedback from our customers on a bi-annual basis and monitor NPS across our Global, Enterprise and China clients.

This year customer NPS was 35, up 13 points from 22 in FY22. This score was above target and reflected a high level of customer satisfaction with Appen's service offerings and project delivery. Customers saw the benefit of organisational change at Appen, with the company's internal resources and process better aligned and able to pivot to deliver higher quality project outcomes.

In addition to the scoring process, we also receive qualitative feedback from our surveys. This feedback provides valuable insights and helps us to identify opportunities to further refine our product offerings and delivery services. We undertook several initiatives within our quality and engineering teams to ensure enterprise AI models delivered accurate and timely data for customers.

Increasing channels to market

Establishing meaningful ecosystem partnerships to increase our channels to market has been a key focus. These relationships provide important access to enterprise customers and will enable our sales organisation to reach more customers.

NVIDIA: Our collaboration with NVIDIA, announced 3 May 2023, is a solution that combines Appen's AI data expertise with the NVIDIA AI Enterprise platform. The NVIDIA AI Enterprise platform provides a comprehensive suite of AI and data analytics software, while Appen complements this with data sourcing, annotation and labelling, and Reinforcement Learning with Human Feedback services. The collaboration between Appen and NVIDIA empowers our enterprise clients to elevate customer interactions through AI-enabled experiences. In 1H23, we signed our first million-dollar deal to service a global Fortune 500 company together with NVIDIA.

REKA: The Appen + Reka AI partnership, announced 4 May 2023 aims to accelerate the LLM journey for enterprises, providing them with the tools and expertise to overcome these challenges. Together, we deliver customised multi-modal LLM applications that improve productivity, improve customer experiences, and ensure data security and privacy.

Amazon Web Services (AWS): In November 2023, Appen selected AWS as its primary cloud for its AI solutions and innovation. Through a multi-year agreement, Appen and AWS have expanded their relationship as Appen develops new enterprise solutions for AI data sourcing, annotation and model evaluation. By leveraging AWS's cloud infrastructure, including machine learning and AI capabilities, Appen's AI data platform ensures the delivery of high-quality training data for market-leading generative AI products. This expanded partnership enables Appen to integrate cutting-edge services from AWS, further enhancing its AI data platform as a vital interface between humans and AI.

Large Language Models

At Appen, we understand the importance of trust and accountability in AI. Our Large Language Models (LLMs) released during 2023 serve as an essential trust layer, ensuring that AI tools are truly helpful and not harmful to the public. This year Appen launched various LLM tools for fine tuning and assurance, including AI chat feedback and benchmarking solutions. Collectively, these help enterprises to build more complex and high-performing LLMs that provide helpful, harmless, and honest responses while reducing bias and toxicity.

Generative AI

AI Chat Feedback:

Allows domain experts to assess multi-turn live conversations, enabling them to review, rate, and rewrite each response. This ensures that LLMs are tested in complex conversations that extend over multiple turns or dialogues, mirroring real-world applications.

Benchmarking:

Addresses the challenge of model selection by enabling customers to evaluate the performance of various models across common or fully custom dimensions. By leveraging a curated crowd of our AI training specialists, we evaluate performance along demographic dimensions such as gender, ethnicity, and language. A configurable dashboard enables efficient comparison of multiple models, providing invaluable insights for informed decision-making.

Growing and diversifying our customer base

Appen is truly a global business and supports companies that are at the forefront of AI. Our customers include global technology companies, software business that incorporate AI models into their core products, generative AI model builders and enterprise companies that are adopting AI in their products and operations.

In FY23, our top five customers accounted for 74.8% of revenue, down from 81.9% in FY22 . Revenue from New Markets (excluding Global Product) accounted for 26.3% of revenue, up from 18.1% in FY22.

This year, Appen delivered multiple projects related to generative AI model development and evaluation, for leading model builders, large tech and enterprise customers. These projects included curating prompt-response datasets for fine tuning, preference annotation and ranking to train LLMs with human feedback, evaluation and benchmarking of generative AI model outputs, and human testing with live model interactions. More complex projects required domain-specific expertise, multilingual expansion and multimodal datasets.

Generative AI revenue significantly increased in 2H23, up 410% compared to 1H23. Most projects are delivered using Appen's Data Annotation Platform (ADAP); however, we are seeing new platform-only projects emerge with LLM startups. Appen is currently working with 22 LLM model builders globally.

Taking the industry to new heights

Beyond contributing to the technical growth of the AI industry, Appen plays a significant role in ensuring responsible AI practices. Our dedication to ethical considerations is apparent in every aspect of our work, from strict adherence to privacy and security protocols to regular reviews and updates of our policies.

By instilling these ethical standards throughout the AI lifecycle, we help create a framework within the industry that prioritises responsible AI use. This commitment ensures that the AI technologies we enable are not only advanced but also respect user privacy and promote fairness. We remain dedicated to shaping a future towards positive and ethical progress of AI.

In addition to supporting customers directly, we provide industry information and resources that monitor trends and developments in AI. In FY23, Appen released its State of AI Automotive Report. The report offers specific insights into how the transportation and automotive industries are leveraging artificial intelligence to improve driver and passenger experience, safety and comfort.

Appen partnered with The Harris Poll to deliver the research which identified that AI has tremendous potential to make the automotive experience safer and more innovative. The findings also noted optimism about the future of autonomous vehicles. Almost 80% of respondents indicated that they currently feel safe with autonomous vehicles on the road. Those surveyed also indicated their confidence in a number of AI applications.

Appen's research also uncovered the importance of human oversight to ensure an accurate and safe rollout of AI across the transportation space. In fact, 97% of respondents noted that human-in-the-loop evaluation is important for accurate model performance, which allows for more collaboration and oversight to improve the effectiveness of AI and machine learning models.

The report can be accessed on the web: The State of AI and Machine Learning for Automotive 2023 (appen.com).

Case Study: Enhancing internet safety through search relevance

Appen data ensures online safety for children through search relevance

The Project: A popular video platform for children identified a need to improve search results and implement content filtering to ensure only appropriate content is readily available on the platform. A dedicated quality team was established to oversee the publication of content and a thorough quality check was conducted to flag and filter out inappropriate material before it is shared with children.

The Challenge: With a massive volume of content being published on the platform, the company needed to scale quickly. Specialised tasks were used to address child safety thresholds and protection in search results. This allows users of all ages to enjoy relevant search results while being shielded from inappropriate content. The company also needed to validate that age-appropriate content filtering was working accurately.

The Solution: Appen's ability to quickly implement and scale projects made us the preferred data provider. We assembled a dedicated quality team to provide precise rating guidance with detailed instructions for the crowd to clarify the defined age groups, content types, and definitions of inappropriate material.

The Result: The project is an ongoing effort to consistently deliver appropriate and filtered content to each defined age group. The team diligently reviews tens of thousands of video tasks each month, swiftly identifying videos that may initially appear safe for children but contain inappropriate voiceover content. Such videos are promptly flagged for offensive content, effectively deterring the viewing of inappropriate material by children, and creating a safer platform experience for users of all ages.

FY24 focus

In a dynamic and fast-paced AI market new opportunities are endless. Appen will continue to leverage its position as a global leader in data to deliver great outcomes for its customers and build new relationships. In FY24, we will continue to build on our expertise in LLM tools and evolve our offerings, including advancements to our annotation platform and automate processes through AI-based productivity initiatives.

Our people

Every day, our people strive to unlock the power of AI for Good to build a better world. Our aim is to support their ability to do so, by providing a safe and inclusive work culture to allow them to perform at their best.

1,037 FTEs

↓ from 1,475 in FY22

75%

Employee engagement

↓ from 78% in FY22

Priority SDG

Global and diverse work force

As of 31 December 2023, we had 795 full time equivalent employees (FTE), and approximately 222 fixed term, nine casual employees and 11 interns. Full time employees total 992 and part time employees total 45. As part of our transformation and in response to challenging external operating conditions we flattened our organisational structure and consolidated functions. This resulted in a 29.7% reduction in our workforce.

Permanent	795
Fixed term	222
Casual	9
Interns	11
Full time	992
Part time	45

2023 employee distribution

Appen's people are based in North America, Asia Pacific, UK, Europe, Australia and India. In 2023, we added two new offices in Canada and India.

Asia Pacific	725
North America	185
Australia/NZ	55
UK/Europe	72

Occupational profile

Our people have deep industry expertise, particularly in the areas of project delivery, crowd management and engineering. We have developed specialised industry capabilities which we embed into our products and processes. We also rely on deep domain expertise in the areas of linguistics, knowledge graphs, computational aptitude, machine learning and computer science. AI is fast paced and dynamic, and the with rise of generative AI we recognise that ongoing upskilling and reskilling is required to meet and exceed stakeholder expectations.

Delivery	546
Product and engineering	171
Corporate	111
Crowd	132
Revenue and marketing	67
Executive	10

Employee engagement

We recognise that an engaged and high-performing workforce is essential for the success of our business. To ensure we are responding to the needs of our people, we conduct quarterly engagement surveys. We continue to receive strong employee participation rates that allow us to leverage insights from our employee surveys to drive further improvements.

In FY23, we recorded an employee engagement score of 75% down from 78% on the previous year. In part, the decline in our employee engagement score reflects the challenging external environment and the realignment of our workforce to create a leaner and more efficient organisational structure. We will continue to respond to our employee's feedback and drive our engagement scores higher in the following year.

Employee engagement[1]

1 Measures the likelihood of full-time permanent employees (including those in PEOS) referring a friend or colleague to Appen based on their employee experience. The scale is a 5-point Likert resulting in 1–2 Detractor, 3 Passive and 4–5 Promoter. NPS is calculated by subtracting the % of total detractors from the % of total promoters. Survey results are provided by Workday Peakon.

2 Based on HR report for all permanent employees generated by Workday.

Commitment to diversity and inclusion

At Appen, we aim to build a more diverse and inclusive workforce to improve our performance and better reflect the communities in which we operate. We understand the value of a global workforce and embrace the unique perspectives, experiences, and backgrounds of our people. Our diversity policy guides our inclusive work practices and is focused on increasing gender and ethnic diversity among employees, in senior management and on the board.

The Board has set a target of 30% female representation at all senior leadership levels. Female representation at the executive team and senior vice president (SVP) level declined due to voluntary and involuntary departures of senior female employees.

As of 31 December, women represented:

	% female[2]	
	2023	2022
Overall workforce	**55**	57
Board director	**50**	50
Executive team/SVP	**22**	30
Vice President	**35**	32
Senior Director	**47**	63
Director	**40**	45
Manager	**61**	57

Building our new culture

This year, we adopted a new Culture Code to support our transformation. Through our new Purpose and Perspective, we are seeking to create an environment where everyone can thrive, feel valued, and grow their potential. Our people are further united by our four values that guide how we pursue individual, team and organisational objectives. Our values also inform how we work with those within and outside Appen.

Leaders are responsible for modelling our Culture Code and fostering it within their teams, and each employee is expected to conduct themselves in alignment with Appen's Culture Code.

Appen's Culture Code:

Purpose

We unlock the power of AI for Good to build a better world.

Perspective

We are a learn-it-all culture and embrace that comfort and growth do not coexist.

Values

Four values unite us:

- **Customer obsessed:** We believe our customer relationships are the ultimate differentiator and the foundation of our success.
- **Action oriented:** We take decisive action, fast pace and make informed decisions quickly in order to drive progress and achieve results.
- **Courage to innovate:** We have the courage to and foster breakthrough thinking and make it our engine for growth, success, and progress.
- **Winning together:** We foster teamwork and collaboration, celebrate each other's success, and work together towards common goals.

Training and development

A collaborative goal-setting methodology was introduced in Appen in 2023 with OKRs – Objectives and Key Results. This framework helps drive our teams and employees to set challenging and ambitious goals with measurable results. All employees and managers were provided training throughout the year on how to cultivate impactful OKRs and drive meaningful conversations.

During 2023, Appen's strategic focus progressed towards Large Language Models (LLMs), and due to the fast-changing landscape of today, it was important that Appen equipped its own people with the fundamentals of AI and LLMs. All employees were upskilled, and a specific focus on client-facing roles in sales, marketing, solutions, linguists, and service delivery, as well as an advanced path for more technical roles.

At the beginning of 2023, Appen rolled out a new leadership program that included paths for leaders at different levels from self-leadership to leading the organisation, as well as a Leadership Collaborative community and quarterly leadership labs where leaders can share best practices and collaborate on specific topics.

In FY23, our people averaged one hour of training per month through Appen University, with a total training time of 35,156 hours[1].

Working ethically

Our people are required to complete mandatory annual training in critical areas such as data privacy, security awareness and sexual harassment. Our Code of Conduct training which sets out employees' obligations to act honestly and ethically is also mandatory for all employees and contractors. In FY23, we achieved a 95% completion rate for our Code of Conduct training[2].

1 Data from Appen University.
2 Data from Appen University, excluding China employees.

Giving back

Giving back to our global community is at the core of our business. In alignment with Appen's AI for Good strategy, Appen launched its Volunteering program, giving our employees one day per year to volunteer for non-profit organisations in their communities. Appen believes this will not only benefit the communities in which we operate, but also enrich the lives of our employees by allowing them to make a difference.

Some examples of giving back included the Sydney office coming together to create 50 care packages in partnership with The Good Box, who support people experiencing homelessness across Australia.

In the Philippines, our Cavite team partnered with the Department of Education's Brigada Eskwela, also known as School Maintenance Week, and prepped the schools for the upcoming academic year. The team helped transform ordinary classrooms into lively spaces that fuel creativity through donations of cleaning materials, refreshing the classroom by painting walls and furniture and cleaning the surroundings.

In addition, Appen's Employee Service committee facilitated the following events to raise money, awareness and show our support:

- Appen's Biggest Morning Tea – held in both Australia and the Philippines, where Appen raised $2,500 towards making a difference for those impacted by cancer.
- Pride Month – Appen beamed Pride across the globe during Pride Month with our Philippines team marching in the Cavite Pride Parade; Exeter hosted 'Dress Like The Rainbow' day (helping to raise awareness of the state of LGBTQI rights across Europe); Sydney held a rainbow food-filled Pride lunch bursting with colour, and Bellevue threw a Pride Party raising funds for a local LGBTQI youth non-profit organisation.
- Cavite Fire Appeal – in 2023, many families were displaced by fires in Cavite, Philippines. Appen raised $3,500 to support those in need.
- Organised a 10,000 steps per day challenge across the month of September to help raise money for the Cerebral Palsy Alliance (CPA), an organisation that supports people living with Cerebral Palsy. A total of $5,200 was raised with more than 10 million steps made by employees globally.

New presence in India

Appen completed the resizing and relocation of its engineering function to Hyderabad, India. This new location will be home to approximately 100 employees who will help with the development of cutting-edge software solutions that will shape the future of AI and Machine Learning.

Launch of our internship program

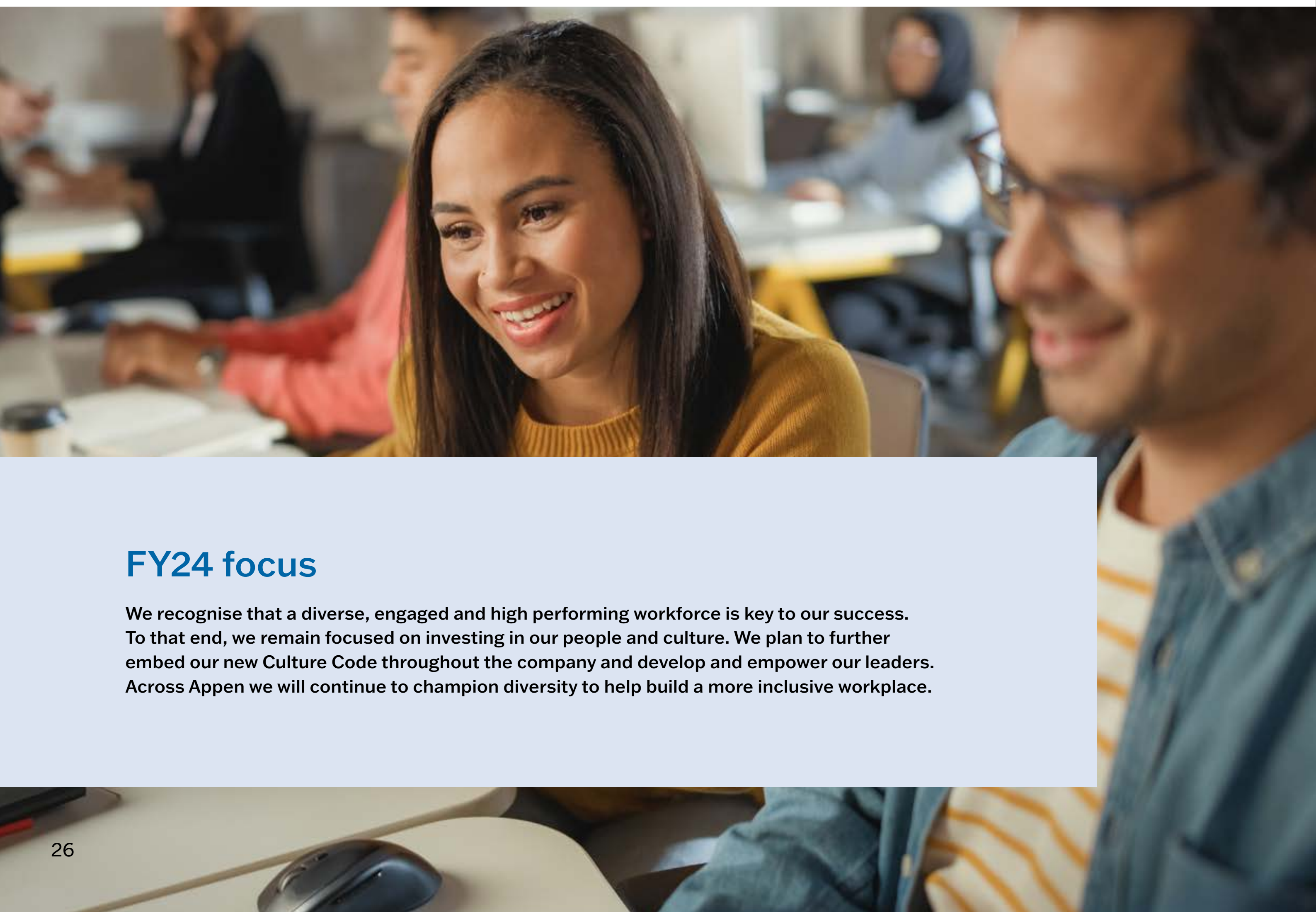
Appen launched its first internship program in 2023 to harness curiosity, energy, and an irresistible zest for learning. The interns have actively participated, tackled substantial challenges, and ignited real business transformation across product, engineering, sales, marketing, customer success, IT and HR functions.

Appen partnered with the Coalition of Innovation Leaders Against Racism (CILAR) and attended the CILAR MyStartr event in Toronto in March 2023 where we sourced more than 100 applicants for our eight intern openings in the US and Canada – all from ethnically diverse backgrounds with senior level managers for exposure and coaching during the Summer of 2023. Nearly half remained during the fall to extend their internships.

Our Future Ways of Working

For nearly three years, Appen employees have faced many challenges including working through the pandemic and responding to the ongoing tech slowdown as our customers cut costs. During this time, we transitioned to different working models and as a company, we embraced resilience and adjusted to the ever-changing environment and needs of our customers.

The next evolution of our Future Ways of Working strategy focuses on flexibility and no-one size fits all approach. This year, we learnt a lot about what we need to do in order to thrive at Appen, and a hybrid model gives us the best of both worlds. This model fosters flexibility, enhancing employee satisfaction and drives productivity. Appen has continued to promote in person social and cultural connections through the Neighbourhood Connections Program – allowing employees that live in the same city or community to build connections with colleagues.



FY24 focus

We recognise that a diverse, engaged and high performing workforce is key to our success. To that end, we remain focused on investing in our people and culture. We plan to further embed our new Culture Code throughout the company and develop and empower our leaders. Across Appen we will continue to champion diversity to help build a more inclusive workplace.

Financial

Appen's financial results reflect challenging external operating and macroeconomic conditions that have led to a broader technology market slowdown as customers reduced their spend and evaluated their AI strategies. In response, we remained focused on areas within our control and adopted a greater level of operational rigour. This enabled Appen to achieve its cash EBITDA profitability objective in December 2023.

US$M (unless stated otherwise)	**FY23**	**FY22**	**Change**
Group revenue and other income	**274.2**	388.5	-29.4%
Operating revenue	**273.0**	388.1	-29.7%
Gross Margin[1] %	**36.3%**	37.6%	-130bps
Underlying EBITDA[2]	**(24.5)**	11.0	nm%
Underlying EBITDA[2] before FX	**(20.4)**	13.6	nm%
Underlying NPAT[3]	**(52.8)**	(22.8)	nm%
Statutory NPAT[4]	**(118.1)**	(239.1)	nm%
Dividend cents per share	**Nil**	Nil	

Financial performance summary

The external operating environment and the response of our customers' is reflected in Appen's financial performance as follows:

- **Group revenue and other income** decreased 29.4% to $274.2 million, primarily reflecting a lower contribution from Global Services which recorded a 36.1% reduction in revenue.
- **Global Services revenue** down 36.1% to $191.5 million.
- **New Market revenue** down 7.8% to $81.5 million, impacted by lower Global Product revenue. Excluding Global Product, New Markets revenue grew 2.2% to $71.8 million.
- **China** finished the year strongly with Q4 revenue of $11.1 million representing a quarterly record.
- **Product development investment** (excluding amortisation) decreased 16.0% to $34.6 million and represented 12.7% of revenue.
- **Underlying EBITDA** (before the impact of foreign exchange losses) decreased from $13.6 million to ($20.4) million due to lower revenue, lower gross margin, proportionally higher cost base versus FY22.

Priority SDG

1 Gross margin refers to revenue less crowd expenses.
2 Underlying EBITDA excludes impairment loss, earn-out adjustment, restructure costs, transaction costs, inventory losses, and acquisition-related and one-time share-based payment expense.
3 Underlying NPAT excludes after tax impact of impairment loss, earn-out adjustment, restructure costs, transaction costs, inventory losses, acquisition-related and one-time share-based payment expense, amortisation of acquisition related intangibles, and deemed interest on earn-out liability.
4 Includes non-cash impairment of $69.2 million (FY22: non-cash impairment of $204.3 million).

- **Underlying EBITDA** (including the impact of foreign exchange gains and losses) decreased from $11.0 million to ($24.5) million.
- **Underlying net loss after tax** increased to $52.8 million from underlying net loss of $22.8 million in FY22, due to the factors mentioned above, offset by an income tax benefit of $6.8 million primarily relating to the reduction of deferred tax liabilities.
- **Non-cash impairment** of $69.2 million reflecting the impairment of Goodwill and certain non-current assets associated with the Global Services cash generating unit. FY22 included non-cash impairment of $204.3 million reflecting the impairment of Goodwill and certain intangibles associated with the New Markets (excl. China) cash generating unit.
- **Statutory net loss after tax and after impairment** of $118.1 million, compared to statutory net loss after tax of $239.1 million in FY22.
- **No dividend** was paid due to Appen's financial performance and to ensure appropriate allocation of capital.
- **Cash balance** of $32.1 million at 31 December 2023 and no debt.

Market conditions

In 2023 global economic growth slowed given the impact of monetary policy tightening and cost of living pressures. While activity remained resilient in key markets like the United States, economic and geopolitical conditions resulted in an ongoing slowdown in Tech spending as customers continued to reduce costs and evaluate their AI strategies. These conditions proved more challenging than expected. While there were green shoots in generative AI product offerings, these projects remain small, and they have not offset revenue declines in Appen's core deep learning business.

The emergence of large language models (LLMs) such as ChatGPT launched at the end of 2022 sparked excitement and significant interest in generative AI. Throughout 2023, the potential impact of generative AI continued to grow, and the acceleration of its adoption is now a key propriety for many companies. Bloomberg Intelligence expect the generative AI market to grow at a CAGR of 42% and reach a total spend of approximately $1.3 trillion in 2032.[1]

Human feedback across the full cycle of LLM development is required to minimise hallucinations, bias and toxicity. In 2023 we saw the emergence of tools that enabled developers to use LLMs more effectively with humans for data curation, testing and monitoring human functions. To secure the last mile development of LLMs, human in the loop feedback will be critical to ensure ongoing fine-tuning and generally supporting a new potential of human led operating systems.

Operating revenue and customer diversification

Group operating revenue decreased 29.7% to $273.0 million, reflecting a lower contribution from the Global division and New Markets as our customers optimise their spend, cut costs, and evaluated their AI strategies. Revenue from New Markets (excluding Global Product) represented 26.3% of total group revenue, up from 18.1% in FY22.

In FY23, model testing and relevance work represented 75.9% of group revenue, compared to 76.1% in FY22.

On 22 January 2024, Appen advised that it had received notification from a material customer, Google LLC, that as part of a strategic review process it will be terminating its global inbound services contract with Appen, resulting in the cessation of all projects with Appen by 19 March 2024.

Appen's FY23 revenue from Google was $82.8 million and represents 30.3% of total revenue. Group revenue, excluding Google was $190.2 million, compared to $285.4 million in FY22.

Revenue by operating division

Global Services FY23 revenue decreased 36.1% to $191.5 million (FY22: $299.8 million) and was impacted by a reduction in spend from Global customers due to the ongoing challenging external operating and macroeconomic conditions. Despite the external environment, Global Services won 83 new projects (albeit at a lower level when compared to 156 in FY22), including annotation, content categorisation and relevance work.

We saw some green shoots as revenue from LLM work contributed, and all Appen's Global customers completed a generative AI project or had a project in the pipeline.

New Markets revenue declined 7.8% to $81.5 million, impacted by lower Global Product revenue. Second half revenue from New Markets reduced 1.6% to $42.6 million from $43.3 million in 2HFY22.

Excluding Global Product, New Markets revenue grew 2.2% to $71.8 million due to growth from China, Quadrant and Government.

Second half revenue from Enterprise, China, Quadrant and Government grew 8.8% compared to prior corresponding period to $39.0 million due to strong contributions from China and Quadrant. In China, 2H23 revenue grew 23.4% on the prior corresponding period on the back of new LLM project launches.

New Markets won a total of 171 new customers (FY22: 184 new customers). This reflects the good momentum in Enterprise, China and Quadrant, primarily for LLM evaluation, autonomous vehicles (AV), in-car cabin data collection and point-of-interest data collection.

The Enterprise team secured 34 new client wins which included LLM evaluation and categorisation, search relevance, taxonomy and annotation work.

1 Bloomberg Intelligence, IDC (June 2023).

Enterprise also secured multiple deals with leading LLM model builder. The average deal size signed was $147,000, up 5.0% from the average deal size of $140,000 in FY22 and $61,000 in FY21. In 2H FY23 the average deal size was $200,000 compared to $106,000 in 1H FY23.

China recorded 2.7% lift in revenue to $34.5 million compared to FY22. The business finished the year strongly delivering a record Q4 revenue performance of $11.1 million as business conditions returned to more normalised levels as the protracted COVID19 impacts evident in 1H23 subsided.

Collectively China, Japan and Korea secured 82 new clients, which included eight clients with 20 LLM projects, projects with large tech and leading automobile companies, and a project with a large multinational conglomerate.

China remained focused on growth and maintaining its position as a leading AI data company. In the first half of FY23 China released two new platforms, 1) an LLM Data Training platform, and 2) SaaS Annotation platform. The China business continues to support 10 of the leading auto companies, the top 10 internet companies and the top four mobile companies.

The Quadrant business, which now fully integrated into the New Markets business, recorded strong revenue growth, albeit from a small base. This primarily reflects an increase in data location. Quadrant also secured 55 new clients wins.

Government recorded good revenue growth, albeit from a small base. This primarily reflects the delivery of large contract won in FY22.

Further detail can be found in the Customer and Brand value driver on page 18.

Product development

Technology continues to play a critical role in Appen's business and underpins our ability to deliver large scale data requirements for our customers. Investment in product development in FY23 (excluding amortisation) decreased 16.0% to $34.6 million and represented 12.7% of revenue (2022: $41.2 million or 10.6% of revenue).

While the quantum of our product development spend was lower in FY23, we remain committed to the development of industry-leading products and tools. This year, we delivered several initiatives to improve the crowd and customer experiences, and the development of LLM and annotation platforms in China. Within ADAP we released enhancements and new features to support our LLM data products which enable Enterprises to fine tune, evaluate and monitor their LLM models. These products include AI chat feedback functionality, benchmarking solutions and text tools. For more information on these initiatives see the Technology processes and systems value driver on page 12.

Amortisation of product development was $19.7 million down from $20.6 million in 2022. The decrease reflects and reflects a higher lower level of product development investment.

Underlying financial performance

Underlying earnings before interest, tax, depreciation, and amortisation (EBITDA) was ($24.5 million) (2022: $11.0 million). Before the impact of foreign exchange gains or losses, underlying EBITDA was ($20.4 million) (2022: $13.6 million). The reduction in Appen's underlying EBITDA is due to reduced revenue and gross margin, and a proportionally higher cost base versus FY22.

Cost of sales, which is predominantly comprised of payments to our crowd workers was up as a percentage of revenue at 63.7% compared to 62.4% for FY22. This is primarily due to the customer and project mix.

Operating expenses[1] for FY23 decreased 11.3% or $14.8 million compared to FY22. The decrease predominately reflects the benefit of the cost reduction program completed over the course of FY23.

The Global Services segment reported EBITDA of $17.5 million down 67.9% from $54.5 million in FY22, mainly due to reduction in spend from Global customers due to the ongoing challenging external operating and macroeconomic conditions, and a proportionally higher cost base coming out of FY22. Global Services EBITDA margin of 9.1% primarily impacted by lower revenue on core high margin projects, and a proportionally higher cost base coming out of FY22.

The New Markets segment reported EBITDA of ($32.7 million) compared to EBITDA of ($36.5 million) in FY22. The improvement reflects implementation of the cost reduction program and higher margin project mix in Global Product.

Underlying net loss after tax was ($52.8 million) compared to ($22.8 million) in FY22. Increase predominately due to the factors noted above with the main contributing factor being a reduction in spend from Global customers due to the ongoing challenging external operating and macroeconomic conditions.

Statutory net loss after tax of ($118.1 million) includes one-off restructure costs of $8.9 million associated with implementation of the cost reduction programs implemented during FY23 and one-off costs associated with changes to the leadership team to align with the strategy refresh and turn around focus. Also included is non-cash impairment of $69.2 million in relation to the Global Services cash generating unit.

1 Operating expenses exclude crowd labelling services, share-based payments, depreciation and amortisation, transaction costs, finance costs and restructure costs.

Cost reduction program

In line with Appen's focus on operational rigour, the Group announced delivered a $60 million[1] cost savings program, with the first full year impact expected to be achieved in FY24. The initiatives completed over the course of FY23 enabled Appen to achieve its cash EBITDA profitability objective in December 2023.

Growth strategy and FY24 priorities

Appen plays a key role in powering both deep learning applications and generative AI. This year, Appen re-positioned itself to take advantage of its full growth potential and to capture available opportunities in the generative AI space.

Appen's strategy remains focused on delivering high quality data for leading AI. Quality data is important for deep learning model performance and is even more important for generative AI.

Appen has a comparative advantage over its competitors by using its +28 years of experience in crowd-based data collection, annotation and model evaluation and adapt this expertise to generative AI. Appen's AI data services for deep learning and generative AI is illustrated on page 2 in the About Appen section.

Appen is focused on the following five strategic pillars to support its customers and deliver profitable growth.

1. Building a next generation crowd and project management platform that improve how we deliver projects, create a better experience for our crowd, and reduce our related product and engineering costs.
2. Utilise more AI in our projects to scale the creation of datasets for our customers.
3. Configure our highly-flexible ADAP platform to support companies that are customising off-the-shelf generative AI models for their internal use cases.
4. Modernise our sales and marketing with a stronger focus on existing customer account management technical thought leadership.
5. Tightly manage our costs to adjust costs more proactively to revenue.

Non-cash asset impairment charge

Following a review of the value of the Group's cash generating units (CGU) and of the carrying value of its assets in accordance with the relevant accounting standards, a non-cash, pre-tax impairment charge of $69.2 million was booked for the year ended 31 December 2023. The carrying value of non-goodwill intangibles attributable to the Global Services CGU was reduced by $16.1 million and the carrying value of Goodwill was reduced by $53.1 million.

The impairment charge is non-cash related and is a non-operating item. Accordingly, underlying EBITDA and underlying NPAT is not impacted.

Note 12 of the financial report (pages 107 to 110) provides further information in relation to the impact of the impairment charge on the Group's intangible assets.

Balance sheet

Net assets at 31 December 2023 were $92.8 million (31 December 2022: $148.0 million). Decrease in net assets primarily due to trading performance during the year and non-cash impairment charge noted above.

Trade and other receivables combined with contract assets were $29.3 million lower at 31 December 2023 compared to 31 December 2022 due to lower revenue volumes.

Current liabilities were $17.4 million lower at 31 December 2023 compared to 31 December 2022. Decrease is due to lower trade and other payables ($12.5 million) because of lower cost of sales and operating expenses. In addition, contract liabilities are down $7.6 million primarily due to lower revenue volumes.

Cash balance increased by $8.7 million to $32.1 million at 31 December 2023 from $23.4 million at 31 December 2022. This includes net proceeds of $57.4 million from issuance of shares during the period, partially offset by lower trading performance and one-off costs associated with cost reduction programs.

In June Appen completed a fully underwritten ~A$60 million equity raising and in December 2023, completed a further fully underwritten ~A$30 million equity raising to support the company's refresh. Net proceeds of $57.4 million through the issue of 86,707,619 shares.

1 $60.0 million annualised cash opex savings (comparing December FY23 versus Q1 FY23). Cash opex refers to opex included in underlying EBITDA calculation, adding platform development capitalised from the profit and loss, less non-cash share-based payments expense. FY23 annualised cash opex included STI at 15.6% achievement (that represents partial achievement for non-financial metrics).

The following table summarises the Group's financial results for the current and prior year and provides a reconciliation between our statutory and underlying results.

	Year ended 31 December 2023 $000	Year ended 31 December 2022 $000	Change
Global Services revenue	**191,533**	299,755	(36.1%)
New Markets revenue	**81,479**	88.378	(7.8%)
Other income	**1,153**	360	
Total sales revenue and other income from principal activities	**274,165**	388,493	(29.4%)
Underlying net loss after tax (NPAT)[1]	**(52,810)**	(22,739)	nm%
(Less)/add underlying adjustments (net of tax)			
Impairment loss	**(61,663)**	(204,326)	
Amortisation of acquisition-related identifiable Intangible assets	**(6,158)**	(9,573)	
Earn-out adjustment	**11,196**	–	
Restructure costs	**(6,515)**	(488)	
Transaction costs	**(380)**	(1,096)	
Deemed interest on earn-out liability [2]	**(248)**	(540)	
Losses on inventory	**–**	(257)	
Acquisition-related and one-time share-based payments	**(1,501)**	(49)	
Statutory NPAT	**(118,079)**	(239,068)	nm%
Less: tax benefit	**(6,870)**	–	
Add: net interest expense	**805**	772	
Add: deemed interest on earn-out liability [2]	**354**	813	
EBIT [3]	**(123,790)**	(237,483)	nm%
Add: depreciation and amortisation	**35,147**	41,582	
Statutory EBITDA [4]	**(88,643)**	(195,901)	nm%
Add/(less): underlying adjustments			
Impairment loss	**69,182**	204,326	
Earn-out adjustment	**(15,994)**	–	
Restructure costs	**8,967**	678	
Transaction costs	**542**	1,556	
Acquisition-related and one-time share-based payments	**1,501**	49	
Inventory losses	**–**	309	
Underlying EBITDA [1]	**(24,445)**	11,017	nm%
Statutory diluted earnings per share (cents)	**(83.10)**	(193.78)	
Underlying diluted earnings per share (cents)	**(37.17)**	(18.43)	
% Statutory EBITDA/revenue	**(32.3%)**	(50.4%)	
% Underlying EBITDA/revenue	**(8.9%)**	2.8%	

1 Underlying results are a non-IFRS measure used by management to assess the performance of the business and have been calculated from statutory measures. Non-IFRS measures have not been subject to audit. Underlying EBITDA excludes impairment loss, restructure costs, transaction costs, earn-out adjustment, inventory losses and acquisition-related and one-time share-based payments expense.

2 Liability with respect to the Quadrant acquisition which settled in January 2024 via the issue of ordinary shares.

3 EBIT is defined as earnings before interest and tax.

4 EBITDA is EBIT before depreciation and amortisation.

Social and environment

The acceleration of generative AI marks an important milestone. Its adoption can make a positive impact to many aspects of our lives and deliver far reaching societal benefits. As the use of AI technology grows, we strive to be at the forefront of the development of responsible AI.

Signatory

to the UN Global Compact

5

impact sourcing partnerships with global NGOs

Priority SDG

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

13 CLIMATE ACTION

AI for Good

In Appen, we believe AI can be a powerful tool for positive change in the world which aligns with our commitment to good business practices. Hence, we have drafted our 'AI for Good' strategy with the purpose of:

- putting ethics and responsibility at the heart of our products, governance and operations – **Be Good**
- invest our time, products & profit to support communities where we live and work – **Do Good**
- engage & influence our Customers & the AI industry to demand ethical and responsible AI – **Lead Good**

The 'AI for Good' Committee was established in the current year to oversee the delivery and progress of the AI for Good strategy. The committee, chaired by our CEO and Managing Director, will provide guidance and advice to ensure that we are achieving the desired outcomes from the strategy.

Governance

Our social and environmental frameworks are underpinned by our commitment to a high standard of corporate governance. The Board of Directors is responsible for:

- considering the environmental impacts of our activities
- setting social and environmental standards
- monitoring compliance with our social and sustainability policies and practices
- overseeing the management of climate change related risks and opportunities
- approving climate change related disclosures.
- monitoring progress against goals and targets set for climate related issues

The Audit and Risk Management Committee is responsible for:

- considering environmental and climate change risk as part of the quarterly risk reporting process
- reviewing relevant reporting from management to ensure management is effectively managing the risks
- making recommendations to the Board

Good business practice

Good business practice involves prioritising ethical conduct towards customers, employees, and stakeholders. Our Code of Conduct outlines the minimum standards for our business, our people and stakeholder interactions. Our Anti-Corruption and Anti-Bribery Policy reinforces our zero-tolerance approach to bribery and corruption, including specifically prohibiting the use of corporate funds for political advocacy and political donations [1].

Mandatory code of conduct training, completed by 95% [2] of eligible employees as of December 31, 2023, ensures that our people are aware of their obligations. To enhance compliance and foster accountability, short-term incentive awards for senior management are linked to divisional training completion rates during the year.

To demonstrate our commitment, in 2022 we became a signatory to the United Nations Global Compact (UNGC). We continue to support the ten principles of UNGC on human rights, labour, environment, and anti-corruption and are adopting them to our business strategies and operations.

Below is a snapshot of our current progress against the principles ahead of our formal reporting requirements in 2024.

Human rights	Our stance on human rights is underpinned by our Global Ethical Sourcing and Modern Slavery Policy. We anticipate that we will commence risk-based reviews of our suppliers in line with this policy in 2024.
Labour	We continue to report on gender diversity metrics and have set a target for 30% female representation across senior management.
Environment	We have commenced the implementation of the net zero roadmap with the target of net zero by 2030. Consolidation of offices and LED lightings installations has helped reduce electricity consumption and greenhouse gas emissions.
Anti-Corruption	Anti-corruption policy in place and included as part of mandatory compliance training for everyone. We will continue to monitor and report on the compliance training with employees encouraged to report on potential corruption practices via our whistleblower hotline.

Modern Slavery and respect for Human Rights

We consider any form of modern slavery and human rights abuse as unacceptable and acknowledge our role in eradicating it. Our commitment is outlined in our Global Ethical Sourcing and Modern Slavery Policy, which sets expectations for us and our suppliers. The policy opposes forced labour and supports fair employment, working conditions, freedom of association, non-discrimination, and whistleblower protections.

We've integrated supplier requirements from the policy into procurement practices, collaborating with suppliers and customers to mitigate modern slavery and human rights risks in our supply chain. Any breaches of our commitments undergo thorough investigation through grievance or whistleblower processes, with findings reported to the board. In 2023, there was one modern slavery breach reported to authorities.

1 Based on financial data from Workday.
2 Data from Appen University. Calculation consistent with FY22 which excludes China and Quadrant.

Case Study

Appen is proud to partner with Na'amal, a non-profit who works to change the narrative, and create pathways to employment for refugees and underrepresented groups. In Ethiopia and Kenya, to complement Na'amal's tech and soft skills training, Appen ran informational and onboarding webinars and provided dedicated support to the students so they could start earning an income on our platform. Appen staff also put their hand up to mentor refugees, and we provided funding for internet access and ex-Appen laptops so the students on the program could launch their online careers.

Seid Omer (second from left in first image), a refugee living in Ethiopia, shared his take on the experience: "I felt an overwhelming happiness at having the chance to work and provide for myself without depending on anyone. Furthermore, I experienced a sense of accomplishment for successfully completing the qualification process, passing the exam, and coming onboard Appen. Being presented with an opportunity like this in a refugee-like environment is truly life-changing, as it instills hope and a sense of security.... Overall, this income empowers me to have greater autonomy, opportunities, and a brighter outlook on life."

Social Impact

As part of our ongoing commitment to make a positive social impact, we collaborate with entities to create employment opportunities for individuals facing barriers to work. We are particularly focused on helping individuals from vulnerable or marginalised backgrounds such as refugees and the long-term unemployed. In FY23, we focused on partnerships with refugee communities and organisations.

In 2023, we launched impact sourcing partnerships with global NGOs such as Re:Coded, Na'amal, Konexio and Generation, and continued our partnership with MercyCorps. Our program now spans seven countries and provides dedicated support to onboard more than 200 refugees and people who have been long-term unemployed to access work on our platform. To further support these individuals and help them launch their online careers, we worked with our partners to provide internet access, laptops and training in a variety of technical and soft skills. We also continue to take a leading role in the IAOP Center for Social Impact, helping to develop principles around impact sourcing and collaborating with organisations seeking to engage in impact sourcing.

Appen employees give back by undertaking pro-bono work and hold various fundraising events organised by our Employee Services Committee (ESC) to support a variety of not-for-profit organisations throughout the year including the Appen's Biggest Morning Tea, Steptember and the Cavite fire appeal where we raised a total of over $17,000 for charities such as Cancer Council, Cerebral Palsy Alliance and the International Red Cross.

Generation Na'amal

Konexio Faire du numérique une opportunité pour tous·tes re:coded MERCY CORPS

Importance of diversity to achieving fair AI

To achieve equitable outcomes for users of AI products, developers must address bias throughout the AI lifecycle. This involves mitigating bias in data sourcing, preparation, evaluation, and quality management. Our global crowd, with diverse backgrounds, aids customers in promoting fairness and minimising bias. We emphasise diversity not only in the data but also in the individuals involved in the data lifecycle and product development.

As part of our ongoing commitment to diverse representation, we piloted demographic surveys for one of our largest projects to identify and start to address gaps in representation. We plan to broaden this project in 2024 with a view to implementing initiatives to create an even more diverse crowd.

Environmental footprint

Our environmental and climate change commitments are outlined in our revised Environment Position Statement (EPS) which include actions to engage with our external stakeholders (i.e., suppliers, clients, contractors) to reduce our environmental footprint, provide transparency and disclosure of our progress and having the governance structure in place to oversee the management of environmental risk and compliance.

We have a relatively small environmental footprint within our own operations and have committed to further reducing the impact of our operations, including our offices, facilities, travel and data centre usage by:

- reducing electricity consumption and increase use of renewable energy
- optimising our data centre requirements and working with a cloud supplier that has committed to using 100% renewable energy
- reducing water consumption within offices
- reducing waste generation and water use and increasing recycling and donating or reprocessing used technology equipment
- minimising travel by using digital conferencing and collaboration tools
- working with our partners and suppliers on sustainable procurement solutions
- creating and implementing new Energy and Waste Management Guidelines to implement good energy and waste management practices.

Climate change

We acknowledge the risks associated with climate change and are committed to playing our part in supporting the transition to net zero emissions by signing up to the Science Based Target initiative (SBTi) to limit global warming by 1.5°C. We have created a net zero emissions roadmap to provide pathways towards achieving our net zero emissions target. The roadmap and its proposed funding (excluding offsets) has been approved by management and will be adopted across the business.

Strategy

Our Net Zero Carbon Roadmap provides pathways towards achieving net zero emissions across Appen's business operations and supply chain by 2030. Originally targeted for 2025, the net zero emissions target for business operations has been revised to 2030 due to budget constraints.

The key strategic actions include:

- sustainable office design
- better energy management
- energy efficiency
- sustainably sourced energy (renewable energy)
- engagement with suppliers to pursue net zero emissions
- carbon offsets

Given that offsets are a key part of the roadmap, we have drafted our offset strategy which include:

- current and forecasted greenhouse gas emissions for Appen
- scenario modelling and estimated budget for offsets
- value chain and criteria for carbon offsets

This will ensure that the carbon offsets we procure will align to our company's values and provide the social and economic benefits that goes beyond carbon reductions.

Progress

We have commenced the implementation of our net zero strategy this year and achieved the following:

1. **Renewable energy**
   - Conducted feasibility studies for onsite solar across office sites
   - Signed 'green' electricity contracts for our corporate office in Australia
2. **Energy efficiency**
   - Commenced installation of LED lightings in our Philippines' offices
3. **Sustainable office design**
   - Created design specification document for offices
   - Ensured new offices in United States and Canada are energy efficient
   - Closure of underutilised offices
4. **Carbon offsets**
   - Procured carbon offsets to offset our business travel emissions

Risk management

We assess the potential size and scope of climate risk through our risk management framework along with the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). Climate risk is incorporated into our Risk Appetite Statement which sets out our key risk types, the thresholds for each, and how we monitor and mitigate these risks. Management, the Audit and Risk Management Committee and the Board of Directors all have responsibilities with respect to overseeing, assessing and managing climate change risk (see Governance above). Please refer to the section 'Analysis of risks and analysis' for the identification of risks and opportunities associated with the physical impacts of climate change on business activities and operations.

As part of the TCFD framework, we have conducted a scenario analysis of our offices around the world to identify potential physical risks that will impact on those sites. Please refer to section 'TCFD-based Scenario Analysis' for further details and outcomes.

Further details of our GHG inventory, including category breakdown for scope 3 with emissions by geography and energy consumptions can be found in the Appendix on page 147.

Metrics and targets

The GHG emissions inventory (carbon footprint) for 2023 has been completed based on the principles of GHG Protocol with emissions breakdown in scope 1, 2 and 3 shown in the following table. The inventory below indicates that 13% of our overall emissions comes from Appen's business operations with the bulk of our emissions coming from our supply chain (i.e., crowd, suppliers, etc.).

Source	2023 tCO_2e	2022 tCO_2e
Scope 1 – Natural gas	**309**	263
Scope 2 – Electricity – Location-Based	**1,637**	1,475
Scope 2 – Electricity – Market-Based	**1,631**	1,466
Scope 3	**12,496**	15,654
Total Scope 1, 2 & 3 Emissions	**14,442**	**17,392**

The reporting boundary for scope 1 and 2 includes all offices globally occupied by Appen employees. Office spaces leased exclusively for the delivery of specific projects on a short-term basis and offices that were operational for less than six months in the reporting period have been excluded from this boundary.

Further details of our GHG inventory, including category breakdown for scope 3 and emissions by geography can be found in Appendix page 147 of the annual report.

Outlook

In FY24, we will continue to implement key strategies within the net zero carbon roadmap, engaging with our crowd and suppliers on emissions reduction and implement our offset strategy with the aim of achieving Climate Active certification by end of 2025.

We have revised our EPS and will be developing environmental policies for water and waste along with key initiatives to reduce water consumption and waste generation. We will outline these measures in our 2024 Annual Report.

We are expanding our impact sourcing activities with key objectives of assisting refugee and marginalised communities and providing a pathway to meaningful employment. We are also expanding our efforts to manage modern slavery risks through enhanced vendor engagement and assessment.

The AI for Good Committee, established in 2023 and chaired by our CEO and Managing Director, will ensure that we are continuing to embed AI for Good throughout our governance, products and operations. We will continue to walk the talk by implementing our social and environmental initiatives in 2024.

Analysis of risks and opportunities

Our analysis depicted below indicates that there are significant opportunities and a number of small risks associated with the physical impacts of climate change. This is due to the dispersed nature of our activities and operations and those of our key suppliers and customers.

		Potential Impact	Response
Transition risks	**Policy and legal**	Our customers' expect environmentally responsible suppliers as part of their commitment to net zero emissions in their supply chains.	We are addressing these risks by driving more energy-efficient operations and our commitment to reducing and reporting our carbon footprint. We are also working with our customers to leverage their initiatives into our own programs.
Physical risks	**Acute**	We have offices in locations that are subject to increased severity of extreme weather events due to climate change.	For short-term disruptions, remote working is a viable option for the majority of our operations with little business disruption. We also have business continuity plans and disaster recovery plans where adverse weather events are considered and continue to review and update these plans as necessary. Business continuity and disaster recovery are included and monitored as a key strategic objective, which also includes considerations due to the impact of climate change.
Opportunities	**Resource efficiency**	Moving to more resource efficient processes may result in reduced longer term operating costs through efficiency gains but brings benefits through employee and customer satisfaction.	We are committed to more energy-efficient operations including reviewing where additional efficiencies can be introduced throughout our operations.
	Energy source	Using lower-emission sources of energy can result in lower costs as a result of reduced exposure to future fossil fuel price increases, potential changes to carbon pricing and reputational benefits with customers and other stakeholders.	We are committed to increasing our utilisation of renewable energy across our operations particularly across our physical office locations.
	Products and services	AI will be applied in the development of new technologies that reduce reliance on fossil fuels, cut greenhouse gas emissions, improve efficiency and optimise resource allocation.	As the provider of training data for AI model development, we anticipate that the demand for our products and services will continue to grow as new technologies are developed.

TCFD-based scenario analysis

A desktop scenario analysis has been conducted to help identify potential physical risks that will impact on Appen offices globally. The below scenarios have been conducted based on two carbon emissions scenarios from Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report: low emissions (RCP 4.5 or 2ºC warming) and high emissions (RCP 8.5 or 4ºC warming).

For each office the above climate scenarios were analysed in conjunction with the following identified physical risks:

- **fires –** bushfires and wildfires arising from a hotter and drier climate
- **heatwave –** prolonged high temperatures
- **drought –** reduced rainfall from a hotter and drier climate
- **flood –** from increased storm activities and intensities (i.e., storm surges, typhoon etc.)
- **inundation –** lands under water due to rising sea levels from climate change

For each type of risk the associated business impacts were determined and a risk rating applied. Some of the identified business impacts included:

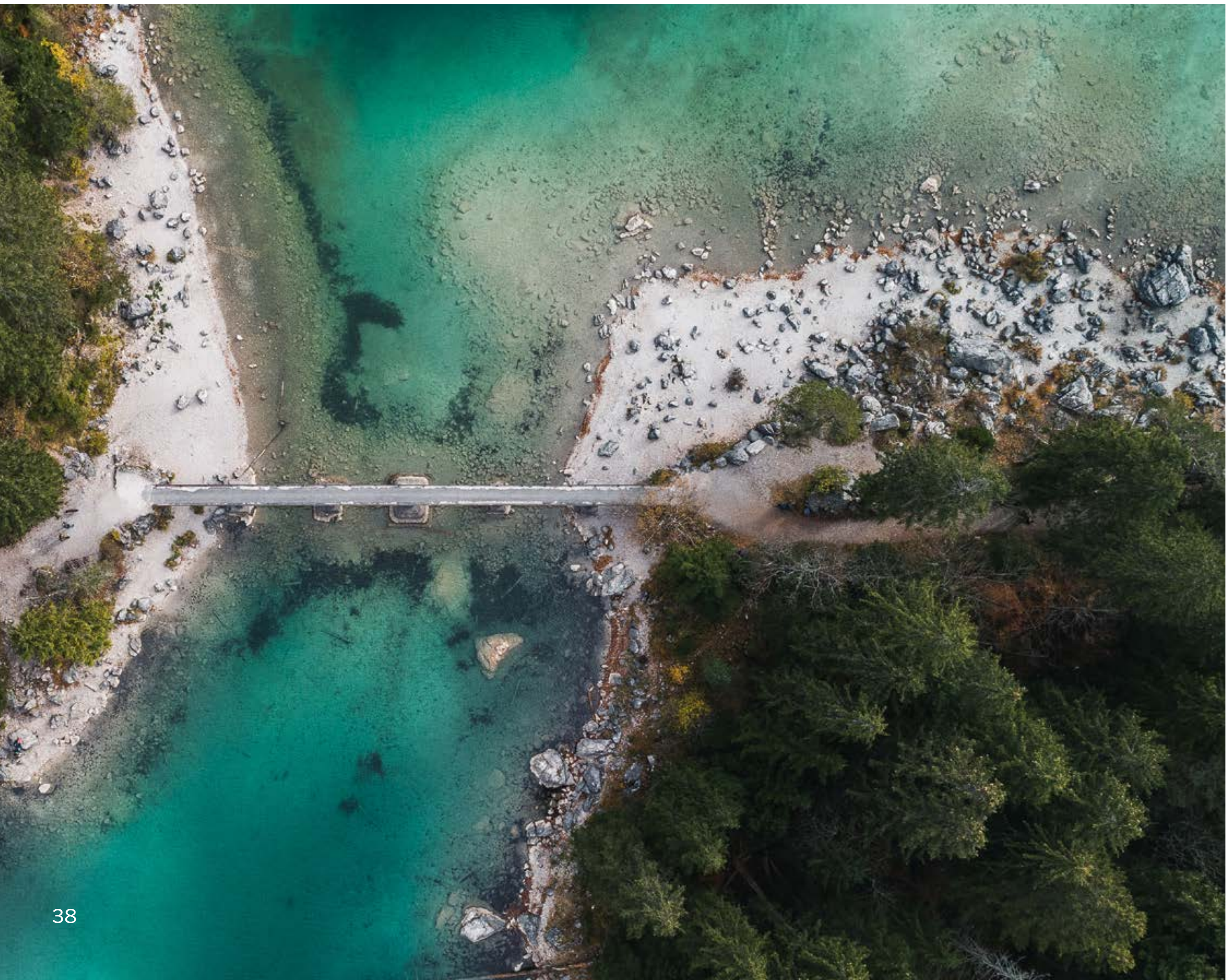
- damage to property and potential loss of life
- rising cost of business operations
- scarcity of resources such as water, etc.

Scenario analysis outcomes

Based on the physical risk analysis, the key risks impacting most of the offices are heatwave and drought especially in a high emissions scenario (RCP 8.5).

In response to the analysis, we have identified and begun initiatives within the office sites for mitigation and adaptation which include:

- energy efficient HVAC and installation of LED lightings
- water efficient plumbing and water fixtures
- sourcing of on-site or off-site renewable energy (i.e., solar, wind, hydro).



Identifying and managing risk

Embedding risk management to balance risk and reward is critical to our continued ability to operate in the high-growth, dynamic market.

Risk appetite

To support innovation and operate with agility our risk appetite provides direction to support informed risk-taking. Our risk appetite has been defined at a category level and supports the day-to-day control activities across the business. The risk appetite is reviewed annually in conjunction with the annual strategy session and approved by the Board.

Risk culture

Our approach to risk management is intertwined with our strategic planning and objectives. Embedding risk management across the business from strategy development down to our day-to-day operations, supported by our company values, promotes transparency and accountability in decision making. This culture is supported by our Code of Conduct and other policies, regular training and implementation of cost-effective controls.

Key changes in our principal risks

Every year as part our strategic planning process, we revisit our principal risks to ensure congruence with our strategic direction and value drivers. This exercise was conducted concurrently with our materiality assessment to ensure that material risks from all stakeholders were appropriately captured, and our assessment was not materially different to that of our stakeholders. Where there is a direct correlation with previous reported risks the movement year on year has been reported.

Emerging risks

We define emerging risks as uncertainties that may not be fully understood. We monitor them through horizon scanning during our annual strategic planning, considering external analyses like the World Economic Forum Global Risk Report. These risks, once better understood, are integrated into our existing risk reporting alongside principal risks. More details on these risks can be found in their corresponding sections below.

Further information regarding emerging risks can be found in their corresponding principal risks as identified on the following page.

Governance

Risk is an inherent part of doing business and risk management is a fundamental part of good corporate governance. Our risk management approach ensures innovation and new possibilities are underpinned by sound judgement of the potential risks and identification of risk mitigation strategies.

Ultimate responsibility

Board through the Audit & Risk Management Committee

- Provides oversight of risk management and culture which contributes to the ability to achieve strategic objectives.
- Approve the risk management framework.
- Approve the risk appetite statement and subsequent addressing of escalated risk appetite triggers.
- Have oversight of strategic and related ESG risks (including climate related risks and impacts).

Oversight

Executive and Senior Leadership Team

- Responsible for the implementation of the risk management framework and risk aware culture within their teams.
- Assess, manage and monitor risk profiles for identified strategic risks.
- Identify where risk appetite statement triggers may be met and further escalation is required.
- Promote a positive and appropriate attitude towards risk management and ensure employees are aware of their responsibilities.
- Attest that key risks in their area have been identified and managed through controls and mitigants on a bi-annual basis.

Ownership

Operational management

- Identify, prioritise, assess and monitor risks which may arise in the business operations.
- Implement and comply with all controls, policies and procedures within their area of responsibility, including devising and implementing controls to address identified operational risks.

Monitoring and partnering

Risk management function

- Defines the risk management process to be followed by the business (including risk appetite).
- Reviews and challenges the strategic and operational risks ensuring controls identified are operating, and tracks closure of items.
- Facilitates risk process, collating risk registers and consolidating the strategic risk register.

Key: ↑ Increase ↓ Decrease = Stable

A summary of our principal risks, and how these have changed during the year, mitigation strategies and related trends are detailed in the following tables.

This reflects the risks identified by the Board for the year ended 31 December 2023. The risk landscape is continually evolving and we regularly monitor and identify risks on a proactive basis. This means the risk register and associated strategies are not exhaustive and are reflective of efforts at a set point in time.

Principal risk	Mitigation	Value Driver
Business model		
Strategic direction of business The AI market is very dynamic and client needs and end-user expectations change rapidly. Demand for services can rapidly change depending on technological developments within market segments, geoeconomic confrontations (including global conflicts) and regulatory developments which can all impact our business model. **Incorporated emerging risk:** geoeconomic confrontations **= Change** **While this risk has fluctuated throughout the year, the net position compared to the prior year remains stable as the revised strategy under new leadership begins to be operationalised.**	• We have a strategy team that is dedicated to monitoring AI and technology markets, customer trends and regulatory changes. • We use these insights to inform our strategy and technology roadmap, and to evolve our product offerings and go to market strategy. • We scan for additional opportunities to expand into other markets and/or technology to support our existing offerings. • Macroeconomic and geopolitical risks, including consideration of potential political uncertainty in certain markets and geographies, are actively factored into our strategic planning processes and investment activity. • We undertake ongoing horizon scanning to monitor potential policy, legal and regulatory developments that may impact our ability to operate in particular industries, markets and geographical locations. We have plans and processes in place to react in an agile manner with minimal business disruption to any changes that may occur.	Customer and brand Global crowd Technology, processes, systems Financial

Principal risk	Mitigation	Value Driver
Market demand and competition In some parts of our business there is competition from niche and low-cost providers. Customers may also choose to do some data annotation tasks in-house and/or use their scale to seek better terms on pricing. The profile of the projects that our customers are undertaking is also changing. = Change **This risk while high, has remained stable in the year. While the risk from competition remains prevalent there have been no significant changes to the likelihood or impact.**	• We monitor new investments in the data annotation sector closely. • We have refreshed our sales and marketing capabilities, including our go to market strategy. • We have invested in new sales and marketing capabilities to deepen and expand our relationships with existing and new customers. • We continue to invest in technology to increase the quality of our services and to deploy new capabilities to remain ahead of the competition. • We have embraced an agile approach to the emerging LLM market and have been able to capitalise on our expertise in core Relevance activities to these new offerings.	**Customer and brand** **Technology, processes, systems** **Financial**
Changing customer strategy and needs Currently a few large global technology companies are the major buyers of AI training data. The revenue from these clients is significantly larger than the revenue from other clients and the volume can fluctuate. Clients can also rapidly redirect their spend away from particular projects impacting their ongoing needs for training data. ↑ Change **This risk has increased in the past year due to the rapid emergence of the LLM sector and the impact of further concentration of revenue to a smaller group of global customers.**	• We continue to build relationships with key clients to ensure we can anticipate strategy changes and react accordingly. • We monitor relevant market and customer trends and regulatory changes to identify potential headwinds for our clients which may impact our future revenue. • We continue our product-led focus to meet evolving customer needs. • Inclusion of customer NPS targets within executive STI.	**Customer and brand** **Technology, processes, systems**

Key: ↑ Increase ↓ Decrease = Stable

Principal risk	Mitigation	Value Driver
Ability to execute on operational requirements The sector we operate in is fast moving, and we need to be agile to meet these expectations. Knowledge and skills need to be developed at the same rate as our clients to continue to execute our operations successfully to meet their expectations. **= Change** **This risk has remained stable in the current year as we continue to focus our attention on execution of high-quality offerings for our customers.**	• We have a quick response team for our major clients to ensure we can keep pace with their changing needs. • The restructure of our delivery team has resulted in more streamlined processes to ensure we able to execute operations in an effective and consistent manner. • Refinement of our customer NPS program which we use to identify gaps and areas of improvement in our operational implementation.	**Technology, processes, systems** **Customer and brand** **Global crowd**
Resilient operational model The loss of data, a physical site or critical employees could result in a major impact to our customers, revenues and reputation. **= Change** **This risk has remained high but stable over the year and continues to be impacted by external factors such as the on-going prevalence of cyber-attacks, extreme weather events, and impact of geopolitical tensions.**	• We store data in enterprise grade, cloud-based servers which are duplicated to minimise disruption. • Our engineering team focuses on resilience to mitigate the risks of material or sustained disruption. • We have business continuity plans for facilities that require a physical presence on-site and critical systems. • We have further matured our business continuity capabilities into our major client project plans. • We conduct scenario testing for our disaster recovery plans. • Our work-from-home model for data annotators makes our business model extremely flexible and resilient.	**Customer and brand** **Technology, processes, systems** **Social and environment**

Principal risk	Mitigation	Value Driver
People		
Talent strategy and employee value proposition Our business is reliant on specialised skills. Our ability to grow is dependent on attracting, developing and motivating our talent. **↑ Change** **Ongoing employment market pressure remains a key contributor to this risk, however the internal work over the year has resulted in a lowering of this risk year on year.**	• Our Human Resources department works closely with the business to understand the skills and capabilities required to deliver our business objectives and to ensure those needs are met. In 2023, this also included a revision of the way we manage employee goals and accountability. • We have listened to the feedback provided by our employees as part of the culture work conducted and have introduced new ways of working, additional learning pathways and other programs to improve our employee value proposition. • We continue to benchmark our offerings across the sector to ensure market competitiveness and introduced additional employee benefits programs to retain and attract talent. • Inclusion of employee engagement targets within executive STI.	Appen employees Social and environment
Managing a culture of growth through change Our business's future resilience is anchored in a large-scale restructure program, where employee buy-in is pivotal for success. **↑ Change** **This risk has increased over the year due to the reduction in workforce as a result of the restructures. The pace of change required from individuals remains a source of potential increased risk.**	• We refreshed our values through the new Culture Code and linked desired behaviours and attributes to reward and recognition. • In response to the significant restructuring, specific measures included clear communication strategies, ongoing leadership training, and regular check-ins to address concerns and maintain morale among the remaining workforce.	Appen employees Technology, processes, systems

Key: ↑ Increase ↓ Decrease = Stable

Principal risk	Mitigation	Value Driver
Technology and innovation		
Investment in technology, innovation and transformation Technology innovation is key to improving our capabilities, increasing efficiency and automation, keeping pace with customer expectations and staying ahead of our competition. **= Change** **This risk has remained stable in the current year as we continued to invest in our product and engineering teams.**	• We are investing in our technology offering to improve both customer and crowd experiences, to deliver automation benefits, efficiencies and new offerings. • We utilise agile methods in our project delivery to ensure investment in engineering projects is appropriately prioritised and oversight is in place.	**Technology, processes, systems** **Customer and brand**
Protection of intellectual property With an increasingly product-led strategy the need for solid intellectual property protection strategies are key to delivering outcomes for our customers. **↑ Change** **This risk has increased over the year due to the changes in the way our product and engineering teams are structured which inherently introduces more temporary risk.**	• We have an Intellectual Property (IP) Committee that looks at new technologies through invention disclosures, develops appropriate protection strategies for that technology and ensures alignment with product directions (including patenting, copyright, trade secret, defensive publication etc). • We have training to ensure employees are aware of the need to protect confidential information. • Access to core technologies is geographically segmented to improve IP protection. • Brands are protected in relevant markets.	**Technology, processes, systems**

Principal risk	Mitigation	Value Driver
Crowd		
Crowd conditions Independent contractors are critical to our business. The attraction and retention of skilled contractors enables our competitive advantage and customer value proposition. = Change **This risk remained stable in the current year. While we continue to see pressure on conditions we are working hard to meet or exceed our stakeholders' expectations.**	• Our Crowd Code of Ethics establishes the conditions that we will adhere to, above the minimum legal requirements. • We continue to work to improve our crowd experience to ensure that we can make the platform a great place for users. • Our Impact Sourcing strategy provides jobs and career development to people who otherwise have limited prospects for formal employment. • We have partnered with external organisations to evaluate our crowd conditions and are working towards further enshrining fair conditions to contractors across the sector. • Inclusion of crowd NPS targets within executive STI.	**Global crowd** **Customer and brand**
Crowd supply meets customer demand Our business model relies on our ability to provide customers with access to a broad range of skills provided by our global crowd. = Change **This risk remains stable. While our generative AI projects have seen an increase in the specificity of skills requested from customers, the work we are investing in should put us in a good position to meet these requirements.**	• We have begun new research programs to understand how the work we provide fits into the life of a contributor. • Our new contributor experience will better tailor the platform to the type of work that they would like to do. • We continue to introduce and refine our strategies to combat contractor integrity to further guarantee that our clients have access to the best quality contributors. • We have partnerships with sourcing agencies to increase our reach into difficult markets and to stimulate applicant interest.	**Global crowd** **Customer and brand**

Key: ↑ Increase ↓ Decrease = Stable

Principal risk	Mitigation	Value Driver
Data management		
Compliance with security, privacy and other data regulations We manage a large amount of data as part of our operations including a significant amount of personal information which requires increased security requirements. **= Change** This risk remains stable as we maintain our focus on ensuring data governance is embedded in everything we do against a changing landscape of increased regulation.	• We continue to integrate security and privacy requirements into our systems and offerings by increasing the collaboration between our engineering and privacy teams. • We have a team that is responsible for understanding emerging information security risks. They consult with external advisors. • Information security risk assessments are conducted on a regular basis and the IT team undergoes training in risk management. • We have maintained certification for ISO 27001 and SOC 2 as well as gaining ISO 27701 for our China business. • We have policies, procedures and training to ensure employees are aware of their privacy and security obligations.	**Technology, processes, systems** **Customer and brand**
Emerging cyber security issues We manage sensitive customer information, increasing our exposure and susceptibility to cyber attacks. Cyber threats could lead to a loss of data or service interruption impacting customers and our reputation. **= Change** This risk remains stable as we continue to invest in our cyber maturity against an ever growing complexity of cyber threats.	• We have implemented a cyber security risk management framework across the organisation. It includes the deployment of physical and technological security measures to identify, protect, detect and respond to information and cyber security risks. We have ISO 27001 and SOC 2 certification. • We conduct audits of our cyber security practices, including maturity assessments, scenario planning, penetration testing and simulation exercises, for cyber security incident management. • The strength of our control environment is tested on an ongoing basis by independent security experts. Their recommendations are implemented in a prioritised manner. • We have policies, procedures and annual training to ensure employees are aware of the threat and their responsibilities, and we conduct regular synthetic phishing tests.	**Technology, processes, systems** **Customer and brand**

Principal risk	Mitigation	Value Driver
Support		
Financial sustainability We operate globally and our business can be affected by foreign exchange, changes in debt markets and tax obligations. As a listed entity we also have an obligation to protect shareholders' capital and ensure sustainable earnings. ↑ **Change** **Global economic uncertainty and the ongoing tech slow down has resulted in an increase in this risk in the year.**	• We naturally hedge foreign exchange risk by paying for associated services in the same currency we receive revenue. • We have a formal hedging policy to provide protection where we make payments in Australian dollars with US funds. • We continue to monitor the external landscape and conduct scenario planning to ensure we can appropriately respond to changes, such as tax rates, in a timely manner. • Capital raises during the year provide balance sheet flexibility and general working capital to support return to profitability, and transaction costs.	**Financial** **Appen employees**
Compliance with legal, statutory and ethical obligations We have a responsibility to not only operate in a manner that is congruent with our legal and statutory obligations. We also have an obligation to disseminate and embed responsible AI best practices across our operations and partnerships. Incorporated emerging risk: responsible AI = **Change** **We continue to invest in building our responsible practices against a rapidly changing regulatory environment.**	• We regularly review our material obligations to ensure appropriate controls, governance and oversight are maintained. • We understand the local labour and human rights landscapes in the jurisdictions we operate in and ensure we comply with modern slavery requirements. • Our compliance framework includes policies, procedures and a suite of mandatory compliance training which helps drive positive attitudes to compliance across the business. • We have added relevant subject matter expertise across the business and are increasing our training program for all staff to extend our compliance and reporting capabilities. • We have partnered with the World Economic Forum to create responsible AI standards to increase the value of, and trust in AI, for businesses and the community.	**Social and environment** **Financial** **Appen employees**

Key: ↑ Increase ↓ Decrease = Stable

Principal risk	Mitigation	Value Driver
Environmental, social and governance (ESG) risks and performance **Incorporated emerging risk:** climate change **= Change** **The risk remains stable as we grow our ESG program against a changing regulatory landscape.**	• We are a signatory to the United Nations Global Compact and have committed to take action to embed the ten principles within our business practices. • We have completed our initial Net Zero Roadmap and have committed to net zero emissions across our business (including supply chain) by 2030. • We have committed to the Science Based Target Initiative and disclosing climate-related issues in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.	**Social and environment**

Our approach to governance

Appen's governance policies and practices are consistent with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Corporate Governance Principles) throughout the year.

Governance framework

Our governance framework ensures accountability, both of the Board and senior management.

To clarify the roles and responsibilities of directors and management and to assist the Board in discharging its responsibilities, the Board operates under a formal Charter which sets out the functions reserved to the Board and provides for the delegation of functions to Board Committees and to senior management.

The Board is responsible for demonstrating leadership, defining the company's purpose, establishing strategic objectives, approving our values and the Code of Conduct, and oversight of the management of the company.

The Board has established two standing Committees which assist with the execution of its responsibilities – the Audit and Risk Management Committee and the People and Culture Committee.

2023 areas of governance focus

Key areas of governance focus and activities undertaken by the Board, its Committees and management during 2023 included:

Strategic and financial performance

- conducted an annual Board and executive strategy session in October 2023 to focus Appen's response on the impact of the challenging external operating environment and ongoing tech slowdown.

Our people

- reviewed our organisational structures within each business unit and functional areas with a focus on reducing organisation layers to improve operational efficiency.
- adopted a new Culture Code to support our transformation.
- continued roll out of our Future Ways of Working, including the Neighbourhood program to help employees foster and cultivate deeper connections.
- strengthened Appen's executive team with the addition of members with sales expertise.

Global crowd

- ongoing focus on our Crowd Code of Ethics and building our reputation as a company of fairness and integrity in how we partner with our crowd.
- delivered technology and other initiatives to ensure the crowd are better matched to projects and are qualified, onboarded and paid more efficiently.
- enhanced technology and capabilities to address trust and safety in our Crowd.
- conducted further research programs to understand representation across the Crowd and to identify and fill any gaps and/or targeted skill sets.
- partnered with Mercy Corps, Na'amal, Generation and Konexio to open crowd work opportunities to refugee communities.

Social and environment

- continued disclosure of greenhouse gas emissions scopes 1, 2 and 3 and working towards limited assurance of the data.
- continued implementation of Net Zero Roadmap and working towards net zero across operations by 2030.
- commenced development of reporting on progress against our United Nations Global Compact commitments.

Oversight of Financial and capital management

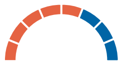
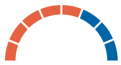
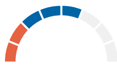
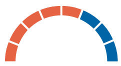
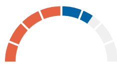
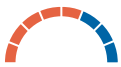
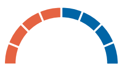
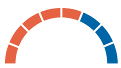
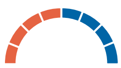
- completed a fully underwritten ~A$60 million equity raising in June 2023 and completed a further fully underwritten ~A$30 million equity raising in December 2023 to support the company's strategy refresh.
- given Appen's financial performance and to ensure prudent allocation of capital, the board determined not to pay any dividends.

Ethics and responsible decision making

- partnered with our key customers to establish projects to identify and monitor our impact on social impact activities.
- issued our Modern Slavery Statement.

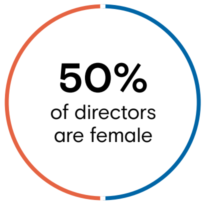
Compliance and risk management

- internal audit reviewed and assessed processes across key operational areas, including a review of our transformation projects and processes.
- reviewed the risk management framework, revised the risk appetite statement and updated our strategic risks to align with the strategy as revised in October 2023. Confirmed the identified risks through our stakeholder materiality assessment.
- continued focus on cyber security, ISO27001 compliance across global sites and SOC2 compliance on key platforms.

Skill	Description	Skill level
Strategy	Experience in defining strategic objectives, assessing business plans and driving execution. Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions.	
Finance	Understanding the financial drivers of the business, experience in financial accounting and reporting, tax, corporate finance and internal financial controls.	
Risk	Experience in the identification, monitoring and management of material financial and non-financial risks, the oversight of compliance frameworks and controls, and the ability to identify and oversee mitigation strategies for emerging risk and compliance issues in the organisation.	
Industry experience	Experience and broad understanding of the application of language technology, machine learning, artificial intelligence and specifically AI, including market drivers, risks and trends and encompassing policies, competitors, end users, regulatory policy and frameworks.	
Customer/ Client	Experience developing customer/client strategies and delivering customer/client outcomes.	
Capital markets	Expertise in considering and implementing efficient capital management including alternative capital sources and distributions, yields and markets.	
Corporate transactions	Experience in assessing and completing complex business transactions, including mergers, acquisitions, divestments, capital management, major projects and business integration.	
People and culture management	Board Committee or senior executive equivalent experience relating to people management and human resources, corporate culture, diversity and inclusion, and remuneration issues of a global organisation.	
Governance	Knowledge and experience in best practice governance structures, policies and processes.	
Technology and innovation	Experience and expertise in identifying, assessing, implementing and leveraging digital technologies and other innovations.	
Data and security	Understanding the use of data and the risks associated with data security, cyber and privacy.	
International business experience	Experience in international business, trade and/or investment at a senior executive level and exposure to global markets and a range of different political, regulatory, and business environments.	
ESG	Expertise in the areas of environment, social and governance (ESG), and the ability to advise the Company of required policies, actions and disclosures on these matters.	

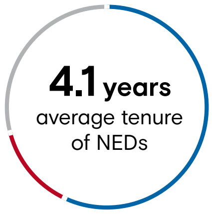
■ High competency and experience ■ Medium competency and experience

Board diversity



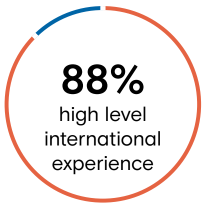
Male	50.0%
Female	50.0%

Non-executive director tenure



0–1 year	0%
1–3 years	57%
3–5 years	14%
5+ years	29%

International business experience



High	87.5%
Medium	12.5%

Director independence

Independent	7
CEO	1

Board of Directors

Richard Freudenstein

BEc, LLB (Hons)

Non-executive Chair

Appointed: Chair on 28 October and joined as non-executive Director on 12 August 2021

Board Committee: Member of the People and Culture Committee

Richard is a director of Coles Group Limited (ASX: COL), REA Group Ltd (ASX: REA) and Cricket Australia. Previously, he was Chair of REA Group Ltd. He is a former director of Ten Network Holdings Ltd (ASX: TEN), Foxtel and Astro Malaysia Holdings Berhad. Richard was also a member of the Advisory Board of artificial intelligence software company, Afiniti Ltd (2017–2022). Richard was previously the Chief Executive Officer (CEO) at Foxtel (2011–2016), CEO of The Australian newspaper and News Digital Media at News Ltd (2006–2010) and Chief Operating Officer (COO) at British Sky Broadcasting (2000–2006). He is currently Deputy Chancellor and Fellow of the Senate at the University of Sydney.

Steve Hasker

BCom, MBA, MIA, ACAA

Independent non-executive Director

Appointed: 7 April 2015

Board Committee: Chair of the People and Culture Committee

Steve has extensive experience as a CEO, COO and Advisor in the US. Steve has been President and CEO of Thomson Reuters since March 2020. He was a Senior Advisor to private equity firm TPG Capital (2019–2020) and CEO of CAA Global, a TPG Capital portfolio company (2018–2019). At Nielsen Holdings PLC, he served as Global President and COO (2015–2017) and President, Global Products (2009–2014). Steve was a partner with McKinsey (1998–2009). Before that, he spent five years in several financial roles in the U.S. and other countries.

Robin Low

BCom, FCA, FAICD

Independent non-executive Director

Appointed: 30 October 2014

Board Committee: Chair of the Audit and Risk Management Committee

Robin is a non-executive director who serves on the boards IPH Limited (ASX: IPH), Guide Dogs NSW/ACT and the Sax Institute. Robin is a member of the University of New South Wales audit committee and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. Robin has extensive finance, risk and business experience from her 28-year career at PricewaterhouseCoopers where she was a partner specialising in assurance and risk. She is a former director at AUB Group Limited (ASX: AUB), Marley Spoon (ASX: MMM) and is a past Deputy Chair of the Auditing and Assurance Standards Board.

Vanessa Liu

AB Psychology (magna cum laude with highest honors); JD (cum laude)

Independent non-executive Director

Appointed: 27 March 2020

Board Committee:
Member of the Audit and Risk Management Committee

Vanessa has a deep understanding of emerging technology trends and enterprise uptake of artificial intelligence, especially in the US market. She is the Founder and CEO of SaaS technology company Sugarwork, and is an non-executive director of Goodman Group (ASX: GMG). Most recently she was Vice President of SAP.iO, the early-stage venture arm of SAP. Prior, Vanessa was the COO at Trigger Media Group, a digital media incubator. Before that, she was Associate Partner at McKinsey where she served clients in media and high-tech sectors on issues of digital strategy, emerging market strategy, growth and innovation.

Stuart Davis

LLB

Independent non-executive Director

Appointed: 30 March 2022

Board Committee:
Member of the Audit and Risk Management Committee

Stuart is a director of NEXTDC Limited (ASX: NXT) and Chair of the Remuneration Committee, a non-executive director of Bank of South Pacific Limited and PayPal Australia Ltd where he serves as Chair of the Risk Committee at both companies. He has more than 30 years' experience as an international banker with the HSBC Group where he was CEO, HSBC India (2009–2012), CEO and Executive Director for HSBC Bank Australia Limited (2002–2009) and CEO HSBC Taiwan (1999–2002). He was a member of the Australian Bankers Association from 2002–2009 and Deputy Chair from 2006–2009.

Lynn Mickleburgh

BSc (Hons) in Mathematics, MBA

Independent non-executive Director

Appointed: 29 July 2022

Board Committee:
Member of the People and Culture Committee

Lynn has experience as an ASX non-executive director, a board advisor and transformational leader of both Fortune 500 companies and high growth SaaS companies. Lynn is a former non-executive Director of ASX listed Altium Limited (ASX:ALU), where she chaired the HR Committee and served on the Audit and Risk Committee. Previously, she was Head of Business Optimisation at Atlassian Inc, VP Finance at Citrix Systems and held various global and operational roles at Adobe Systems and Apple Computer.

Mini Peiris

BSc

Independent non-executive Director

Appointed: 4 November 2022

Board Committee:
Member of the People and Culture Committee

Mini is a go-to-market advisor for high growth SaaS companies within the portfolio of Scale Venture Partners and is Chief Marketing Officer (CMO) of Doma (NYSE: DOMA), a real estate technology company. Prior to that, she was the CMO at Elementum (a Lightspeed company) and Ambra Health (acquired by Hg's Intelerad). Mini spent 12+ years at cloud-pioneer company NetSuite (NYSE: N), from its early stages through to its IPO and beyond. She helped drive product growth as VP of Product Management, then went on to lead a global team as VP Worldwide Marketing that delivered go-to-market scale from US$100 million to US$750 million.

Executive team

Corporate Services

Ryan Kolln
CEO & Managing Director

Joined: October 2018
MBA, B.Eng (Electrical)

Ryan brings over 20 years of global experience in technology and telecommunications, along with a deep understanding of Appen's business and the AI industry. His professional career began as an engineer, with a focus on mobile network data engineering in Australia, Asia and North America.

On completion of an MBA from New York University, Ryan joined The Boston Consulting Group (BCG) in 2011 as a strategy consultant. During his time at BCG he specialised in technology and telecommunications and gained deep strategy expertise across a variety of growth and operational topics.

Joining Appen AI in 2018 as VP of Corporate Development, he led strategic acquisitions like Figure Eight and Quadrant, and supported the establishment of the China and Federal divisions. His successive promotions culminated in the role of Chief Operating Officer in August 2023, overseeing global operations and strategy.

Justin Miles
Chief Financial Officer

Joined: March 2016
GradDipCA (Chartered Accounting)
B. Bus (Accounting)

Justin was appointed Chief Financial Officer (CFO) on 27 February 2024. He has been acting as interim CFO since 1 August 2023 with responsibility for Appen's finance and accounting functions. During his tenure at Appen, Justin has held senior finance roles including Deputy CFO (2023–2024) and VP of Finance (2017–2023). Prior to joining Appen he worked in senior leadership roles in ASX listed businesses and various roles within public practice.

Corporate Services (*continued*)

Andrea Clayton
Chief People Officer

Joined: February 2022
MBA, BA (International Management)

Andrea has more than 20 years of experience in building innovative people programs, leading people operations teams, and transforming company cultures. Andrea has served in a variety of global human resource (HR) leadership roles, in listed and unlisted companies, lived and worked in five countries, and has experience leading HR in 30+ countries.

Prior to Appen, Andrea served as Chief People Officer at Thrive Pet Healthcare, one of the largest and fastest growing veterinary companies in the United States. Through the introduction of industry first programs, flexible policies and achievement of significant gender diversity at all levels of leadership, Thrive was recognised as the #1 company in the industry for women by InHerSight. Andrea was also a global HR leader at General Electric Financial Assurance (now Genworth) for 11 years, including HR Director for Genworth Australia through its IPO in 2014.

Mike Davie
Chief Product and Technology Officer

Joined: September 2021
BBA, MSc (Database management) and business intelligence)

Mike is the Chief Product and Technology Officer. He brings a strong background of experience in location data and location-based business solutions that are fit for purpose, easy to use, and simple to organise.

Prior to Appen, Mike was the founder and CEO of Quadrant, growing the business's mobile location data services to a portfolio of more than 450 million unique devices per month, enabling companies to see and understand movement patterns in the real world. With Quadrant he also developed a proprietary platform, 'Geolancer', which provides authentic, accurate, and up-to-date Point-of-Interest data, manually verified on the ground.

Previously, Mike provided leadership and strategy to the Advanced Mobile Product Strategy team at Samsung where he developed GTM strategies for cutting edge technologies.

Eric de Cavaignac
Chief Transformation Officer and GM crowd

Joined: November 2021
MBA (Beta Gamma Sigma, Dean's List), BA (Hons)

Eric is responsible for driving programs to scale operations and delivery, and support revenue growth. He brings more than 25 years of experience in partnering with investors and management to transform businesses, and to deliver lasting growth and profit improvement.

Before joining Appen, Eric worked across several industries, including technology, media, telecommunications, ecommerce, health, financial services and luxury, where he helped drive digital transformation, international expansion, strategic M&A, and business restructuring. Eric has worked in New York, London, and Sydney including 10 years as an advisor with McKinsey running a strategy and capital advisory business, and a number of executive positions reporting to the CEO of multinational companies executing a turnaround or transformation.

Corporate Services (*continued*)

Carl Middlehurst
General Counsel and Company Secretary

Joined: February 2019
BSc (Hons) Biochemistry, LLB

Carl Middlehurst is the General Counsel and Company Secretary of Appen Limited. Prior to joining Appen Carl was the General Counsel and Company Secretary and the executive responsible for commercialisation and new ventures at NICTA (now Data61) and was also responsible for the HR function.

Carl was an observer/director for several early-stage companies. He was formerly at Sun Microsystems in Australia and in Silicon Valley. At Sun, Carl had both legal and business roles (covering trademarks, APAC and managing an emerging market fund). Prior to Sun, Carl was at a pharma company and a medical device startup, The Salk Institute in La Jolla and at Baker & McKenzie (in Sydney and San Diego).

Carl was an Adjunct Professor at Santa Clara University Law School where he taught Internet and Privacy law. Prior to becoming a lawyer Carl was a research biochemist and was published in a number of scientific journals.

Sales and delivery

Andrew Ettinger
Chief Revenue Officer

Joined: May 2023
BSc (Business Marketing)

Andrew oversees Appen's revenue strategies and driving growth in the field of AI and has overall responsibility for the company's Sales & Marketing function. He has more than 25 years of sales experience in the technology industry.

Andrew's expertise extends to harnessing the power of data to drive insights and optimise processes. As the Chief Revenue Officer at Astronomer, he grew the adoption of their open-source data solution, leading to a remarkable increase in monthly downloads and revenue. Prior to Astronomer, he served as the VP of Sales at Pivotal Software. Under his leadership, the company achieved three consecutive years of significant revenue growth, fuelling digital transformations for Fortune 500 companies in various sectors.

Brian Haskett
SVP Client management and operations

Joined: March 2023
MBA (Information Technology), BSc

Brian oversees client relationships, account strategy, and business operations, ensuring high client satisfaction and fostering continued growth. With extensive experience in technology services and consulting, Brian is a seasoned professional adept at guiding major enterprises toward technological innovation.

Commencing his career as a software engineer, he later moved into global executive leadership positions at large technology firms, including IBM, CA Technologies, and Ciber (now HTC). Before assuming the role of SVP, Brian held the position of Vice President and General Manager at Appen where he collaborated with global AI technology leaders, contributing to the advancement of machine learning-based products in areas such as deep learning, generative AI, and large language models.

Roc Tian
SVP and General Manager, China, Japan and Korea

Joined: August 2019
PhD (Computer Software), MA (Computer Applications)

Roc comes to Appen with more than 20 years of sales, consulting, and management experience from Fortune 100 companies. He is responsible for Appen's business strategy, sales, marketing, delivery, operations and government relationships in China, Japan and Korea.

Most recently, Roc was senior partner of IBM GBS where he led the client services, public sector and enterprise application service lines across the mainland China, Hong Kong and Taiwan markets with remarkable business performance and achievements. Before that, Roc was also a core leader responsible for the growth of IBM's global delivery centre in China from 4,000 to more than 10,000 people.

Prior to IBM, Roc was a business quality director for HP's global delivery centre in China and a key leader responsible for helping HP grow from a start-up to more than 3,000 people across China. Roc was also the founder and CTO of a technology start-up that grew to more than 100 people.

Helen Giddings
VP Client delivery

Joined: August 2020
BA (Psychology)

Helen leads the delivery teams across all accounts, excluding Appen's largest client. Her focus and passion is the development of deep client relationships, high quality delivery and driving growth.

Prior to joining Appen, Helen was Director at Pureprofile, an online market research company. She led delivery teams in multiple countries and successfully supported new products and growth. Her focus was data quality and developing a high level of understanding of all areas of the business. Helen previously worked at Sony Business Europe heading up marketing and e-services with responsibility for all websites and marketing of broadcast products and services.

Robert Page
VP Client delivery, strategic accounts

Joined: April 2012
BA (Hons)

Robert leads the delivery team for our largest client and is responsible for the overall account strategy and operations. Robert is an industry expert with more than a decade of experience in driving Appen teams to delivery excellence. During this time, he has overseen the delivery of hundreds of successful, diverse projects for Appen's customers. He has a deep understanding of the evolving needs of clients and flawless project execution. He has a track record of scaling opportunities and driving meaningful cost efficiencies, while navigating the constantly changing landscape of the technology industry.

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group" or "Appen") consisting of Appen Limited (referred to hereafter as the "Company" or "parent entity") and the entities it controlled at the end of, or during, the year ended 31 December 2023.

Directors

The Directors of the Company during the financial year and up to date of this report were as follows:

Richard Freudenstein – Chair
Ryan Kolln – CEO and Managing Director from 5 February 2024
Armughan Ahmad – CEO, President and Managing Director (appointed CEO & President 9 January 2023 and appointed Managing Director 25 January 2023; all appointments ceased 5 February 2024)
Stuart Davis
Stephen Hasker
Vanessa Liu
Robin Low
Lynn Mickleburgh
Sithumini (Mini) Peiris

Changes in Chief Financial Officer

Justin Miles was appointed Deputy Chief Financial Officer on 26 June 2023 and acted as Interim Chief Financial Officer from 1 August 2023.

Kevin Levine was Chief Financial Officer until 1 May 2023. Kevin Levine was replaced by Helen Johnson on 1 May 2023 who resigned for personal reasons effective 31 July 2023. Kevin Levine remained with the business until 1 September 2023 in an advisory capacity.

Principal activities

Appen is a global leader in providing data services for deep learning and generative artificial intelligence (AI) systems. With over 28 years' of experience in data sourcing, data annotation, and model evaluation by humans, Appen enables many of the world's largest technology and Fortune 500 customers globally to launch innovative AI systems.

Our expertise includes a global crowd of more than one million skilled contractors who speak over 500 languages[1], in over 200 countries[2], as well as our advanced AI data platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products.

Appen was founded in 1996 and listed on the Australian Securities Exchange on 7 January 2015. The Group has evolved significantly since then, from a language data service provider to become a leading provider of deep learning and generative AI data and tools.

Appen has customers and operations globally, and currently has five customer-facing business units as follows:

- **Global:** responsible for delivery of high-quality deep learning and generative AI data services and products for large global technology customers;
- **Enterprise:** responsible for leveraging our product suite and AI-driven automation to efficiently grow revenue outside of Global customers to serve new customers as they invest in AI;
- **Government:** responsible for serving the emerging AI needs of Government;
- **China:** responsible for capturing share in the high growth market in China; and
- **Quadrant:** in September 2021, Appen acquired Quadrant Global Pte Ltd ("Quadrant"), a global leader in mobile location and Point-of-Interest (POI) data, thus expanding our addressable market, product offering and data annotation capabilities.

1 Self-reported.
2 Self-reported, includes territories.

Appen has the following two operating and reporting segments:

- **Global Services:** represents the services that Appen provides to our major US technology customers (Global customers) using the customers' data annotation platforms and tools. The majority of projects comprise large, at-scale deep learning (model evaluation) programs, and rely on Appen's crowd workforce to complete the work, thus reducing the need for Appen's Global customers to employ a large and diverse ongoing workforce; and
- **New Markets:** represents Appen's high growth markets, product-led and data services growth strategy. It comprises Global customer revenue through Appen's data annotation platform and tools (Global Product), and the Enterprise, Government and China business units. New Markets also includes revenue derived using Quadrant's geolocation and POI data capabilities. New Markets customers benefit from our high-quality data collection, annotation and evaluation products, coupled with the provision of at-scale crowd management with Appen Connect and Appen's considerable expertise and knowhow built up over the last 28 years. This enables Appen to deliver a full set of AI data services for deep-learning and generative AI for enterprise customers.

Dividends

No dividends have been declared or paid during the year.

Non-cash asset impairment

Following a review of the value of the Group's cash generating units (CGU) and of the carrying value of its assets in accordance with the relevant accounting standards, a non-cash, pre-tax impairment charge of $69.2 million was booked for the year ended 31 December 2023.

The carrying value of non-goodwill assets attributable to the Global Services CGU was reduced by $16.1 million and the carrying value of Goodwill was reduced by $53.1 million. The impairment charge is non-cash related and is a non-operating item.

Matters subsequent to the end of the year

Material customer loss

On 22 January 2024, the Board announced that Appen received notification on Saturday, 20 January 2024 AEDT from a material customer, Google LLC, that as part of a strategic review process it will be terminating its global inbound services contract with Appen, resulting in the cessation of all projects with Appen by 19 March 2024. Appen had no prior knowledge of Google's decision to terminate the contract.

Revenue recognised for the year ended 31 December 2023 relating to Google LLC was $82.8 million at 26% gross margin. Gross margin refers to revenue less crowd expenses.

Implementation of cost saving measures

On 12 February 2024, the Board announced that Appen will implement measures to achieve $13.5 million in annualised cost savings. The cost initiatives represent direct and indirect costs associated with the delivery of Google LLC projects.

Appen expects to complete 80% of the cost initiatives by March 2024 and the remainder by June 2024. The bulk of the costs are direct costs, however indirect costs have been further scrutinised resulting in the eventual closure of the Toronto and Bellevue offices in North America.

The first full year benefit of these cost savings is expected to be realised in FY25. The one-off costs associated with implementing the cost reduction initiatives are expected to be approximately $1.5 million to $2.5 million and will be reported as a non recurring expense and excluded from underlying EBITDA for FY24.

Appointment of Chief Executive Officer

On 5 February 2024, Appen announced the appointment of Ryan Kolln, formerly the Chief Operating Officer (COO) as CEO and Managing Director.

Armughan Ahmad stepped down from his role as CEO, President and Managing Director on 5 February 2024. Mr Ahmad will receive his statutory entitlements and payment in lieu of notice (12 months – US$600,000).

Mr Ahmad's LTI grant was forfeited upon his termination. The board exercised its discretion and no STI was awarded to Mr Ahmad. However, Mr Ahmad's share-based sign-on bonus will remain on-foot and continue to vest in accordance with the terms of this contract.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Likely developments and expected results of operations

The Group continues to pursue its strategy to return to profitability and remains committed to sizing its cost base in line with the revenue opportunity. Appen's strategy and FY24 priorities can be found in the financial value driver on page 30.

Directors' report

for the year ended 31 December 2023

Board and Committee meetings

Details of Board and Committee meetings held during the year and individual directors' attendance at these meetings is summarised as follows:

	Board		Audit and Risk Management Committee		People and Culture Committee	
	A	B	A	B	A	B
Richard Freudenstein	13	13	–	–	4	4
Robin Low	13	13	5	5	–	–
Steve Hasker	13	10	–	–	4	4
Vanessa Liu	13	13	5	5	–	–
Stuart Davis	13	12	5	5	–	–
Lynn Mickleburgh	13	12	–	–	4	4
Sithumini (Mini) Peiris	13	13	–	–	4	3
Armughan Ahmad[1]	12	12	–	–	–	–

A: Meetings eligible to attend.
B: Meetings attended.
1 Appointed as a director on 25 January 2023 and resigned on 05 February 2024.

Company Secretary

Carl Middlehurst continues to act as the Company Secretary for Appen.

Shares issued on the exercise of performance rights

1,289,882 (2022: 371,440) ordinary shares of the Company were issued on the exercise of performance rights during the year ended 31 December 2023.

Shares under performance rights

Unissued ordinary shares of Appen Limited under performance rights at the 31 December 2023 are as follows:

Plan	Number of rights
2019	723
2020	16,603
2021	403,188
2022	925,051
2023	**11,919,817**
Total	**13,265,382**

Environmental regulations

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State Law.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Group during the period covered by this report.

Indemnity and insurance of officers

The Company has indemnified the current and former directors and executives of the Company and its controlled entities for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the current and former directors and executives of the Company and its controlled entities against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability covered and the amount of the premium.

Executives include all the key management personnel as defined in the remuneration report as well as their direct reports.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditors of the Company or any related entity against a liability incurred by the auditor.

During the year, the Company did not pay a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's independence declaration and non-audit services

The Directors have received the auditor's independence declaration, as included on page 86 of the report.

During the year, the Group's auditor KPMG performed certain non-audit services in relation to transfer pricing and financial due diligence advisory services. Remunerations paid or payable to KPMG services are outlined in Note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the auditor (or another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporation Act 2001*.

Verification and assurance

In recognition of the important role that corporate reporting plays in communicating with our investors and other stakeholders, the Board has formalised process to verify the integrity of our periodic corporate reports, which includes the Directors' report.

The approach adopted, to ensure that the report is materially accurate, balanced and provide our investors with appropriate information, are as follows:

- Information about How we create value, Identifying and managing risk, Our approach to governance, and the Remuneration report were prepared by management in consultation with the Board. The content of this report is guided by regulatory requirements and our interactions with investors and other stakeholders throughout the year, which helps us to understand what matters most to our investors and what information should be included in the Directors' report.
- The information in the report has been derived from the Group's internal records and has been through an internal verification process.

Rounding off amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand US dollars, or in certain cases, to the nearest US dollar.

Remuneration report

Dear Shareholder

On behalf of Appen's People and Culture Committee, I am pleased to present our audited Remuneration Report for the year ended 31 December 2023.

2023 performance

FY23 was a challenging year for Appen as the tech slowdown persisted. These conditions proved far more challenging than expected resulting in a slowdown in spending by some of our largest customers as they continued to cut costs. As a result, Appen's FY23 group operating revenue decreased 29.7% to $273.0 million and the company recorded an underlying EBITDA loss (excluding foreign exchange) of ($20.4 million), compared to underlying EBITDA (excluding foreign exchange) of $13.6 million in FY22.

While Appen saw green shoots in its generative AI product offerings, these projects remain small and have not offset the decline in the company's deep learning business. In line with Appen's focus on operational rigour, the group delivered a $60 million cost savings program, with the first full year benefit of these cost savings expected to be realised in FY24. This enabled Appen to achieve its cash EBITDA profitability objective in December 2023.

Appen also completed a fully underwritten ~A$60 million equity raising in June 2023 and a second fully underwritten ~A$30 million equity raising in December 2023 to support the company's strategy refresh.

Key Management Personnel (KMP) changes in FY23 and prior to the reporting date

On 15 December 2022, Appen announced the appointment of Armughan Ahmad as Chief Executive Officer (CEO), President and Managing Director. Mr Ahmad's formal commencement date was 9 January 2023. Mr Ahmad's LTI and sign-on bonus were approved by shareholders at Appen's 2023 AGM.

On 5 February 2024, Appen announced the appointment of Ryan Kolln, formerly the Chief Operating Officer (COO) as CEO and Managing Director. Mr Ahmad stepped down from this role and from that date ceased to be a KMP. The FY23 Remuneration Report reports on Mr Ahmad's remuneration arrangements during the time he was CEO and Mr Kolln's remuneration arrangements during the time he was COO.

Details of Mr Ahmad's outgoing CEO remuneration arrangements and Mr Kolln's incoming CEO remuneration arrangements can be found on page 78 under Executive KMP service contracts.

In addition, Kevin Levine stepped down as CFO on 1 May 2023 and remained with Appen as an advisor to the incoming CFO, Helen Johnson, until 1 September 2023 to support a smooth transition. Ms Johnson has also resigned from her role as CFO after three months of service. Justin Miles stepped in as the interim CFO from 1 August 2023. Details of Mr Levine and Ms Johnson's outgoing remuneration arrangements can also be found on page 79 under Executive KMP service contracts.

2023 remuneration outcomes

A summary of remuneration outcomes for FY23 is as follows:

Short term incentive (STI) outcomes

During the FY23 financial year, two KMP (the interim Chief Financial Officer and Chief Operating Officer) received an STI of 10.6% of maximum with respect to exceeding the challenging threshold targets set for some of the non-financial customer NPS and employee engagement metrics (weighted 10% each). No STI was paid in relation to the crowd NPS metric (weighted 10%) or the 70% financial metrics. Appen will always regard its financial outcomes as paramount, however the non-financial metrics associated with customers, crowd and employees are important. We view that creating a great experience for our customers, our crowd and our employees is inherent to our long term achievement of strategic objectives and create sustainable value. Accordingly, the Board elected to fund the proportional amount of STI relevant to the achievement of outperformance on customer NPS and sustained employee engagement. The STI award was deemed appropriate, given the achievement of high customer NPS above the challenging target set and the fact that the company was able to maintain employee engagement through a challenging period. The former CEO, Mr Ahmad did not receive any STI.

Long term incentive (LTI) outcomes

With respect to the 2021 Executive Award (tranche 3), the relevant performance condition of 20% UBEPS growth has not been met in FY23. The share based payment expense in relation to this tranche has been reversed.

Non-executive director fees

Non-executive director fees remained unchanged in FY23 and no change is proposed for FY24.

2023 remuneration framework update

Prior to the start of FY23, the Board conducted a review of the effectiveness of Appen's remuneration framework with specific focus on the STI and LTI plans, with the aim of ensuring a simple and transparent design and to ensure continued alignment with our strategic objectives.

The Board concluded that:

- The STI plan, including the mix of financial and non-financial measures remains fit for purpose, providing sound alignment of management against sustainable long term success of Appen's strategic objectives.
- In 2024, Appen intends to increase the STI weighting of financial performance from 70% to 80%. As a result Appen's non-financial metrics will received an STI weighting of 20%, down from 30%.
- A more appropriate LTI hurdle would provide greater alignment to our business strategy and shareholder outcomes in addition to a more simple and transparent design to help participants focus and be accountable to our shareholders.

In FY23 the LTI performance hurdle was updated to a single metric hurdle, with shareholder alignment and simplicity in mind. The updated single metric hurdle is now Absolute Total Shareholder Return. This ensures that awards only vest when Appen's share price performance has been strong over the longer term.

- Absolute TSR (aTSR) is defined as growth in the price of shares (modified to account for capital adjustments where appropriate) together with the value of the dividends over the performance period, assuming that all those dividends are re-invested into new shares. The aTSR will be measured over the three-year vesting period. The metric focuses directly on delivering shareholder return and growth in value to shareholders, aligning executives' interests with shareholders' and ensuring a focus on sustained value creation. Further, aTSR provides a comprehensive and transparent gauge of a company's overall financial performance, encouraging executives to prioritise strategic decisions that contribute to the company's long-term success. In shifting to aTSR, we not only ensure that executives are incentivised to drive revenue and earnings, but also that they holistically contribute to sustainable value creation, which better aligns their interests more closely with shareholder goals.

Other than the updated performance hurdle, Appen's LTI schemes remain unchanged from FY22. The Company continues to provide two LTI schemes:

- The Core Executive LTI scheme which is 100% performance and service based, with all LTI vesting at the end of year three, subject to meeting the aTSR performance metric (which was applicable to the CEO and CFO roles in FY23); and
- The Global Executive LTI scheme (applicable to all other senior management) which allows us to compete for talent in the highly competitive technology sector across multiple countries. The Global Executive LTI scheme has a performance component (50%) that aligns with the Core Executive LTI scheme, as well as a time-based component (50%). The time-based component vests in three equal tranches annually over a three-year period. The annual vesting of the time-based component of LTI ensures Appen remains competitive in the varied geographical markets in which executives reside, where often LTI vests annually, quarterly, or even monthly for many global technology companies.

Looking ahead

Appen remains firmly focused on its long-term growth strategy and we believe our remuneration framework remains fit for purpose. Our aim is to continue to align remuneration structure, framework, and outcomes with sustainable shareholder value creation, while attracting and retaining talent in the highly competitive North American and Australian technology markets.

The Board is committed to an ongoing review of executive remuneration arrangements given the commencement of the new CEO, Mr Kolln, and strategic direction of the Company. To facilitate this ongoing review, we will engage with proxy advisors, shareholders, and their representatives on matters related to remuneration and welcome feedback on all aspects of our approach.

Yours sincerely

Stephen Hasker
Chair of the People and Culture Committee

Remuneration report

for the year ended 31 December 2023

Who is covered by this report?

Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning, directing, and controlling the activities of the Company and the Group. KMP comprise the directors of the Company and executives of the Company and the Group.

The current names and titles of KMP are set out below.

NAME	POSITION	STATUS	TERM AS KMP
Non-Executive KMP:			
Richard Freudenstein	Independent director and non-executive Chair	Full year	
Stephen Hasker	Independent non-executive director	Full year	
Vanessa Liu	Independent non-executive director	Full year	
Robin Low	Independent non-executive director	Full year	
Stuart Davis	Independent non-executive director	Full year	
Lynn Mickleburgh	Independent non-executive director	Full year	
Sithumini (Mini) Peiris	Independent non-executive director	Full year	
Executive KMP:			
Armughan Ahmad (Canada)[1]	Chief Executive Officer (CEO) and Managing Director	Part year	from 9 January 2023
Kevin Levine (Australia)	Chief Financial Officer (CFO)	Part year	to 30 April 2023
Helen Johnson (United States)	Chief Financial Officer (CFO)	Part year	from 1 May 2023 to 31 July 2023
Justin Miles (Australia)	Interim Chief Financial Officer (CFO)	Part year	from 1 August 2023
Ryan Kolln (Canada)	Chief Operating Officer (COO)	Part year	from 25 August 2023

1 Armughan Ahmad commenced as CEO, President, and Managing Director of the Appen Group on 9 January 2023, and was a KMP from this date. On 5 February 2024, Appen announced the appointment of Ryan Kolln as CEO and Managing Director. Mr Ahmad stepped down from this role and from that date ceased to be a KMP. Details of Mr Ahmad and Mr Kolln's remuneration arrangements can be found on page 78 under Executive KMP service contracts.

Our remuneration framework

Link between business strategy and remuneration framework

Our remuneration framework has been designed to motivate our people to deliver and achieve the company's annual business plans and long-term growth objectives and strategy.

Our remuneration framework and outcomes are designed to:

- Enhance executive remuneration alignment by linking the Group STI scorecard and LTI measures to Appen's annual business plans, long-term growth objectives and strategy which is key to delivering sustainable and superior returns for shareholders. Exceeding the challenging growth targets set for each of the financial and non-financial metrics is key to delivery of our strategy. First and foremost, all employees are incentivised to deliver strong and diversified revenue and underlying EBITDA each year. Employees are also incentivised to ensure that the business is underpinned by delighted customers and crowd and fully engaged employees. These three non-financial metrics must always be top-of-mind each and every day for all Appen employees, when communicating with customers, our crowd and each other, as strong relationships with these three groups will drive future financial growth for Appen.
- Strengthen alignment of executives with shareholders by setting challenging STI and LTI targets; and
- Provide for differentiated remuneration structures that reflect local market practices in North America and Australia and enable Appen to successfully compete for talent in these highly competitive labour markets.

Remuneration report

for the year ended 31 December 2023

Our remuneration strategy and 2023 remuneration principles

Our goal is to ensure that the level and composition of remuneration aligns with shareholder interests and allows Appen to compete in some of the tightest markets in the world and attract and retain high-performing talent in the highly competitive technology sector. The key objectives that underpin Appen's 2023 remuneration framework are as follows:

Heavy weighting to performance-based pay

Align the KMP remuneration outcomes to our short and long-term strategy, which is underpinned by, and dependent upon, strong financial and non-financial success.

Alignment to creation of long-term shareholder value

Ensure employees think and act like long-term owners through performance-based pay, challenging targets, and equity.

Fair and competitive to attract and retain top talent globally

Independently benchmarked annually against industry peers to ensure that remuneration is appropriate in each of the global markets in which Appen operates and competes with for talent.

Reinforce responsible business practice

Formalised policy providing for Board discretion in relation to malus and clawback of both STI and LTI.

Simple and clear

Transparency on metrics, targets, assessment, and outcomes.

Remuneration report

for the year ended 31 December 2023

Executive remuneration elements

Total fixed remuneration (FR)

Objective
Provide market competitive base salary and benefits commensurate with skills and experience to attract the best people around the world to design and lead the delivery of our growth strategy.

Structure
Cash salary, superannuation, and additional benefits. Additional benefits are in the form of Canadian RRSP retirement plan and insurance benefits provided to Canadian-based executives.

Current year approach and alignment to strategy
Fixed remuneration reflects:

- the scope of the executive's role
- the executive's skills, experience, and qualifications, and
- individual performance.

Fixed remuneration is benchmarked against North American technology companies, and similarly sized ASX-listed companies on an annual basis. Fixed remuneration is intended to be positioned below the median of peers, with greater emphasis on at-risk pay-for-performance. There is no guarantee of an annual increase in fixed remuneration.

Short-term incentive (STI)

Objective
Linked to challenging performance-related key annual financial and non-financial metrics, which are consistent with the execution of our annual business plans, which focuses on year-on-year financial success, and long-term strategy, which is underpinned by both financial and non-financial success.

Structure
STI are performance-based incentives designed for executives (and employees) to deliver and outperform key financial and non-financial metrics to lead to sustainable, superior returns for shareholders. STI is delivered in the form of an annual cash bonus payment to all employees, other than the CEO where 25% of any STI earned will be deferred into equity with a holding lock of one year. For the purposes of measuring STI, the performance period is 12 months.

Current year approach and alignment to strategy
The Group STI scorecard comprises:

- revenue (**45%**): split 25% total revenue and 20% revenue from non-global customers to incentivise customer diversification,
- underlying EBITDA (UEBITDA) (**25%**),
- customer net promoter score (NPS) (**10%**),
- crowd NPS (**10%**), and
- employee engagement (**10%**).

These measures directly align to our long-term growth strategy by focusing on revenue and earnings growth, diversified revenue, delighted customers and crowd workers, and fully engaged employees. Each of these components, both financial and non-financial, are essential for Appen to deliver sustainable growth and superior returns for shareholders.

Long-term incentive (LTI)

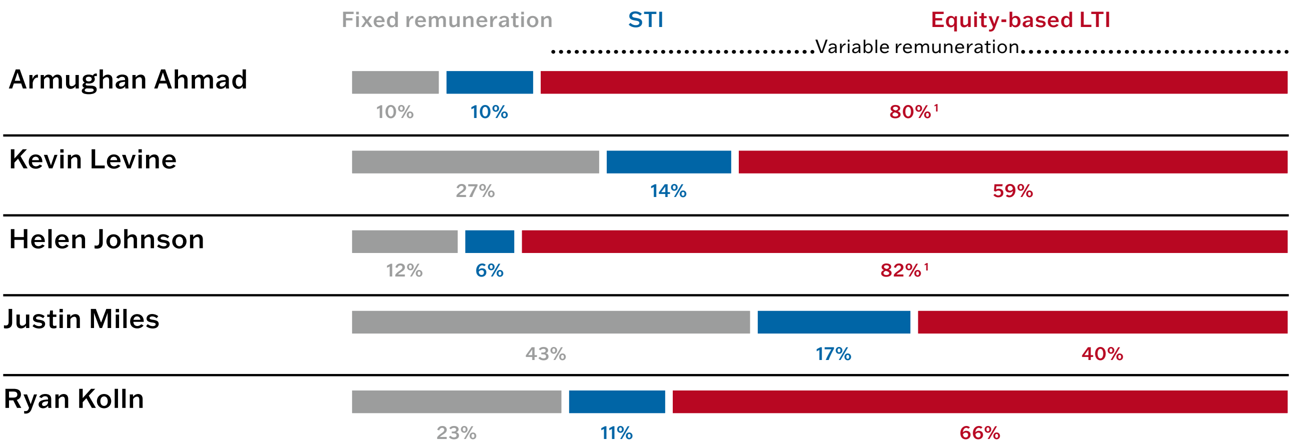
Objective
Incentivise the achievement of long-term sustainable growth in earnings and shareholder value, designed to strongly align with long-term shareholder wealth creation, and support the attraction and retention of high performing executives.

Structure
LTI is a form of equity-based compensation that is awarded in the form of performance rights. The LTI plan is designed to incentivise and challenge senior management to achieve long-term sustainable growth in earnings and shareholder value. It also supports the retention of high performing executives. Appen operates in a dynamic, fast paced and extremely competitive industry, with executives operating primarily in North America and Australia. To ensure that the LTI scheme is relevant and appropriate in the hiring, motivation, and retention of key staff, the People and Culture Committee undertakes regular reviews of the LTI practices in both these markets.

Current year approach and alignment to strategy
Appen has two LTI schemes: one for the CEO and CFO (the Core Executive LTI Scheme), and one for all other executives (the Global Executive LTI scheme) and staff for whom the Company offers a scheme more relevant and competitive to their local markets, which typically provides vesting on performance and separately on time. The reason for separate LTI schemes is to remain competitive in the varied markets in which the company operates. LTI is set at relatively quite modest levels, compared to our competitors in other markets, and annual time-based vesting is critical for us to attract and retain key talent, particularly as the company competes with other North American technology companies for talent. These North American technology companies typically offer LTI that vests annually, quarterly, or even monthly and sometimes with no performance hurdles. While our growth strategy is long-term, the Board considers that LTI, which focuses on the delivery of Absolute Total Shareholder Return over a three-year period provides sufficient time for the executives to demonstrate their ability to create long term sustainable value for shareholders.

Executive KMP remuneration mix (percentage of total remuneration)

The diagram below illustrates the target 2023 remuneration mix (including the target STI opportunity and LTI grant value), for each Executive KMP that was set at the start of FY23 (or upon the date of appointment in the case of new KMP's who joined in 2023).



1 Note LTI is a 3 year award.

For all Executive KMP, there is a heavy skew towards pay-for-performance, leading to lower fixed remuneration (FR) and higher at-risk variable remuneration, in the form of STI and LTI.

	STI % of FR	LTI % FR
Armughan Ahmad	100%	833%[1]
Kevin Levine	50%	218%
Helen Johnson	50%	667%[1]
Justin Miles	40%	93%
Ryan Kolln	50%	286%

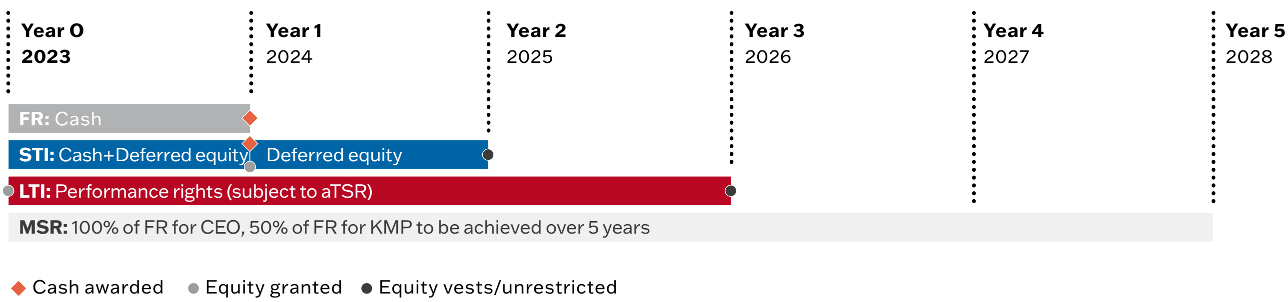
1 Note LTI in 2023 is a 3 year award.

The diagrams below show the timeline for the remuneration arrangements under the Core Executive and Global Executive LTI schemes.

Core Executives:

The diagram below shows the vesting timeline for all remuneration payable to CEO[1] and CFO.

Vesting timeline



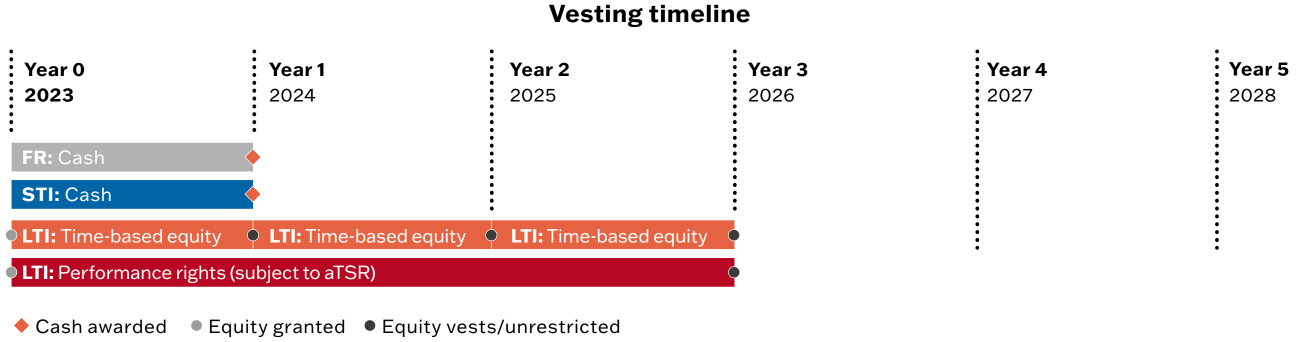
1 STI deferral is applicable to CEO only.

Remuneration report

for the year ended 31 December 2023

Global Executives:

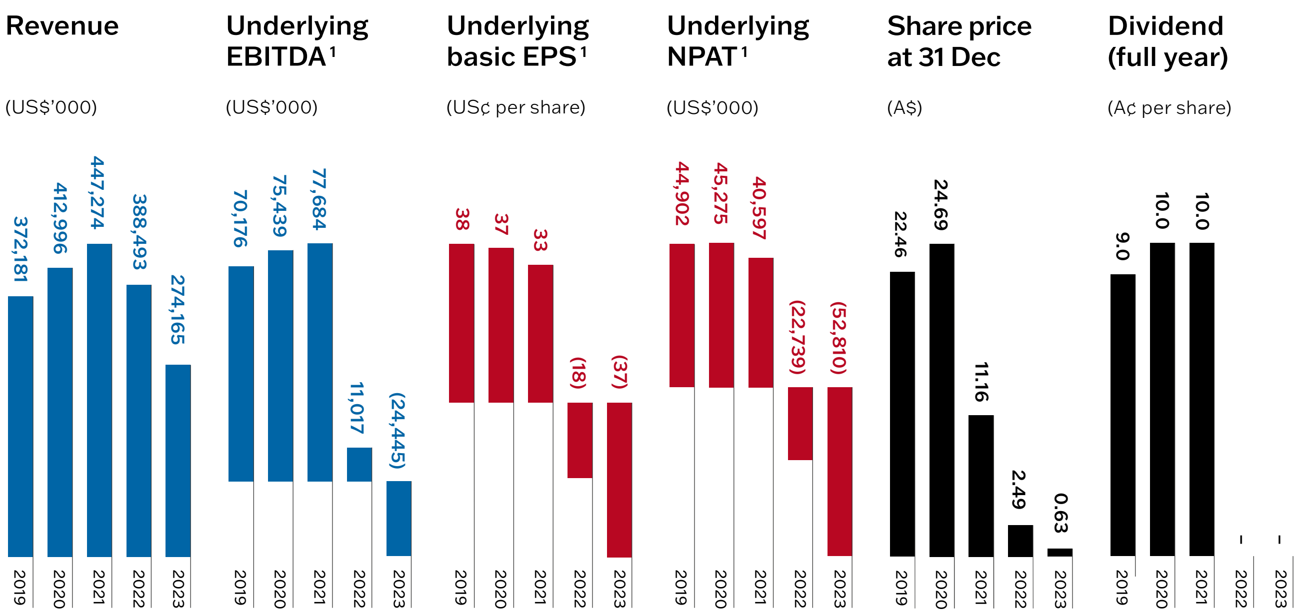
The diagram below shows the vesting timeline for all remuneration payable to Global Executives (all other executives).



Appen's five year performance

One of the key principles of the Company's remuneration framework is to align Executive KMP remuneration outcomes with the Company's performance and shareholder returns.

Short-term incentive measures Long-term incentive measures Shareholder returns



Short-term incentive payments are linked to revenue and underlying EBITDA for our KMP and Executives.

Long-term incentive awards are linked to Absolute Total Shareholder Return which ensures shareholder alignment and that awards only vest when Appen's share price performance has been strong over the longer term.

Appen's FY23 share price performance reflects challenging external operating conditions. Appen did not pay an interim or full year dividend to ensure appropriate allocation of capital.

1 Underlying NPAT, EBITDA and EPS excludes impairment losses, restructure costs, transaction costs, inventory losses and acquisition-related and one-time share-based payments expenses.

Executive KMP remuneration detail and outcomes

Short-term incentive (STI)

2023 STI detail

The STI is weighted 70% to financial metrics and 30% to non-financial metrics and such design is critical to the long-term success of Appen. These metrics were designed to challenge Executive KMP, aligning shareholder interests with executive remuneration outcomes.

Target STI opportunity for the relevant executives is 0% to 167% of the executive's fixed remuneration (excluding retirement and insurance benefits for non-Australian based executives). Maximum STI opportunity is capped at 150% of target for all executives. Payout for each STI measure is calculated separately subject to meeting threshold targets.

For the 2023 STI plan year, the Board People and Culture Committee took the decision to cap non-financial performance measures at 100%, rather than 150% as in years prior. In parallel, the Committee took the decision to increase the cap on financial measures from 150% to 171%, rather than 150% in years prior. The overall impact of these decisions provided an overall STI plan opportunity to earn from 0% to 150%, which is the same opportunity as in years prior.

Refer to the tables below for details on threshold targets and the associated STI payouts.

Payment table for financial measures

Achievement – % against target	Actual award – % of target payout
Below 90%	Nil
90%	50%
100%	100%
120% or more	171%

Payment table for non-financial measures

Achievement – % against target	Actual award – % of target payout
Below 90%	Nil
90%	50%
100% or more	100%

The Board has discretion to adjust the level of STI to prevent any inappropriate outcomes, for example, relative to the shareholder experience.

Performance and 2023 STI outcomes

With respect to the 70% financial metric component, the FY23 revenue target was approximately 17% higher than 2022 actuals, revenue diversification target 60% higher, and underlying EBITDA 679% higher. The achievement percentage outcomes for each of the financial metrics was well below the minimum payout threshold of 90%, and as a result no STI was paid with respect to these metrics.

With respect to the 30% non-financial metric component, customer NPS was set at 36% higher than FY22, crowd NPS 37% higher and employee engagement was increased by a modest amount given the target would already place the company goal in the upper quartile range of technology companies.

The executive KMP exceeded the minimum payout threshold for two of the non-financial metrics, being customer and employee engagement ratings, which were above the 90% minimum threshold for the CEO (Mr Ahmad), interim CFO and COO. The overall FY23 customer rating was 140% of target and the overall FY23 employee engagement rating was 91.9% of target. The non-financial metrics are important to ensure that we have customers that have full confidence in Appen to deliver high quality AI data promptly and ensure that we have crowd workers and employees that are highly engaged, motivated to work for us, and excited about Appen's future. Delivering the challenging targets set for non-financial metrics is the key component to building a long term, financially sustainable business and will assist in exceeding the challenging targets set for the financial metrics.

Hence, interim CFO, and COO received an STI for exceeding the non-financial metric threshold for customer and employee engagement rating(s), resulting in a FY23 STI of US$9,779[2] (10.6% of maximum) and US$9,737[2] (10.6% of maximum) respectively. The Board exercised its discretion and did not award an STI to the former CEO (Mr Ahmad). Neither Mr Levine nor Ms Johnson received a pro-rata award in relation to their contributions to the FY23 STI plan year.

The below table discloses the performance of executive KMP and discloses whether they have met or exceeded the target or hurdle associated with each financial and non-financial STI scorecard metric.

Metric and weighting	Performance relative to target set	Outcome
Group revenue (25%)	Below target	Group operating revenue of $273.0 million, was down 29.7% from the prior year, as challenging macro conditions and a slowdown in tech spending persisted. This saw Global Services revenue decline by 36.1% as some of our large Global customers continued to reduce costs and evaluate their AI strategies. New Markets revenue declined 7.8%, primarily impacted by lower global product revenue. Excluding Global Product, New Markets revenue grew 2.2% due higher contributions from China and Quadrant.
Revenue diversification (20%)	Below target	Non-Global revenue was 29.3% of total group revenue up from 18.1% in the prior year.
Group underlying EBITDA (25%)	Below target	Group underlying EBITDA of ($24.5 million) was down from $11.0 million in the prior year, and reflected lower revenue, lower gross margin and increased costs to support Appen's strategy refresh.
Customer NPS (10%)	Above target	FY23 customer rating was 140% of target, which was well above the 90% payout threshold. Above target NPS reflected a high level of customer satisfaction with Appen's service offerings and project delivery. Customers saw the benefit of organisational change at Appen, with the company's internal resources and process better aligned and able to pivot to deliver higher quality project outcomes. Appen has built trusted relationships with its customers and has undertaken several initiatives within its quality and engineering teams to ensure enterprise AI models delivered accurate and timely data for customers. These initiatives are designed to improve and enhance Appen's relationships with its customers even further. For further information and initiatives undertaken, please refer to the **value drivers'** section of the annual report relating to Technology processes and systems, and *Customer and Brand*.

2 Amount reflects STI attributable to their part-year term as KPM for Mr Miles and Mr Kolln.

Remuneration report

for the year ended 31 December 2023

Metric and weighting	Performance relative to target set	Outcome
Crowd NPS (10%)	Below target	Crowd NPS showed varied results from quarter-to-quarter in FY23. The overall FY23 crowd rating was 51.1% of target, which was below the 90% payout threshold. Responders raised concerns about the lack of project availability, duration of projects, amount of pay, support and communication. To better support our crowd Appen overhauled most of its crowd facing systems. These enhancements deliver a better user experience, by providing a more efficient qualification process, without compromising our trust and safety standards for our customers. Upgrades were also made to Appen's communication platform, and a new payment service with improved functionality and flexibility is being piloted. For further information and initiatives undertaken, please refer to the **value drivers'** section of the annual report relating to *Global Crowd* and *Technology systems and processes.*
Employee engagement (10%)	Below target	The FY23 Employee engagement rating was 91.9% of target, which was above the 90% payout threshold. Appen recognises that its people are paramount to the ongoing success of Appen, because highly engaged and motivated employees are critical to the delivery of higher revenue and earnings. In FY23, we implemented a number of key initiatives for the benefit of employees, designed to promote flexibility, choice, teamwork connections, diversity, and inclusion: • Continued and deepened the *Future Ways of Working* Initiative which has two key elements: (i) **Neighbourhood connections program,** focusing on providing more opportunities for employees that live in the same city, town, or community to connect and exchange ideas. (ii) **Face-to-Face (F2F) collaboration,** which provides employees and teams with the flexibility to decide how they wish to work and from where, without prescriptive mandates or policies, while encouraging in-person teamwork. • Opened Hyderabad (India) in support of Appen's global engineering team. • Continued pay and promotion transparency initiative, allowing for maximum opportunity for qualified internal talent to apply for a role, with greater transparency on what the role is and the specific requirements. • Launched Large Language Model (LLM) Learning Foundations program to support all employees in upskilling in generative AI. • Launched Objectives and Key Results (OKRs) methodology and tools throughout Appen to support a culture of accountability, ownership and alignment to business strategy. • Launched the Leadership Collaborative, provide a social learning platform to connect, learn, and grow with other leaders. • Launched Leadership learning paths and independent coaching for varied leadership levels, supporting the growth and learning of leaders across the company.

STI outcomes

The STI amounts earned and associated achievement and payout percentages are disclosed in the table below:

Executive KMP		Currency	Fixed remuneration[2]	STI target % of fixed remuneration[3] %	STI target $	% STI earned as a % of target %	% STI earned as a % of maximum %	Total STI earned $	Total STI earned (USD) $	Total STI deferred (USD) $
Armughan Ahmad[1]	**2023**	**CAD**	**700,895**	**100%**	**700,895**	**0%[4]**	**0%**	**–**	**–**	**–**
	2022	CAD	–	–	–	–	–	–	–	–
Ryan Kolln[1]	**2023**	**CAD**	**165,240**	**50%**	**82,620**	**15.9%**	**10.6%**	**13,137**	**9,737**	**–**
	2022	CAD	–	–	–	–	–	–	–	–
Justin Miles[1]	**2023**	**AUD**	**231,333**	**40%**	**92,533**	**15.9%**	**10.6%**	**14,713**	**9,779**	**–**
	2022	AUD	–	–	–	–	–	–	–	–
Helen Johnson[1]	**2023**	**USD**	**114,128**	**50%**	**57,064**	**0%[5]**	**0%**	**–**	**–**	**–**
	2022	USD	–	–	–	–	–	–	–	–
Kevin Levine[1]	**2023**	**AUD**	**191,788**	**50%**	**95,894**	**0%[5]**	**0%**	**–**	**–**	**–**
	2022	AUD	550,000	50%	275,000	22.5%	15.0%	61,988	42,274	–

1 Part year term as KMP. See table on page 64 for applicable term as KMP.
2 Includes superannuation contributions for Australian executive KMP.
3 Percentage of fixed remuneration (excluding retirement and insurance benefits for US and CA Executive KMP).
4 The Board exercised its discretion and did not award an STI to Mr Ahmad.
5 No pro-rata award given in relation to their contributions to the FY23 STI plan year.

Long term incentives (LTI)

Performance and 2023 LTI outcomes

For performance rights to vest, executive KMP must meet service and performance conditions.

With respect to the 2020 Executive Award (tranche 3), the relevant performance condition of 20% UBEPS growth has not been met in FY23 and no performance rights have vested for any executive KMP.

With respect to the 2021 Executive Retention Award (tranche 1) and the 2022 Executive Award (Tranche 1), the relevant service condition has been met in FY23 and performance rights have vested for each eligible executive KMP.

With respect to the 2023 CEO Sign On Bonus Award (tranche 1), the relevant service condition has been met in FY23 and performance rights have vested.

2023 LTI granted details

The table below outlines key features of both of our LTI schemes.

Feature	Description
Rules applicable to both LTI schemes of share rights	Annual grants, with the exception of the CEO, of performance rights (with quantum determined at Board discretion based on market remuneration analysis). Performance rights cannot be traded on the ASX and do not have any dividend or voting rights until they vest and are exercised. The number of performance rights granted is based on face value (actual share price) rather than a discounted fair value. No amount is payable in return for the grant of the performance rights. No amount is payable in return for the issue or transfer of APX Shares.
Conversion to shares	Australian executives: Rights convert to shares, assuming all the performance and employment conditions are met once the executive submits a conversion notice. North American executives: Rights convert to shares on the vesting date, assuming all the performance and employment conditions are met.

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Vesting conditions</td><td>
The Core Executive LTI scheme is 100% hurdle-based with all LTI vesting in year three, subject to hurdle achievement and tenure, with no re-testing. This aligns with Australian market practice and our long-term strategic goals. The Core Executive LTI scheme applies to Mr Ahmad and did apply to Mr Levine and Ms Johnson.
As mentioned above, the Global Executive LTI scheme is tailored to the North American market with 50% of rights issued subject to a time-based vesting condition only, that vest annually. The remaining 50% is subject to the same performance-based hurdles that apply to Core Executives and these rights may vest after three years, like the Core Executive LTI scheme. It also contains the continuation of employment service condition. The Global Executive LTI scheme applies to Mr Miles and Mr Kolln.
Vesting of performance-based Rights is subject to the extent to which the Absolute Total Shareholder Return performance condition (Absolute TSR Condition) is satisfied, as described below. In addition, vesting is subject to continued employment with the Company. TSR measures the growth in the price of shares (modified to account for capital adjustments where appropriate) together with the value of the dividends over the performance period, assuming that all those dividends are re-invested into new shares. For the purpose of calculating TSR, the starting share price was A$2.63 for the FY23 LTI Plan awards. The starting share price was calculated using the volume weighted average price of a Share over the 20 business days immediately prior to 31 December 2022. Vesting (if any) of performance-based Rights will be determined with reference to the Company's TSR performance over the performance period as follows:
<table>
<tr><th>Absolute TSR over the performance period</th><th>% of Rights that vest</th></tr>
<tr><td>TSR is below 190%</td><td>Nil</td></tr>
<tr><td>TSR is 190%</td><td>50%</td></tr>
<tr><td>TSR is between 190% and 320%</td><td>Pro-rata straight line vesting between 50% and 100%</td></tr>
<tr><td>TSR is greater than or equal to 320%</td><td>100%</td></tr>
</table>
The Board retains discretion to alter the Absolute TSR Condition in exceptional circumstances, including matters outside of management's influence, to ensure there is no material advantage or disadvantage that would materially affect achievement of the Absolute TSR Condition.
</td></tr>
<tr><td>Performance period</td><td>
Core Executives (aka the CEO and CFO): Performance rights may vest at the end of the three-year vesting period subject to the achievement of the performance and continuing employment hurdles specified above.
Global Executives: 50% of performance rights granted may vest annually, which is typical for North American remuneration practices, subject to the achievement of the continuous employment hurdles. The other 50% of performance rights granted may vest at the end of three years subject to the achievement of the performance and employment hurdles for grants issued during the year, like the Core Executive LTI scheme.
</td></tr>
<tr><td>Malus and Clawback</td><td>
The Board maintains absolute discretion to adjust LTI and all performance-based remuneration that has not been realised or vested if the Board considers that such remuneration would be an unfair or inappropriate benefit to an Executive.
The Board has absolute discretion to reduce, cancel, or clawback the performance-based remuneration to an Executive. For example, this can include such circumstances as:

making a material misstatement or omission in the group financial statements.
if the employee acts fraudulently or engages in misconduct, or
any other circumstance that the Board determines in good faith to have resulted in an unfair or inappropriate benefit to the Executive.

The Board also has discretion to ensure that the targets are achieved in the right way, and factors like acquisitions may be adjusted for if it unjustly boosts one or more of the financial metrics associated with the STI or LTI.
</td></tr>
</table>

The following awards were granted to executive KMP for the 2023 year.

CEO

The 2023 Chief Executive LTI award for Mr Ahmad represented an upfront long term incentive award for combining 2023, 2024, and 2025 performance years. The grant of performance rights to Mr Ahmad was approved by shareholders at the Annual General Meeting on 26 May 2023. Mr Ahmad's LTI grant terminated on 5 February 2024. Mr Ahmad also received a sign on bonus payable in shares over a 24 month period from 9 January 2023. This grant continues in accordance with his contractual entitlement.

Plan	Grant date	Expiry date	Exercise price (AUD)	Tranche	Performance measurement	Performance target	Performance target measurement date	Target achieved	Vesting condition	Vesting date	# of rights granted	Value per right at grant date (AUD)	Fair value at grant date
2023 SO	9 Jan 23	N/A	N/A	1 -5	Service only	N/A	N/A	Yes	Employed at 9 Jun 23	14 Jul 23	230,868	2.67	616,418
2023 SO	9 Jan 23	N/A	N/A	6	Service only	N/A	N/A	Yes	Employed at 9 Jul 23	14 Jul 23	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	7	Service only	N/A	N/A	Yes	Employed at 9 Aug 23	Release of 23 results	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	8	Service only	N/A	N/A	Yes	Employed at 9 Sep 23	Release of 23 results	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	9	Service only	N/A	N/A	Yes	Employed at 9 Oct 23	Release of 23 results	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	10	Service only	N/A	N/A	Yes	Employed at 9 Nov 23	Release of 23 results	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	11	Service only	N/A	N/A	Yes	Employed at 9 Dec 23	Release of 23 results	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	12	Service only	N/A	N/A	Pending	Employed at 9 Jan 24	Release of 23 results	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	13	Service only	N/A	N/A	Pending	Employed at 9 Feb 24	Release of 23 results	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	14	Service only	N/A	N/A	Pending	Employed at 9 Mar 24	9 Mar 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	15	Service only	N/A	N/A	Pending	Employed at 9 Apr 24	9 Apr 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	16	Service only	N/A	N/A	Pending	Employed at 9 May 24	9 May 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	17	Service only	N/A	N/A	Pending	Employed at 9 Jun 24	9 Jun 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	18	Service only	N/A	N/A	Pending	Employed at 9 Jul 24	9 Jul 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	19	Service only	N/A	N/A	Pending	Employed at 9 Aug 24	9 Aug 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	20	Service only	N/A	N/A	Pending	Employed at 9 Sep 24	9 Sep 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	21	Service only	N/A	N/A	Pending	Employed at 9 Oct 24	9 Oct 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	22	Service only	N/A	N/A	Pending	Employed at 9 Nov 24	9 Nov 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	23	Service only	N/A	N/A	Pending	Employed at 9 Dec 24	9 Dec 24	46,173	2.67	123,282
2023 SO	9 Jan 23	N/A	N/A	24	Service only	N/A	N/A	Pending	Employed at 9 Feb 25	9 Jan 25	46,173	2.67	123,282
2023 One-time	9 Jan 23	N/A	N/A	One-time	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	2,770,387	2.67	7,396,933

Executive KMP (Non-CEO)

As described above, the ex CFO's LTI is 100% weighted to absolute TSR as part of the Core Executive LTI scheme. The vesting requirement for other KMP is 50% weighted to annual service (i.e., tenure) conditions over three tranches, with each tranche vesting annually over a three year period. The remaining 50% is weighted to absolute TSR, consistent with the Core Executive LTI scheme.

Plan	Grant date	Expiry date	Exercise price (AUD)	Tranche	Performance measurement	Performance target	Performance target measurement date	Target achieved	Vesting condition	Vesting date	# of rights granted	Value per right at grant date (AUD)	Fair value at grant date (AUD)
Kevin Levine													
2023 Exec	1 Mar 23	N/A	N/A	1	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	469,038	2.25	1,055,336
Ryan Kolln													
2023 Exec	1 Mar 23	N/A	N/A	1	Service only	N/A	N/A	Yes	Employed at 1 Jan 24	Release of 23 results	31,269	2.25	70,355
2023 Exec	1 Mar 23	N/A	N/A	2	Service only	N/A	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	31,269	2.25	70,355
2023 Exec	1 Mar 23	N/A	N/A	3	Service only	N/A	N/A	Pending	Employed at 1 Jan 26	Release of 25 results	31,269	2.25	70,355
2023 Exec	1 Mar 23	N/A	N/A	4	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	93,808	2.25	211,068
2023 One-time	23 May 23	N/A	N/A	1	Service only	N/A	N/A	Yes	Employed at 1 Jan 24	Release of 23 results	101,686	2.23	226,760
2023 One-time	3 May 23	N/A	N/A	2	Service only	N/A	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	101,686	2.23	226,760
2023 Exec	3 May 23	N/A	N/A	1	Service only	N/A	N/A	Yes	Employed at 1 Jan 24	Release of 23 results	33,895	2.23	75,586
2023 Exec	3 May 23	N/A	N/A	2	Service only	N/A	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	33,895	2.23	75,586
2023 Exec	3 May 23	N/A	N/A	3	Service only	N/A	N/A	Pending	Employed at 1 Jan 26	Release of 25 results	33,895	2.23	75,586
2023 Exec	3 May 23	N/A	N/A	4	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	101,687	2.23	226,762
Justin Miles													
2023 Exec	26 Sep 23	N/A	N/A	1	Service only	N/A	N/A	Yes	Employed at 1 Jan 24	Release of 23 results	21,887	1.23	26,921
2023 Exec	26 Sep 23	N/A	N/A	2	Service only	N/A	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	21,887	1.23	26,921
2023 Exec	26 Sep 23	N/A	N/A	3	Service only	N/A	N/A	Pending	Employed at 1 Jan 26	Release of 25 results	21,756	1.23	26,760
2023 Exec	26 Sep 23	N/A	N/A	4	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	65,529	1.23	80,601
2023 Retention	26 Sep 23	N/A	N/A	1	Service only	N/A	N/A	Yes	Employed at 1 Jan 24	Release of 23 results	121,669	1.23	149,653
2023 Retention	26 Sep 23	N/A	N/A	2	Service only	N/A	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	121,669	1.23	149,653

Remuneration received

Actual remuneration received by executive KMP

The table below details the actual remuneration that was received by current and former executive KMP for FY23 and FY22. The remuneration is disclosed in the currency each KMP receives their remuneration. This table differs to the statutory remuneration table on page 77 which is prepared in accordance with accounting standards. The STI amount (if any) is the payment made in recognition of performance for that year. The LTI value at vesting date is the value of shares issued during the year as a result of the vesting of performance rights issued in prior years.

			Fixed			STI	LTI value at vesting date[8]		LTI value at grant date
Executive KMP		Currency	Cash salary $	Super-annuation[4] $	Termination payments $	$	$	Total value $	$
Armughan Ahmad[1]	**2023**	**CAD**	**700,895**	**7,027**	**–**	**–**	**581,389[9]**	**1,289,311**	**663,379[9]**
	2022	CAD	–	–	–	–	–	–	–
Ryan Kolln[1]	**2023**	**CAD**	**165,240**	**–**	**–**	**13,137**	**8,342**	**186,719**	**25,322**
	2022	CAD	–	–	–	–	–	–	–
Justin Miles[1]	**2023**	**AUD**	**219,917**	**11,416**	**–**	**14,713**	**14,898**	**260,944**	**89,144**
	2022	AUD	–	–	–	–	–	–	–
Helen Johnson[1]	**2023**	**USD**	**114,128**	**–**	**8,777[5]**	**–**	**–**	**122,905**	**–**
	2022	USD	–	–	–	–	–	–	–
Kevin Levine[1]	**2023**	**AUD**	**182,621**	**9,167**	**554,696[6]**	**–**	**–**	**746,484**	**–**
	2022	AUD	525,570	24,430	–	61,988	325,865	937,853	826,662
Mark Brayan[2]	**2023**	**AUD**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	AUD	725,570	24,430	133,333[7]	218,983	651,729	1,754,045	1,653,323
Tom Sharkey[3]	**2023**	**USD**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	USD	301,863	27,000	283,251	–	–	612,114	–

1 Part year term as KMP. See table on page 64 for applicable term as KMP.
2 To 31 December 2022.
3 To 1 September 2022.
4 Superannuation contributions for Australian executive KMP and retirement benefits (RRSP) for Canadian Executive KMP.
5 $8,777 payment for unused annual leave.
6 A$381,333 termination payment and A$173,363 payment for unused annual leave and long service leave.
7 FY22 portion of A$625,000 total termination payment.
8 Value of LTI at vesting date is based on market price of shares at the date that the LTI vest.
9 277,041 of 1,108,155 rights in relation to Mr Ahmad's one time sign on bonus vested on 14 July 2023. $581,389 reflects 277,041 shares at A$2.34 market price at time of vesting, converted to Canadian dollars. Value at grant date was A$2.67. The remaining rights will continue to vest as outlined in the table on page 74.

Statutory remuneration for executive KMP

The table below details the statutory accounting expense of all remuneration-related items for the executive KMP. All figures are presented in US dollars, which is Appen's presentational currency. Except for Ms Johnson, the remuneration of all KPMs has been translated to US dollars, even though they are paid in either Canadian or Australian dollars. The average AUD/USD exchange rates used were 0.6647 for 2023 and 0.6950 for 2022. The 31 December closing AUD/USD exchange rates used were 0.6806 for 2023 and 0.6816 for 2022. The average CAD/USD exchange rate for 2023 was 0.7412. The 31 December 2023 closing CAD/USD exchange rate was 0.7459.

Executive KMP		Fixed				Variable		
		Cash salary $	Super-annuation[4] $	Leave entitlements $	Termination payments $	STI $	LTI[8] $	Total $
Armughan Ahmad[1]	**2023**	**571,413**	**5,208**	**41,206**	**–**	**–**	**1,979,102**	**2,596,929**
	2022	–	–	–	–	–	–	–
Ryan Kolln[1]	**2023**	**122,482**	**–**	**8,202**	**–**	**9,737**	**423,467**	**563,888**
	2022	–	–	–	–	–	–	–
Justin Miles[1]	**2023**	**146,173**	**7,588**	**8,266**	**–**	**9,779**	**174,438**	**346,244**
	2022	–	–	–	–	–	–	–
Helen Johnson[1]	**2023**	**114,128**	**–**	**8,777[5]**	**–**	**–**	**–**	**122,905**
	2022	–	–	–	–	–	–	–
Kevin Levine[1]	**2023**	**121,384**	**6,093**	**12,523**	**259,535[6]**	**–**	**57,698**	**457,233**
	2022	365,280	16,979	27,539	–	42,274	(176,058)	276,014
Mark Brayan[2]	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	504,283	16,979	38,316	90,885[7]	149,342	(771,531)	28,274
Tom Sharkey[3]	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	301,863	27,000	3,692	248,503	–	(605,042)	(23,984)

1 Part year term as KMP. See table on page 64 for applicable term as KMP.
2 To 31 December 2022.
3 To 1 September 2022.
4 Superannuation contributions for Australian executive KMP and retirement benefits (RRSP) for Canadian Executive KMP.
5 $8,777 payment for unused annual leave.
6 A$381,333 termination payment.
7 FY22 portion of A$625,000 total termination payment.
8 The values for equity-settled remuneration were measured at grant date in accordance with AASB2 Share-based Payments and represent the current year amortisation of the fair value of the rights over the vesting period. Certain FY22 statutory LTI figures are negative because they include a true-up adjustment of share-based payments expense in relation to the 2020 and 2021 Long-Term Incentive Plans, for rights that did not vest or are not expected to vest.

Executive KMP service contracts

Service contracts

Remuneration and other terms of employment for KMP are formalised in service contracts. All executive KMP service contracts provide for immediate termination in the event of serious misconduct. There are no guaranteed base pay increases in any executive service contracts.

Details of the other key terms are as follows:

Executive KMP	Role	Contract term	Annual salary review	Notice period by either party
Armughan Ahmad	CEO, President, and Managing Director (from 9 January 2023)	No fixed term	1 March	12 months
Kevin Levine	CFO	No fixed term	1 March	6 months
Helen Johnson	CFO	No fixed term	1 March	9 months
Justin Miles	Interim CFO	No fixed term	1 March	2 months
Ryan Kolln	COO	No fixed term	1 March	6 months

Outgoing arrangements for Mr Ahmad (former CEO)

On 15 December 2022, Appen announced the appointment of Armughan Ahmad as CEO, President and Managing Director. Mr Ahmad's formal commencement date was 9 January 2023.

Mr Ahmad's remuneration arrangements for the time that he was CEO are set out below. Mr Ahmad's LTI grant and sign-on bonus were approved by shareholders at Appen's 2023 AGM:

- Base salary of US$600,000.
- Target STI of 100% of base salary with the opportunity to earn up to 150% of base salary.
- LTI equity grant valued at US$5,000,000, designed to vest over a three-year performance period, subject to stretching Absolute TSR hurdles. It was intended that Mr Ahmad would not be eligible for another LTI grant until after 31 December 2025.
- Sign-on bonus, designed to replace a portion of Mr Ahmad's incentives forgone with his previous employer valued at US$2,000,000, vesting in equal monthly tranches over two years.

Mr Ahmad stepped down from his role as CEO, President and Managing Director on 5 February 2024 and ceased to be a KMP from that date.

Mr Ahmad will receive his statutory entitlements and payment in lieu of notice (12 months). Mr Ahmad's LTI grant was forfeited upon his termination. The board exercised its discretion and no STI was awarded to Mr Ahmad. However, Mr Ahmad's sign-on bonus will remain on-foot and continue to vest in accordance with the terms of this contract.

Incoming arrangements for Mr Kolln (new CEO)

On 5 February 2024, Appen announced the appointment of Mr Kolln as CEO and Managing Director. Mr Kolln's remuneration arrangements, as previously disclosed to the market are as follows:

- Base salary of US$600,000.
- Target STI of 100% of base salary with a stretch opportunity of 150%.
- Target LTI of 250% of base salary which vest over a three-year performance period.

Further information on Mr Kolln's remuneration arrangements will be provided in the FY24 remuneration report.

Outgoing arrangements for Mr Levine (former CFO)

Mr Levine stepped down as CFO on 1 May 2023 and remained with Appen on the same fixed remuneration, as an advisor to the incoming CFO, until 1 September 2023 to ensure a smooth transition.

On termination, all performance rights granted to Mr Levine under the LTI plans received the default treatment of the Plan Terms. For all outstanding equity grants from 2022, all share rights lapsed. For the outstanding 2023 grant, the default treatment provided that a pro-rata number (based on the portion of the performance period that has elapsed at the time of cessation, calculated based on the number of days elapsed) of the participant's unvested plan interests would continue under the plan and may vest at the end of the relevant performance period.

Given Mr Levine's considerable contribution to Appen over his more than seven years as CFO and influential relationships across the market, to protect Appen's business interests, Mr Levine is subject to competitor restraints and non-solicitation clauses for 12 months from the date of cessation with the Company. In addition to his contractual entitlement to payment in lieu of notice (six months), the Board determined another two months' fixed remuneration be paid to enforce the restraints in place. In total, this represents A$381,333 or 8/12ths of his fixed remuneration, paid on 1 September 2023. Mr Levine did not receive any other termination or severance payments, other than his statutory annual and long-service leave entitlements.

Outgoing arrangements for Ms Johnson (former CFO)

Ms Johnson, having commenced and resigned from Appen after three months of service, had all outstanding LTI lapse on termination. No other payments other than fixed remuneration through to her last day of employment, were paid to Ms Johnson.

Non-executive director remuneration arrangements

Non-executive director remuneration framework

Non-executive director remuneration reflects the Company's desire to attract, motivate, and retain experienced directors and to ensure their active participation in advocating for the interests of shareholders, in areas such as strategy, corporate governance, remuneration, compliance, risk, and ESG. The size of the remuneration pool that can be paid to non-executive directors is governed by resolutions passed at a General Meeting of shareholders.

The total non-executive director remuneration pool in 2023 was A$1,400,000 per annum, unchanged from 2022.

The Company aims to provide a level of remuneration for non-executive directors comparable with its general industry peer group. In Australia, non-executive directors receive an annual fee for Board membership and for service as Chair of Board Committees. No additional payment is made for being a Member of Board Committees. There has been no change to the level and quantum of fees payable to the non-executive directors in FY23 relative to what was paid in FY22.

Role	Fee 2023 A$
Board Chair	$240,000
Non-executive director	$120,000
Audit and Risk Management Committee Chair	$20,000
People and Culture Committee Chair	$20,000

All fees presented above include statutory superannuation for Australian directors.

All Non-executive directors are remunerated by way of Board and Committee fees. These fees reflect the workload associated with a complex global business and the governance oversight required to implement our long-term growth objective and key strategic pillars and to oversee the business transformation process. Non-executive directors do not receive any short-term or long-term incentive.

There are no changes to the level of non-executive director fees proposed for 2024.

Remuneration report

for the year ended 31 December 2023

Amounts paid to non-executive directors in USD

Details of fees paid to non-executive directors for FY23 and FY22 in US Dollars are outlined below.

	2023			2022		
Director	**Fees US$**	**Super-annuation US$**	**Total US$**	**Fees US$**	**Super-annuation US$**	**Total US$**
Richard Freudenstein	**159,522**	**–**	**159,522**	166,804	–	166,804
Stephen Hasker	**93,054**	**–**	**93,054**	102,203[5]	–	102,203
Vanessa Liu	**79,761**	**–**	**79,761**	83,402	–	83,402
Robin Low	**90,749**	**2,305**	**93,054**	97,302	–	97,302
Stuart Davis[1]	**79,761**	**–**	**79,761**	62,547	86	62,633
Lynn Mickleburgh[2]	**79,761**	**–**	**79,761**	33,680	–	33,680
Mini Peiris[3]	**72,295**	**–**	**72,295**	12,541	–	12,541
Deena Shiff[4]	**–**	**–**	**–**	35,583	–	35,583
	654,903	**2,305**	**657,208**	594,062	86	594,148

Variances in fees for those non-executive directors that have served a full-year term in FY23 and FY22 is due to the impact of FX translation from Australian dollars to US dollars. All the above non-executive directors provided services for the full year unless stated otherwise.

1 Stuart Davis was appointed on 29 March 2022.
2 Lynn Mickleburgh was appointed on 29 July 2022.
3 Mini Peiris was appointed on 4 November 2022.
4 Deena Shiff retired on 27 May 2022.
5 $4,085 paid to Mr Hasker in FY22 relates to Mr Hasker's FY21 fee as Chair of the People and Culture Committee.

Amounts paid to non-executive directors in AUD

Details of fees paid to non-executive directors for FY23 and FY22 in Australian Dollars are outlined below. The total amount paid in FY23 and FY22 is less than the A$1,400,000 limit approved by shareholders at the 2021 AGM.

	2023			2022		
Director	**Fees A$**	**Super-annuation A$**	**Total A$**	**Fees A$**	**Super-annuation A$**	**Total A$**
Richard Freudenstein	**240,000**	**–**	**240,000**	240,000	–	240,000
Stephen Hasker	**140,000**	**–**	**140,000**	147,051[5]	–	147,051
Vanessa Liu	**120,000**	**–**	**120,000**	120,000	–	120,000
Robin Low	**136,532**	**3,468**	**140,000**	140,000	–	140,000
Stuart Davis[1]	**120,000**	**–**	**120,000**	91,259	126	91,385
Lynn Mickleburgh[2]	**120,000**	**–**	**120,000**	50,461	–	50,461
Mini Peiris[3]	**108,768**	**–**	**108,768**	18,768	–	18,768
Deena Shiff[4]	**–**	**–**	**–**	49,229	–	49,229
	985,300	**3,468**	**988,768**	856,768	126	856,894

All the above non-executive directors provided services for the full year unless stated otherwise.

1 Stuart Davis was appointed on 29 March 2022.
2 Lynn Mickleburgh was appointed on 29 July 2022.
3 Mini Peiris was appointed on 4 November 2022.
4 Deena Shiff retired on 27 May 2022.
5 A$7,051 paid to Mr Hasker in FY22 relates to Mr Hasker's FY21 fee as Chair of the People and Culture Committee.

Remuneration report

for the year ended 31 December 2023

Remuneration governance

The role of the People and Culture Committee is to focus on our strategic human resources objectives, including the well-being of our employees and culture, as well as provide advice, recommendations, and assistance to the Board in relation to compensation arrangements for Directors and executives. The members of the People and Culture Committee during the reporting period were:

Stephen Hasker, Member and Committee Chair for the whole financial year
Richard Freudenstein, Member for the whole financial year
Lynn Mickleburgh, Member for the whole financial year
Mini Peiris, Member for the whole financial year

The graphic below shows the relationship between the People and Culture Committee and the Board, Executive team, and Audit and Risk Committee.

Board

Approves and has oversight of Appen's remuneration policy including Executive and Non-executive KMP remuneration.

People and Culture Committee

Members:
Stephen Hasker
Richard Freudenstein
Lynn Mickleburgh
Mini Peiris

Audit and Risk Committee

Advises the People and Culture Committee of material risk issues, behaviours and/or compliance breaches.

Executive team

Proposes executive appointments, succession plans, policies, remuneration structures and outcomes to the People and Culture Committee for review and approval or recommendation to the Board.

Independent external advisors

To ensure the Committee is appropriately informed, advice and information is sought from independent external advisors, as required.

The number of Committee meetings and attendance by members during the reporting period is set out in the Meetings of directors section on page 60.

Remuneration report

for the year ended 31 December 2023

Board oversight of remuneration

The Board ensures variable rewards are only paid when a senior executive creates value for shareholders through meeting their financial and non-financial targets and exceeding their agreed work plan objectives. The Board reviews all targets on an annual basis to ensure that they are sufficiently challenging and are consistent with the Company's long-term business strategy.

Consistent with good governance and to address shareholder expectations, during the year the Board formalised a policy with respect to malus and clawback, such that the Board may forfeit any entitlement to performance-based remuneration (both LTI and STI), if in the opinion of the Board, the employee may receive an inappropriate benefit. Examples where Board discretion may be applied include: if the employee acts fraudulently or dishonestly, is in breach of their obligations to the Group, mismanages a material risk affecting the Group, or any other circumstance which the Board determines to have resulted in an inappropriate benefit.

The Board also has the discretion to determine that a portion or all of an employee's unvested or vested STI and LTI awards be forfeited if, in the Board's opinion, negative or adverse circumstances affecting the performance or reputation of the Appen Group have come to the Board's attention where circumstances, had they been known at the time when the STI or LTI was awarded, would have caused the Board to make a lower award or no award.

No Board discretion in relation to malus or clawback was applied in FY23.

Corporate Governance Statement

Further information about the People and Culture Committee is set out in the Corporate Governance Statement. The Statement is available at: appen.com/investors/corporate-governance/

Independent remuneration advisors

Where appropriate, the Board and the People and Culture Committee engage external and independent remuneration advisors to provide industry benchmarks, peer comparison information and specific local knowledge of country-specific remuneration practices.

External advice is used as a guide only and is not a substitute for the Board and People and Culture Committee's thorough consideration of the relevant remuneration matter. In 2023, no remuneration recommendations were provided.

Securities trading policy

KMP (both executive and non-executive directors) must not enter into transactions in associated products that operate to limit the economic risk of security holdings in the Company. A copy of the Company's Securities Dealing Policy is available at appen.com/investors/corporate-governance/

Minimum shareholding requirement (MSR)

The Board has adopted a Minimum Shareholding Policy to assist in aligning the interests of all directors and executive KMP with our shareholders.

The value of such shares is based on their price at the time of acquisition. Once the requirement has been met, directors are considered compliant even if there are subsequent changes in the share price.

Directors and executive KMP are compliant where Appen securities are held either by them personally or by a related party.

CEO and other executive KMP

From 1 January 2022, the formal MSR is 100% of fixed remuneration for the CEO and 50% of fixed remuneration for other Executive KMP over a five-year period.

This is in addition to the requirement for the CEO to defer 25% of any STI earned in equity for a 12-month period. Note, any deferred STI for the CEO counts towards the achievement of MSR.

As at the date of this report, all Executive KMP have been employed as a KMP less than five years and will be measured for compliance in a future report.

Non-executive directors

Non-executive directors are required to hold Appen shares to the value of at least 100% of the annual non-executive director pre-tax base fee within three years of their appointment, using the base fee at the time of appointment (excluding Committee fees).

As at the date of this report, all non-executive directors that have served on the Board for at least three years are in compliance with the MSR.

Remuneration report

for the year ended 31 December 2023

Other remuneration tables

Securities holdings of executive KMP

Executive KMP	Number of performance rights held	Number of ordinary shares held (direct and indirect)
Armughan Ahmad	3,601,501	277,041
Ryan Kolln	634,350	10,061
Justin Miles	403,039	35,576

Performance rights holdings of executive KMP

The movement during the reporting period of performance rights held by Executive KMP is outlined in the table below:

Name	Plan	Held at 1 January 2023	Granted during the year	Exercised during the year	Forfeited	Forfeited %	Held at 31 December 2023	Vested during the year
Armughan Ahmad	**2023**	**–**	**3,878,542**	**(277,041)**	**–**	**–**	**3,601,501**	**(277,041)**
Ryan Kolln	2020	5,884	–	–	(5,884)	(100%)	–	–
	2021	19,319	–	–	–		19,319	(6,578)
	2022	24,806	–	(4,134)	–		20,672	(4,134)
	2023	**–**	**594,359**	**–**	**–**		**594,359**	**–**
		50,009	**594,359**	**(4,134)**	**(5,884)**		**634,350**	**(10,712)**
Justin Miles	2020	12,323	–	–	(12,323)	(100%)	–	–
	2021	17,460	–	(5,945)	–		11,515	(5,945)
	2022	20,552	–	(3,425)	–		17,127	(3,425)
	2023	**–**	**374,397**	**–**	**–**		**374,397**	**–**
		50,335	**374,397**	**(9,370)**	**(12,323)**		**403,039**	**(9,370)**
Kevin Levine	2020	48,828	–	–	(48,828)	(100%)	–	–
	2021	51,249	–	–	(51,249)	(100%)	–	–
	2022	156,250	–	–	(156,250)	(100%)	–	–
	2023	**–**	**469,038**	**–**	**(364,950)**	**(78%)**	**104,088**	**–**
		256,327	**469,038**	**–**	**(621,277)**		**104,088**	**–**

Performance rights vesting table

The performance details relating to the rights exercised during the year, are shown in the table below:

Grant date	Tranche	Performance measurement	Performance target	Performance target measurement date	Vesting condition	Vesting date
9 Jan 23	1	Service only	N/A	N/A	Employed at 9 Feb 23	9 Feb 23
9 Jan 23	2	Service only	N/A	N/A	Employed at 9 Mar 23	9 Mar 23
9 Jan 23	3	Service only	N/A	N/A	Employed at 9 Apr 23	9 Apr 23
9 Jan 23	4	Service only	N/A	N/A	Employed at 9 May 23	9 May 23
9 Jan 23	5	Service only	N/A	N/A	Employed at 9 Jun 23	9 Jun 23
9 Jan 23	6	Service only	N/A	N/A	Employed at 9 Jul 23	9 Jul 23
1 Jan 22	1	Service only	N/A	N/A	Employed at 1 Jan 23	28 Feb 23
22 Mar 22	1	Service only	N/A	N/A	Employed at 1 Jan 23	28 Feb 23

Performance rights exercised during the year by executive KMP

Executive	Number of rights exercised	Value of rights at grant date (US$)	Value of rights at exercisable date (US$)
Armughan Ahmad	277,041	$491,660	$434,576
Ryan Kolln	4,134	$19,245	$6,182
Justin Miles	9,370	$60,365	$9,903

The rights exercised during the year relate to vesting of the relevant plans as detailed above, upon the successful achievement of the relevant performance and employment hurdles.

Unvested performance rights held by executive KMP

The number of unvested performance rights held by Executive KMP at 31 December 2023 are:

Plan	Armughan Ahmad	Ryan Kolln	Justin Miles	Kevin Levine
2021	–	12,741	11,515	–
2022	–	20,672	17,127	–
2023	**3,601,501**	**594,359**	**374,397**	**104,088**
Total	**3,601,501**	**627,772**	**403,039**	**104,088**

Remuneration report

for the year ended 31 December 2023

Executive and non-executive director shareholdings

Director	1 January 2023	Purchased/ exercised during the year	Sold during the year	Ceased to be KMP	31 December 2023
	Number of shares				
Richard Freudenstein	44,975	21,872	–	–	**66,847**
Armughan Ahmad	–	277,041	–	–	**277,041**
Stephen Hasker	50,000	8,333	–	–	**58,333**
Vanessa Liu	4,000	21,200	–	–	**25,200**
Robin Low	172,946	84,105	–	–	**257,051**
Stuart Davis	–	72,830	–	–	**72,830**
Lynn Mickleburgh	–	–	–	–	**–**
Mini Peiris	–	–	–	–	**–**
	271,921	485,381	–	–	**757,302**

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.
On behalf of the directors.

Richard Freudenstein
Non-executive Chair

27 February 2024
Sydney

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

to the directors of Appen Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Appen Limited for the financial year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Cameron Slapp
Partner

Sydney

27 February 2024

Contents

Financial report

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2023

	Note	2023 $ 000	2022 $ 000
Revenue			
Revenue from contract with customers	4	**273,012**	388,133
Other income		**782**	177
Interest income		**371**	183
Expenses			
Crowd service costs		**(168,099)**	(237,712)
Employee expenses	5	**(83,525)**	(94,221)
Recruitment costs		**(3,642)**	(6,143)
Professional fees		**(9,278)**	(9,994)
Information technology costs		**(12,592)**	(12,829)
Communication and travel expenses		**(3,044)**	(2,982)
Other expenses		**(9,837)**	(9,718)
Depreciation and amortisation	12–14	**(35,147)**	(41,582)
Share-based payments expense	5	**(5,691)**	(1,492)
Net foreign exchange loss		**(4,032)**	(2,560)
Transaction costs	5	**(542)**	(1,556)
Restructure costs		**(8,967)**	(678)
Finance costs	5	**(1,176)**	(996)
Deemed interest on earn-out liability	18	**(354)**	(772)
Earn-out adjustment	18	**15,994**	–
Impairment	12–14	**(69,182)**	(204,326)
Loss before income tax		**(124,949)**	(239,068)
Income tax benefit	7	**6,870**	–
Loss after income tax for the year attributable to the owners of the Group		**(118,079)**	(239,068)
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Unrealised loss on fair value investment	20	**(1,600)**	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**1,281**	(1,291)
Other comprehensive income for the period, net of tax		**(319)**	(1,291)
Total comprehensive loss for the period attributable to the owners of the Group		**(118,398)**	(240,359)

		Cents	Cents
Basic earnings per share	6	**(83.10)**	(193.78)
Diluted earnings per share	6	**(83.10)**	(193.78)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of financial position

as at 31 December 2023

	Note	2023 $ 000	2022 $ 000
Assets			
Current assets			
Cash and cash equivalents	9	**32,152**	23,429
Trade and other receivables	10	**49,933**	64,282
Contract assets	11	**15,536**	30,448
Inventory		**1,069**	649
Prepayments and other assets		**5,813**	3,112
Income tax receivables		**2,144**	2,492
Derivative financial instruments	19	**104**	262
Total current assets		**106,751**	124,674
Non-current assets			
Prepayments and other assets		**30**	424
Investments	20	**1,446**	2,418
Intangible assets	12	**39,870**	109,560
Property, plant and equipment	13	**1,475**	3,726
Right of use assets	14	**3,095**	9,061
Deferred tax assets	7	**2,491**	5,078
Total non-current assets		**48,407**	130,267
Total assets		**155,158**	254,941
Liabilities			
Current liabilities			
Trade and other payables	15	**27,232**	39,740
Provisions	16	**2,407**	3,390
Contract liabilities	17	**11,142**	18,737
Lease liabilities	14	**3,125**	3,152
Earn-out liability	18	**3,750**	–
Borrowings	22	**–**	–
Total current liabilities		**47,656**	65,019
Non-current liabilities			
Provisions	16	**306**	510
Lease liabilities	14	**9,309**	7,025
Earn-out liability	18	**–**	19,131
Deferred tax liabilities	7	**5,090**	15,270
Total non-current liabilities		**14,705**	41,936
Total liabilities		**62,361**	106,955
Net assets		**92,797**	147,986
Equity			
Issued capital	23	**320,435**	262,917
Reserves	23	**133,526**	128,154
Accumulated losses	23	**(361,164)**	(243,085)
Total equity		**92,797**	147,986

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Equity attributable to owners of the Group			
	Issued Capital $000	**Reserves $000**	**Accumulated Losses $000**	**Total equity $000**
Balance at 1 January 2023	**262,917**	**128,154**	**(243,085)**	**147,986**
Loss after income tax for the period	**–**	**–**	**(118,079)**	**(118,079)**
Other comprehensive expense, net of tax	**–**	**(319)**	**–**	**(319)**
Total comprehensive loss for the period	**–**	**(319)**	**(118,079)**	**(118,398)**
Transactions with owners in their capacity as owners:				
Issue of ordinary shares, net of transaction costs	**57,518**	**–**	**–**	**57,518**
Share-based payments	**–**	**5,691**	**–**	**5,691**
Balance at 31 December 2023	**320,435**	**133,526**	**(361,164)**	**92,797**
Balance at 1 January 2022	262,917	132,972	(4,017)	391,872
Loss after income tax for the period	–	–	(239,068)	(239,068)
Other comprehensive expense, net of tax	–	(1,291)	–	(1,291)
Total comprehensive loss for the period	–	(1,291)	(239,068)	(240,359)
Transactions with owners in their capacity as owners:				
Share-based payments	–	1,492	–	1,492
Dividends paid	–	(5,019)	–	(5,019)
Balance at 31 December 2022	262,917	128,154	(243,085)	147,986

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2023

	Note	2023 $ 000	2022 $ 000
Cash flows from operating activities			
Receipts from customers (GST inclusive)		**294,551**	395,568
Payments to suppliers and employees (GST inclusive)		**(317,952)**	(380,816)
Interest received		**371**	183
Interest and other finance costs paid		**(435)**	(491)
Income tax received		**526**	3,784
Net cash from operating activities	8	**(22,939)**	18,228
Cash flows from investing activities			
Payments for property, plant and equipment	13	**(1,808)**	(3,039)
Payments for intangibles		**(18,045)**	(24,892)
Payments for investment	20	**(500)**	(2,633)
Transaction costs		**(542)**	(1,556)
Net cash used in investing activities		**(20,895)**	(32,120)
Cash flows from financing activities			
Lease payments	14	**(4,763)**	(4,508)
Proceeds from borrowings		**4,000**	–
Repayment of borrowings		**(4,000)**	–
Net proceeds from issuance of shares		**57,437**	–
Dividend paid		**–**	(5,019)
Net cash used in financing activities		**52,674**	(9,527)
Net increase/(decrease) in cash and cash equivalents		**8,840**	(23,419)
Cash and cash equivalents at the beginning of the year		**23,429**	47,878
Effect of foreign exchange rate changes		**(117)**	(1,030)
Cash and cash equivalents at the end of the year	9	**32,152**	23,429

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2023

About this report

Note 1. General information

The financial statements cover Appen Limited as a Group consisting of Appen Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in United States (US) dollars, which is the Group's presentation currency.

Appen Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6
9 Help Street
Chatswood NSW 2067

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2024.

Note 2. Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The financial statements include the assets and liabilities of all subsidiaries in the Group as at 31 December 2023 and the results for all subsidiaries for the year ended 31 December 2023. Inter-entity transactions, with, or between subsidiaries have been eliminated in full on consolidation.

The consolidated financial statements provide comparative information in respect of the previous period, which is reclassified where appropriate for consistency with the current period presentation.

Basis of measurement

The financial statements have been prepared on a accruals basis and are based on the historical cost convention, except for, derivative financial instruments, investments, earn-out contingent consideration and share-based payments which are measured at fair value.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group incurred a loss after tax for the year ended 31 December 2023 of $118,079,000 (31 December 2022 $239,068,000). The Group has net assets of $92,797,000 (31 December 2022 $147,986,000) and net current assets of $59,095,000 (31 December 2022 $59,655,000).

Cash and cash equivalents at 31 December 2023 were $32,152,000 (31 December 2022 $23,429,000). Operating cash outflow for the year was $22,939,000 (31 December 2022 inflow $18,228,000). Investing cash outflow (including product development costs) for the year was $20,895,000 (31 December 2022 $32,120,000). Financing cash inflow for the year was $52,674,000 (31 December 2022 outflow $9,527,000).

Following the expiry of the $A10,000,000 debt facility on 3 January 2024, there are no debt facilities in place.

Note 2. Basis of preparation (continued)

On 20 January 2024 Appen received notice from a material customer, Google LLC, that as part of a strategic review process it will be terminating its global inbound services contract with Appen, resulting in the cessation of all projects with Appen by 19 March 2024 (refer Note 32.). Revenue recognised for the year ended 31 December 2023 relating to Google LLC was $82,800,000 at 26% gross margin (31 December 2022 $102,700,000 at 27% gross margin). Gross margin refers to revenue less crowd expenses.

In response, Appen announced on 12 February 2024 it will implement measures to achieve $13.5 million in annualised cost savings. The cost initiatives represent direct and indirect costs associated with the delivery of Google LLC projects. Appen expects to complete 80% of the cost initiatives by March 2024 and the remainder by June 2024 Refer Note. 32.

Management have prepared 24-month cashflow forecasts underpinning the basis of preparation as a going concern. The forecasts are based on current available information and subject to certain risks and uncertainties which may cause results to differ from those expected, including the following:

- Achieving revenue forecasts. A large proportion of the Group's revenue has historically been delivered from the top five customers, being large global technology companies. During the year ended 31 December 2023, approximately 74.8% (2022: 81.9%) of the Group's revenue was derived from sales to the top five customers.

  Customers can reprioritise spend away from areas of innovation at short notice or reduce/increase spend based on specific short term business goals and strategies. In addition, a substantial part of existing revenue is generated from individual case by case projects rather than long-term contracts, albeit some large projects have been running over multiple years.
- Achieving additional cost out measures that were announced on 12 February 2024 (refer Note 32.) at the level and timeframe forecast. This risk is assessed as low given cost out measures have been identified and recent proven track record of reducing costs.

The going concern basis presumes that the Group will continue to fulfil all obligations as and when they fall due for the foreseeable future and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

The risks to the Board approved cashflow forecasts noted above and the cash demands of the business at certain points through the 24 month cashflow forecast period represents a material uncertainty as to whether the Group would continue as a going concern.

The directors of Appen consider that the Group will continue to fulfil all obligations as and when they fall due for the foreseeable future and accordingly consider that the Group's financial statements should be prepared on a going concern basis. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in the relevant note.

- Note 7. Income tax
- Note 10. Trade and other receivables
- Note 12. Intangible assets

Note 2. Basis of preparation (continued)

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 26.

Change in accounting policies

Significant accounting policies adopted in the preparation of these financial statements are disclosed in the relevant notes. The accounting policies adopted are consistent with those of the previous years.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

New, revised or amended Accounting Standards

The Group has assessed and determined that there are no new or amended accounting standards applicable for the first time for the 31 December 2023 financial report, that materially affects the Group's accounting policies or any of the amounts recognised in the financial statements.

Group performance

Note 3. Segment information

Reporting segment

Appen's operating and reportable operating segments are aligned to market opportunities and customer needs. The operating segments are:

- **Global Services segment:** which represents the services the Group provides to our major US technology customers using their data annotation platforms and tools.
- **New Markets segment:** which represents our product-led businesses, using Appen's collection, annotation and evaluation products and tools conducting work for our Global customers, as well as Enterprise, Government, China and Quadrant businesses.

These operating segments are based on how the CEO in his capacity as the Chief Operating Decision Maker (CODM) of the Group assess performance and growth of the business and to determine where to allocate resources. The CODM reviews a set of financial reports which covers statutory EBITDA (earnings before interest, tax, depreciation and amortisation), underlying EBITDA, revenue and operating segment reports on a monthly basis. The accounting policies adopted for internal reporting to the CEO/CODM are consistent with those adopted in this financial report. During the year ended 31 December 2023, approximately 74.8% (2022: 81.9%) of the Group's revenue was derived from sales to the top five customers.

Segment results

31 December 2023	Global Services $ 000	New Markets $ 000	Corporate unallocated $ 000	Total $ 000
Revenue	191,533	81,479	–	273,012
Other income	–	742	40	782
Interest	–	–	371	371
Total revenue and other income	191,533	82,221	411	274,165
Segment EBITDA	17,512	(32,729)		(15,217)
Share-based payment – employees				(4,190)
Transformation investment				(1,067)
Foreign exchange losses				(3,971)
Group underlying EBITDA				(24,445)
Depreciation and amortisation				(35,147)
Net interest expense				(805)
Restructure costs				(8,967)
Acquisition related and one-time share-based payments				(1,501)
Deemed interest on earn-out liability				(354)
Earn-out adjustment				15,994
Transaction costs				(542)
Impairment loss [1]				(69,182)
Loss before income tax				(124,949)

1 Impairment loss is attributable to the Global Services segment.

Note 3. Segment information (continued)

31 December 2022	Global Services $ 000	New Markets $ 000	Corporate unallocated $ 000	Total $ 000
Revenue	299,755	88,378	–	388,133
Other income	–	–	183	183
Interest	–	–	177	177
Total revenue and other income	299,755	88,378	360	388,493
Segment EBITDA	54,524	(36,506)		18,018
Share-based payment – employees				(1,443)
Transformation investment				(3,048)
Foreign exchange losses				(2,560)
Other				50
Group underlying EBITDA				11,017
Depreciation and amortisation				(41,582)
Net interest expense				(813)
Loss on inventory cryptocurrency				(309)
Restructure costs				(678)
Acquisition related share-based payments				(49)
Deemed interest on earn-out liability				(772)
Transaction costs				(1,556)
Impairment loss				(204,326)
Loss before income tax				**(239,068)**

Geographical information

	Revenue		Non-current assets	
	2023 $ 000	**2022 $ 000**	**2023 $ 000**	**2022 $ 000**
Australia	**1,578**	865	**11,004**	10,178
United States of America	**218,496**	337,594	**16,489**	96,661
Other countries	**52,938**	49,674	**20,914**	23,428
Total	**273,012**	388,133	**48,407**	130,267

Notes to the consolidated financial statements

for the year ended 31 December 2023

Note 4. Revenue

Revenue is disaggregated by the type of service and whether the revenue is derived from usage of our products (New Markets) or the customers' own platform (Global Services).

31 December 2023	Global Services $ 000	New Markets $ 000	Corporate unallocated $ 000	Total $ 000
Global customers	**191,533**	**9,721**	**–**	**201,254**
New Markets customers	**–**	**71,758**	**–**	**71,758**
Total revenue	**191,533**	**81,479**	**–**	**273,012**
31 December 2022				
Global customers	299,755	18,177	–	317,932
New Markets customers	–	70,201	–	70,201
Total revenue	299,755	88,378	–	388,133

Accounting policy

Revenue from contracts with customers

Revenue is recognised when control of the goods or services is transferred to the customer and the contract performance obligation is satisfied.

Appen derives most of its revenue from two distinct performance obligations, being:

- providing platform and tools for subscription customers for a specified period of time; and
- delivering collected, annotated and evaluated data.

Revenue is recognised over time as the customer receives and uses the services, and as the required data is delivered and accepted by the customer. Stage of completion method is applied where transactions involving the rendering of services is determined by reference to the services performed to date as a percentage of total services to be performed.

The amount of revenue recognised is based on the sales prices specified in the contract net of discounts, rebates and refunds, which are variable consideration involving a degree of estimation. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. There is no significant financing component and the credit terms are primarily between 30 to 60 days.

Contract assets and liabilities

The Group recognises unbilled revenue as contract assets as disclosed in Note 11 and deferred revenue as contract liabilities as disclosed in Note 17.

Other income

Other income primarily relates to China business obtained government subsidies and is recognised at the time of completion or over period when service is provided and satisfies the performance obligation.

Interest income

Interest income is recognised on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the assets' net carrying value.

Notes to the consolidated financial statements

for the year ended 31 December 2023

Note 5. Expenses

Depreciation and amortisation	2023 $ 000	2022 $ 000
Depreciation		
Leasehold improvements	**389**	758
Fixtures and fittings	**54**	162
Computer and audio equipment	**1,484**	1,363
Motor vehicles	**35**	15
Right of use assets	**4,301**	4,930
Depreciation sub-total	**6,263**	7,228
Amortisation		
Systems and software	**163**	326
Capitalised product development	**19,776**	20,583
Other intangibles	**324**	173
Amortisation sub-total	**20,263**	21,082
Amortisation – acquisition-related		
Capitalised product development	**8,516**	8,932
Brand	**105**	69
Customer relationship and contracts	**–**	4,271
Amortisation – acquisition-related sub-total	**8,621**	13,272
Total depreciation and amortisation	**35,147**	41,582

Finance costs	2023 $ 000	2022 $ 000
Interest and finance charges paid/payable on borrowings	**435**	491
Interest and finance charges paid/payable on lease liabilities	**741**	505
	1,176	996
Deemed interest on earn-out liability	**354**	772
Finance costs expensed	**1,530**	1,768

Share-based payments expense	2023 $ 000	2022 $ 000
Share-based payment in respect of Appen performance rights	**4,190**	1,443
Share-based payment in respect of the Quadrant acquisition and one-time sign-on arrangement[1]	**1,501**	49
Total share-based payments expense	**5,691**	1,492

1 Includes Mr Ahmad's one-off sign-on bonus, in receipt of bonuses forgone and is intended to replace a portion of the bonus payments that Mr Ahmad would have received from his previous employer had he not ceased employment.

Note 5. Expenses (continued)

Transaction costs	2023 $ 000	2022 $ 000
Non-capitalised equity raising fees and charges	**481**	–
Other transaction costs	**61**	1,556
Total transaction costs	**542**	1,556

Employee expenses	2023 $ 000	2022 $ 000
Defined contribution superannuation expense	**6,090**	5,518
Employee expenses	**77,435**	88,703
Total employee expenses	**83,525**	94,221

Accounting policy

Depreciation expense

Depreciation is calculated on a straight-line basis to write-off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

Amortisation expense

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill is not amortised.

Finance costs

All finance costs are expensed in the period in which they are incurred.

Share-based payments expense

All share-based payments are expensed over the relevant vesting period. The share-based payments expense is based on expected targets and hurdles.

Employee expenses

Includes all short-term employee benefits (wages, paid annual leave and sick leave and any non-monetary benefits), post-employment benefits and other long-term or termination employee benefits.

Note 6. Earnings per share and dividends

	2023 $ 000	2022 $ 000
Loss after income tax	**(118,079)**	(239,068)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**142,087,928**	123,371,758
Adjustments for calculation of diluted earnings per share:		
Rights over ordinary shares	**–**[1]	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**142,087,928**	123,371,758

	Cents	Cents
Basic earnings per share	**(83.10)**	(193.78)
Diluted earnings per share	**(83.10)**	(193.78)

1 Whilst there are unvested performance rights at 31 December 2023, potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. The calculation of diluted earnings per share does not assume exercise of the performance rights, or issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

Accounting policy

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Group excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive positive ordinary shares and the weighted average number of shares assumed to have been issued for consideration in relation to dilutive potential ordinary shares.

No dividends have been declared or paid during the year (2022: no dividends were declared. 2021 final dividend of $5,019,000 was paid in 2022 at AU 5.5 cents per share).

Franking credits available for subsequent financial years remained at $6,000 as at the end of the financial year, based on a tax rate of 30%.

Note 7. Income tax

	2023 $ 000	2022 $ 000
Income tax benefit		
Current tax expense	**432**	2,075
Deferred tax	**(5,206)**	(1,872)
Adjustment recognised for prior periods – current tax	**(665)**	410
Adjustment recognised for prior periods – deferred tax	**(1,431)**	(613)
Income tax benefit	**(6,870)**	–
Deferred tax included in income tax benefit comprises:		
Decrease/(increase) in deferred tax assets	**3,523**	(1,289)
Decrease in deferred tax liabilities	**(10,160)**	(1,194)
Deferred tax – origination and reversal of temporary differences	**(6,637)**	(2,483)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax expense	**(124,949)**	(239,068)
Tax at the statutory tax rate of 30%	**(37,485)**	(71,720)
Tax effect amounts which are not deductible/(taxable) in calculating taxable (loss)/income:		
Impairment loss	**12,485**	61,298
Share-based payments	**472**	(759)
Deferred tax adjustments	**21,562**	10,148
Non-assessable purchase price adjustments on prior acquisitions	**(4,773)**	–
Sundry items and exchange differences	**–**	342
Adjustment recognised for prior periods	**(2,096)**	(203)
Difference in overseas tax rates	**2,965**	894
Income tax benefit	**(6,870)**	–

	2023 $ 000	2022 $ 000
Deferred tax assets		
Deferred tax asset comprises temporary differences attributable to:		
Amount recognised in profit or loss:		
Property, plant and equipment	**13**	6
Tax losses	**–**	2,295
Revenue received in advance	**5**	1,013
Employee benefits	**388**	774
Accrued expenses	**112**	355
Other expenses and exchange differences	**1,973**	635
Deferred tax assets	**2,491**	5,078
Movement:		
Opening balance	**5,078**	4,060
(Debited)/credited to profit or loss	**(3,523)**	1,289
Additions through capital raising	**1,019**	–
Foreign exchange differences	**(83)**	(271)
Closing balance	**2,491**	5,078

Note 7. Income tax (continued)

	2023 $ 000	2022 $ 000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amount recognised in profit or loss:		
Intangible assets	**10,061**	19,391
Property,plant and equipment	**(2,924)**	(86)
Revenue received in advance	**1,203**	1,203
Other expenses and exchange differences	**(3,250)**	(5,238)
Deferred tax liability	**5,090**	15,270
Movement		
Opening balance	**15,270**	16,858
Debited to profit or loss	**(10,160)**	(1,194)
Foreign exchange differences	**(20)**	(394)
Closing balance	**5,090**	**15,270**

China tax losses to be applied in future periods amount to $35 million, of which none have been recognised as a deferred tax asset. US tax losses to be applied in future periods amounts to $71 million, of which none have been recognised as a deferred tax asset.

Accounting policy

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Appen Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Note 7. Income tax (continued)

Critical accounting judgements, estimates and assumptions – uncertain tax positions

The Group is subject to tax in numerous jurisdictions. Significant judgement is required in determining the provision for income tax. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for any anticipated tax audit issues based on the Group's current understanding of the application of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact on the current and deferred tax positions in the period that such a determination is made.

Recoverability of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and net losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 8. Reconciliation of loss after income tax to net cash from operating activities

	Note	2023 $ 000	2022 $ 000
Loss after income tax for the year		**(118,079)**	(239,068)
Add back/(deduct):			
Income tax benefit	7	**(6,870)**	–
Depreciation and amortisation	12–14	**35,147**	41,582
Finance costs		**1,176**	505
Impairment of non-financial assets	12–14	**69,182**	204,326
Share-based payments expense		**5,691**	1,492
Gain on disposal of non-financial assets		**(39)**	–
Deemed interest on earn-out liability	18	**354**	772
Earn-out adjustment	18	**(15,994)**	–
Transaction costs	5	**542**	1,556
Impairment of trade receivables		**–**	(46)
Loss on inventory revaluation		**669**	–
Effect of foreign exchange rate changes		**1,805**	(911)
Other non-cash items		**(202)**	–
Change in operating assets and liabilities:			
(Increase)/decrease in:			
Trade and other receivables and contract assets		**29,261**	4,984
Inventory		**(420)**	–
Prepayments and other assets		**(2,307)**	617
Increase/(decrease) in:			
Trade and other payables		**(14,599)**	(1,869)
Provisions		**(1,187)**	379
Contract liabilities		**(7,595)**	125
Income tax received (net)		**526**	3,784
Net cash from operating activities		**(22,939)**	18,228

Accounting policy

Cash flows are presented on a gross basis unless otherwise specified. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority are presented as operating cash flows.

Group core assets and liabilities

Note 9. Cash and cash equivalents

	2023 $ 000	2022 $ 000
Cash on hand and at bank	32,152	23,429
Total cash and cash equivalents	32,152	23,429

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 10. Trade and other receivables

	2023 $ 000	2022 $ 000
Trade receivables	47,869	61,407
Provision for expected credit loss	(152)	(288)
Net trade receivables	47,717	61,119
Other receivables	1,580	2,375
GST/VAT receivable	636	788
Total trade and other receivables	49,933	64,282

Ageing of trade receivables		Days past due			
$000	**Current**	**< 3 months**	**3–6 months**	**> 6 months**	**Total**
As at 31 December 2023					
Gross carrying amount	33,969	12,524	628	748	47,869
Provision for expected credit loss	–	–	–	(152)	(152)
As at 31 December 2022					
Gross carrying amount	50,400	9,163	987	857	61,407
Provision for expected credit loss	–	–	–	(288)	(288)

Movement in the provision for expected credit loss:

	2023 $ 000	2022 $ 000
Balance at the beginning of the period	288	242
Provided for as non-recoverable	188	169
Charged to profit or loss	(324)	(123)
Balance at the end of the period	152	288

Note 10. Trade and other receivables (continued)

Accounting policy

Trade receivables are initially recognised at fair value. Trade receivables are generally due for settlement within 30–60 days. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.

Management is of the view that past models and historical experience may not represent current expectations, and greater reliance is placed on up-to-date information about the circumstances about each debtor.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Other receivables are recognised at amortised cost, less any provision for impairment.

Critical accounting judgements, estimates and assumptions – expected credit losses

The provision for expected credit losses assessment requires a degree of estimation and judgement, based on review and circumstances of each amount overdue including recent sales experience and historical collection rates and forward-looking information that is available.

Note 11. Contract assets

	2023 $ 000	2022 $ 000
Current assets		
Contract assets	**15,536**	30,448
Movement during the period:		
Balance as the beginning of the period	**30,448**	10,471
Contract asset recognised	**64,461**	60,782
Subsequent release to billing and receivables for the year	**(79,311)**	(40,919)
Foreign currency translation	**(62)**	114
Balance at the end of the period	**15,536**	30,448

Accounting policy

Revenue is recognised at the amount to which the Group has the right to invoice based on the contract price and completed performance obligations. Where revenue recognised is in advance of billings (due to timing differences in the Group reporting period and customer billing cycle), a contract asset is recognised; and where cash received or billing issued are in advance of revenue recognition, a contract liability is recognised.

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Note 12. Intangible assets

	Goodwill $ 000	System and software $ 000	Capitalised product development $ 000	Brand and customer relationship $ 000	Other intangibles $ 000	Total $ 000
Balance at 1 January 2023						
Cost	**242,051**	**2,689**	**133,301**	**1,089**	**2,181**	**381,311**
Accumulated depreciation and impairment	**(188,937)**	**(1,695)**	**(79,785)**	**(720)**	**(614)**	**(271,751)**
Net carrying value at 1 January 2023	**53,114**	**994**	**53,516**	**369**	**1,567**	**109,560**
Additions	**–**	**173**	**17,825**	**–**	**159**	**18,157**
Disposals	**–**	**(6)**	**–**	**–**	**–**	**(6)**
Impairment	**(53,114)**	**(399)**	**(5,264)**	**–**	**(74)**	**(58,851)**
Transfers/reclassification	**–**	**43**	**(43)**	**–**	**–**	**–**
Amortisation	**–**	**(163)**	**(28,292)**	**(105)**	**(324)**	**(28,884)**
Foreign exchange translation	**–**	**(63)**	**(43)**	**–**	**–**	**(106)**
Balance at 31 December 2023						
Cost	**242,051**	**2,856**	**151,068**	**1,089**	**2,340**	**399,404**
Accumulated amortisation and impairment	**(242,051)**	**(2,277)**	**(113,369)**	**(825)**	**(1,012)**	**(359,534)**
Net carrying value at 31 December 2023	**–**	**579**	**37,699**	**264**	**1,328**	**39,870**
Balance at 1 January 2022						
Net carrying value	241,817	153	59,743	15,596	1,521	318,830
Additions	–	1,235	23,431	4,552	226	29,444
Disposals	–	–	–	–	–	–
Impairment	(188,937)	(6)	–	(15,383)	–	(204,326)
Amortisation	–	(326)	(29,515)	(4,340)	(173)	(34,354)
Foreign exchange translation	234	(62)	(143)	(56)	(7)	(34)
Balance at 31 December 2022						
Net carrying value	53,114	994	53,516	369	1,567	109,560

During the prior year ended 31 December 2022, customer relationships from previous business acquisition at a carrying value of $15.4 million were fully impaired.

Note 12. Intangible assets (continued)

Management's impairment assessment

At each reporting period, an assessment of the carrying value of non-current assets is performed. AASB 136: *Impairment of Assets*, requires an entity to perform a detailed recoverable amount assessment for an asset when any of the following impairment indicators are present:

- There are observable indications that an asset's value has declined during the period more than that which would be expected as a result of the passage of time or normal use;
- Technological, market, economic, or legal environment in which the entity operates has changed or will change with adverse impact on the entity;
- Market interest rates or other market rates of return on investments have increased during the period and are likely to have an impact on discount rates;
- Carrying amount of the net assets of the entity is more than its market capitalisation;
- Evidence that assets are obsolete or physically damaged;
- Significant changes with an adverse impact on the entity have taken place during the period impacting the manner or extent to which an asset is used or expected to be used (restructure etc); or
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

In addition to the above, Goodwill and indefinite life intangible assets (whether in-use or not ready for use) must be tested, at least annually, for impairment. Accordingly, management have performed the impairment testing at 31 December 2023, for the Global Services CGU.

As a result of the annual impairment testing, the Global Services CGU has been identified as requiring impairment as its recoverable amount is lower than its carrying value.

CGU	Recoverable amount	Carrying value before impairment	Asset impairment recorded	Carrying value post impairment
Global Services	$27 million	$96 million	$69 million Comprising of the following assets whose net book value have been fully written down: -$53 million Goodwill -$8 million Lease Right-of-use asset -$2 million Plant and equipment -$6 million Intangible assets	$27 million Comprising of cash and working capital balances only.

The recoverable amount is the higher of value-in-use (VIU) of the CGU and the fair value less costs of disposal (FVLCD).

Management adopted VIU as the recoverable amount for each CGUs considering it is unlikely that the FVLCD would be of higher value.

Note 12. Intangible assets (continued)

Value-in-use is defined as the present value of the future cash flows expected to be derived from an asset or CGU from both its continuing use and ultimate disposal. Cash flows were projected based on forecast operating results over the five-year period from 2024 to 2028, derived by applying conservative estimates to the Group's five-year plan as approved by board. Key assumptions made in calculating the Global Services CGU value-in-use are as follows:

Key assumptions	Basis for determining value-in-use assigned to key assumptions
Revenue growth rate	Continued revenue decline in 2024 mirroring the recent historical trending, with no nominal growth anticipated in outer years (2025–2028). Such assumption is underpinned by: • Appen's internal budget/forecast and strategic plans; • consideration of customer diversification risk, global economic outlook and impact on customers' spending.
Terminal value growth rate	Estimated at a constant rate of 2.5% (2022: 3.0%) reflected management expected long-term average growth rate.
Discount rate	A post-tax discount rate at 12.5% was applied (2022: 12.5%). The discount rate has taken into account the group's risk profile, debt/equity structure and industry comparable information.

For the identified impairment loss relating to Global Services CGU, impairment was taken to reduce the Goodwill first then other assets pro rata on the basis of the carrying value of each asset in the CGU.

Considering the declining revenue and customer diversification risk specific to the Global Services CGU, management considered all the non-working capital assets attributable to this CGUs, as outlined in the above table, had minimum future economic benefits and immaterial residual values. These assets are therefore fully impaired with the impairment loss recorded in the consolidated statement of profit or loss for the year ended 31 December 2023. The assets remaining under this CGU are cash and working capital items, which are considered recoverable.

Critical accounting judgements, estimates and assumptions

Capitalisation of product development costs

The Group uses a degree of judgement in order to determine if product development costs satisfy the recognition and measurement criteria to be capitalised as an asset in accordance with AASB 138 *Intangible Assets*. This includes the use of Appen's project management system to tag each project undertaken by the engineering team, as either new feature development or maintenance.

Goodwill and other indefinite life intangible assets

Goodwill is tested at each reporting date. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense in the statement of profit or loss. The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial estimates reviewed by management covering a five-year period. Cash flows beyond this five-year period are extrapolated using estimated growth rates that do not exceed the long-term average growth rate for the business in which the CGU operates and are consistent with external sources of information.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets for each cash-generating unit at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 12. Intangible assets (continued)

Accounting policy

Goodwill

Goodwill arising from a business combination is recognised as an intangible asset and allocated to the Cash Generating Unit (CGU) that is expected to benefit from the synergies of the business combination. Goodwill is carried at cost less recognised impairment losses. The CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an impairment indicator. Any impairment loss for goodwill is recognised directly in profit or loss and cannot be reversed in subsequent periods.

For the year-ended 31 December 2023, management assessed that the Group continued to have three CGUs, Global Services, New Markets (ex-China) and China, on the basis of:

- how cashflows are identified and measured; and
- how resources are allocated and performance are measured, consistent with Appen's long-term strategy of revenue and customer diversification.

Systems and software

Significant costs on systems implementation are deferred and amortised on a straight-line basis over the period of their expected useful life, being the finite life of seven years. Configuration costs associated with the implementation of cloud-based ERP systems are expensed as incurred.

Acquired software or software on perpetual license are capitalised and amortised on a straight-line basis over its useful life.

Product development

Expenditure on research activities is recognised as an expense when incurred.

Product development costs are capitalised at the direct costs incurred and amortised on a straight-line basis over the period of their expected useful life being three to seven years. Amortisation starts at the time that the technology is activated and is used either internally or externally. The capitalised costs include directly attributable costs relating to product development, and costs relating to employment of the engineering team, product hosting services, external consultants and IT software and hardware.

Development costs are capitalised when the Group can demonstrate all of the following:

- the technical feasibility of completing the asset so that it is available for use or sale;
- the intention to complete the asset and use or sell it;
- the ability to use or sell it;
- how the asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Brand

Brand names acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit. This includes the acquisition of the Quadrant brand name which has been estimated to have a finite life of five years.

Other intangibles

Other intangible assets primarily consist of licenses and databases. Costs in relation to other intangibles are capitalised as an asset and amortised on a straight-line basis over the period of their expected useful life being three to five years.

Off-the-shelf databases are internally generated intangibles and are capitalised only if they meet all of the criteria stated in the accounting policy section with respect to the accounting policy associated with development costs. Costs are capitalised at the direct costs incurred and amortised on a straight-line basis over the period of their expected useful life of seven years. Amortisation starts at the time that the database is available for use or sale to external customers.

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for the year ended 31 December 2023

Note 13. Property, plant and equipment

	Leasehold improvements $ 000	Fixtures and fittings $ 000	Computer and Audio equipment $ 000	Motor vehicles $ 000	Total $ 000
Balance at 1 January 2023					
Cost	**4,128**	**1,198**	**8,477**	**50**	**13,853**
Accumulated depreciation	**(3,472)**	**(940)**	**(5,700)**	**(15)**	**(10,127)**
Net carrying value at 1 January 2023	**656**	**258**	**2,777**	**35**	**3,726**
Additions	**738**	**180**	**890**	**–**	**1,808**
Disposals	**–**	**–**	**(66)**	**–**	**(66)**
Impairment [1]	**(514)**	**(275)**	**(1,215)**	**–**	**(2,004)**
Transfer/reclass	**5**	**8**	**(13)**	**–**	**–**
Depreciation	**(389)**	**(54)**	**(1,484)**	**(35)**	**(1,962)**
Foreign exchange translation	**(11)**	**(1)**	**(15)**	**–**	**(27)**
Balance at 31 December 2023					
Cost	**4,845**	**1,383**	**9,178**	**50**	**15,456**
Accumulated depreciation and impairment	**(4,360)**	**(1,267)**	**(8,304)**	**(50)**	**(13,981)**
Net carrying value at 31 December 2023	**485**	**116**	**874**	**–**	**1,475**
Balance at 1 January 2022					
Net carrying value	1,017	313	1,788	–	3,118
Additions	454	47	2,488	50	3,039
Disposals	–	–	(5)	–	(5)
Depreciation	(758)	(162)	(1,363)	(15)	(2,298)
Foreign exchange translation	(57)	60	(131)	–	(128)
Balance at 31 December 2022					
Net carrying value	656	258	2,777	35	3,726

1 For further details in relation to impairments refer to Note 12.

Accounting policy

Each class of property, plant and equipment is carried at cost or fair value, less any accumulated depreciation or impairment losses. The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The depreciation rates used for each class of depreciable assets are:

Leasehold improvements	Over the lease term 2–8 years
Fixture and fittings	3–13 years
Computer and Audio equipment	1–4 years
Motor vehicles	3–5 years

Any gain or loss on disposal of an item of plant and equipment is recognised in the consolidated statement of profit or loss.

Note 14. Right of use assets and lease liabilities

	2023 $ 000	2022 $ 000
Right of use assets		
Balance at the beginning of the period	**9,061**	13,557
Additions	**8,403**	903
Disposals	**(1,488)**	–
Impairment [1]	**(8,319)**	–
Depreciation	**(4,301)**	(4,930)
Remeasurement	**(251)**	–
Foreign exchange translation	**(10)**	(469)
Balance at the end of the period	**3,095**	9,061

1 For further details in relation to impairments refer to Note 12.

	2023 $ 000	2022 $ 000
Lease liabilities		
Balance at the beginning of the period	**10,177**	15,060
Additions	**8,403**	903
Accretion of interests	**741**	506
Payment of interest	**(637)**	(485)
Payment of principal	**(4,126)**	(4,023)
Disposals	**(1,658)**	–
Remeasurement	**(453)**	(1,237)
Foreign exchange translation	**(13)**	(547)
Balance at the end of the period	**12,434**	10,177
Current lease liabilities	**3,125**	3,152
Non-current lease liabilities	**9,309**	7,025

The undiscounted lease liabilities' maturity is analysed in Note 24. Financial risk management.

Accounting policy

The Group's leases primarily comprise commercial offices and car park facilities, where the Group is the lessee and has right to control the use of the identified lease assets. A right-of-use asset is recognised at the commencement date of a lease and is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received. Depreciation is charged on a straight-line basis over the term of the lease and recorded in profit or loss.

Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. Options to extend leases are assessed for reasonable certainty in assessing the term of the lease to charge the depreciation expense.

Short-term leases are those with a lease term of 12 months or less. The Group has elected to take exemptions under AASB 16 and has not recognised the right of use assets or lease liabilities for these leases. Lease payments for these exempted leases are expensed in profit or loss, on a straight-line basis over the lease term.

Lease liabilities are recognised at the lease commencement date and are initially measured at the present value of future lease payments using incremental borrowing rate or borrowing rate relevant for the jurisdiction of the lease, at the commencement date. Interest accretion on lease liabilities are recorded in the profit or loss. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period incurred.

Note 15. Trade and other payables

	2023 $ 000	2022 $ 000
Current liabilities		
Trade payables	**13,573**	22,431
Other payables and accrued expenses	**13,659**	17,309
Total trade and other payables	**27,232**	39,740

Maturity analysis of trade and other payables are disclosed in Note 24. Financial risk management.

Accounting policy

Trade and other payable represent liabilities in relation to goods and services rendered to the Group but not yet paid by the balance sheet date. They are measured at amortised cost and undiscounted due to their short-term nature. The amounts are unsecured and usually paid within agreed payment terms.

Note 16. Provisions

	2023 $ 000	2022 $ 000
Current liabilities		
Employee benefits	**2,407**	3,390
Total current provisions	**2,407**	3,390
Non-current liabilities		
Employee benefits	**238**	439
Other provisions	**68**	71
Total non-current provisions	**306**	510
Total provisions	**2,713**	3,900

Employee benefits primarily comprise accrued annual leave and long service leave.

Note 16. Provisions (continued)

Accounting policy

Short-term employee benefits

These are expected to be settled wholly within 12 months after the employees render the related service and include wages, salaries and sick leave. These are measured at the undiscounted amounts expected to be paid when the obligation is settled.

Long-term employee benefits

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. When such benefits not expected to be settled within 12 months after balance date it is presented as non current.

Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods for which the changes occur.

Other provision

This relates to office lease makegood provision. The amount recognised as a provision is the best estimate of the consideration required to settle.

Note 17. Contract liabilities

	2023 $ 000	2022 $ 000
Current liabilities		
Invoices issued/deposits received in advance	**11,142**	18,737

Contract liabilities are expected to be recognised as revenue in future periods as follows:

	2023 $ 000	2022 $ 000
Within 3 months	**4,340**	4,133
Over 3 months	**6,802**	14,604
Total	**11,142**	18,737

Accounting policy

Contract liabilities represent the Group's obligations to render services to a customer and reflects the value of advance payments made by customers who have been invoiced for services that will be provided in the future and are recognised when the customer pays consideration or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the services to a customer.

The Group does not disclose further qualitative information related to remaining performance obligations, as they are either part of a contract that has an original expected duration of one year or less; or the associated revenue is recognised in the amount of which the Group has a right to invoice.

Investment, capital and risk management

Note 18. Earn-out liability

	2023 $ 000	2022 $ 000
Current earn-out liability	3,750	–
Non-current earn-out liability	–	19,131
Total earn-out liability	3,750	19,131

Movement during the year:

	2023 $ 000	2022 $ 000
At the beginning of the period	19,131	18,359
Deemed interest	354	772
Earn-out adjustment (including foreign currency translation impact)	(15,735)	–
At the end of the period	3,750	19,131

The earn-out liability relates to the acquisition of Quadrant in September 2021. The liability was settled in January 2024 via the issue of 7,774,816 fully paid ordinary shares.

Note 19. Derivative financial instruments

	2023 $ 000	2022 $ 000
Current assets		
Forward foreign exchange contract	104	262

The Group uses forward foreign exchange contract to manage its exposure to foreign currency exchange risks. Derivatives are exclusively used for hedging purposes, i.e., not as trading or other speculative instruments.

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Further details are disclosed in Note. 21. Fair value measurement and Note 24. Financial risk management.

Note 20. Investments

During the year the Group has invested $0.5 million in exchange for a minority interest stake in Reka AI, Inc. (“Reka”), an AI model start-up specialising in the development of customised and powerful AI models for enterprise customers.

During the prior year, the Group invested GBP2.0 million in exchange for a minority interest stake in Mindtech Global Limited (“Mindtech”), a provider of synthetic data to create privacy-compliant edge cases.

These investments are carried at fair value as at 31 December.

		Fair value	
Investments	**Country of incorporation**	**2023 $ 000**	**2022 $ 000**
Mindtech	UK	**946**	2,418
Reka	USA	**500**	–
Total		**1,446**	2,418

Towards the end of 2023, Mindtech was undergoing a capital raising which was not fully completed at the date of this report. The latest enterprise valuation through this process indicated a $1.6 million decline in the fair value of Appen’s share of interest to $0.9 million as at 31 December 2023. The Group has reduced the Mindtech investment’s carrying value accordingly, with the unrealised loss recorded in the other comprehensive income. Other movements in the carrying value of this investment relate to foreign exchange translation.

Accounting policy

AASB 9 *Financial Instruments* allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Management has applied this election with respect to both investments. Any future dividends in respect of this investment that are a return on investment will be recognised in profit or loss and there is no impairment on disposal of the investment.

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Note 21. Fair value measurement

The following tables outlined the Group's assets and liabilities, measured and disclosed at fair value, using the three-level hierarchy based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

There were no transfers between categories for recurring fair value measurements during the year.

	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000	Total $ 000
31 December 2023				
Assets				
Forward foreign exchange contracts	**–**	**104**	**–**	**104**
Investments	**–**	**–**	**1,446**	**1,446**
Total assets	**–**	**104**	**1,446**	**1,550**
Liabilities				
Earn-out liability	**–**	**–**	**3,750**	**3,750**
Total liabilities	**–**	**–**	**3,750**	**3,750**
31 December 2022				
Assets				
Forward foreign exchange contracts	–	262	–	262
Investments	–	–	2,418	2,418
Total assets	–	262	2,418	2,680
Liabilities				
Earn-out liability	–	–	19,131	19,131
Total liabilities	–	–	19,131	19,131

Accounting policy

When an asset or liability is measured at fair value, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes the transaction will take place either in a principal or advantageous market.

Assets and liabilities measured at fair value are classified into the three levels discussed above. External valuers may be used for recurring and non-recurring fair value measurements when internal expertise is not available or the amount is material.

Note 22. Borrowings

The Group has no outstanding borrowings as at year end. The used and unused facilities are as follows:

	2023		2022	
Facilities	**Used at reporting date $ 000**	**Unused at reporting date $ 000**	**Used at reporting date $ 000**	**Unused at reporting date $ 000**
Facility A (Senior debt)	–	–	–	20,000
Facility B (Working capital)	–	**6,818**	–	13,640
Facility C (Acquisition funding)	–	–	–	24,137
Total facilities	–	**6,818**	–	57,777

Facility A and Facility B expired during 2023. Facility B was resized from A$20 million to $A10 million during the year and expired on 3 January 2024. Following the expiry of Facility B, there are no debt facilities in place.

Accounting policy

Loans and other borrowings are initially recognised at fair value of the consideration received, net of transaction costs.

They are subsequently measured at amortised cost using the effective interest method.

Note 23. Equity

Issued capital

	2023		2022	
Balance as at 31 December	**# of shares**	**$000**	**# of shares**	**$000**
Ordinary shares – fully paid	**211,467,054**	**320,435**	123,446,356	262,917

Movement in ordinary share capital

Details	**Date**	**# of shares**	**$ 000**
Balance as at	**31 December 2022**	**123,446,356**	**262,917**
Issue of shares on exercise of performance rights	27 February 2023	**872,705**	**–**
Issue of shares – institutional placement and entitlement offer	26 May 2023	**16,204,125**	**19,867**
Issue of shares – retail placement and entitlement offer	14 June 2023	**15,958,039**	**19,984**
Share issue transaction costs, net of tax	14 June 2023	**–**	**(1,428)**
Issue of shares on deferred STI	23 June 2023	**23,197**	**–**
Issue of shares on exercise of performance rights	30 June 2023	**140,136**	**–**
Issue of shares on exercise of performance rights	17 July 2023	**277,041**	**–**
Issue of shares – institutional placement and entitlement offer	4 December 2023	**22,996,263**	**8,457**
Issue of shares – retail placement and entitlement offer	15 December 2023	**31,549,192**	**11,576**
Share issue transaction costs, net of tax	15 December 2023	**–**	**(938)**
Balance as at	**31 December 2023**	**211,467,054**	**320,435**

Note 23. Equity (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

Capital is regarded as total equity, as recognised in the statement of financial position. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to improve liquidity.

The capital risk management policy remains unchanged from the prior year.

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the consolidated financial statements

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Note 23. Equity (continued)

Reserves

	2023 $ 000	2022 $ 000
Common control reserve	**(1,307)**	(1,307)
Foreign currency translation reserve	**(6,738)**	(8,019)
Share-based payments reserve	**34,902**	29,211
Profit reserve	**104,667**	106,267
Other reserves	**2,002**	2,002
Total reserves	**133,526**	128,154

Movement in each category of reserves are as follows:

	Common control reserve $ 000	Foreign currency translation reserve $ 000	Share-based payments reserve $ 000	Profits reserve $ 000	Other reserves $ 000	Total $ 000
Balance at 1 January 2023	**(1,307)**	**(8,019)**	**29,211**	**106,267**	**2,002**	**128,154**
Foreign currency translation	**–**	**1,281**	**–**	**–**	**–**	**1,281**
Unrealised loss on investment	**–**	**–**	**–**	**(1,600)**	**–**	**(1,600)**
Share-based payments	**–**	**–**	**5,691**	**–**	**–**	**5,691**
Transfer from accumulated losses	**–**	**–**	**–**	**–**	**–**	**–**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2023	**(1,307)**	**(6,738)**	**34,902**	**104,667**	**2,002**	**133,526**
Balance at 1 January 2022	(1,307)	(6,728)	27,719	111,286	2,002	132,972
Foreign currency translation	–	(1,291)	–	–	–	(1,291)
Share-based payments	–	–	1,492	–	–	1,492
Transfer from accumulated losses	–	–	–	–	–	–
Dividend paid	–	–	–	(5,019)	–	(5,019)
Balance at 31 December 2022	**(1,307)**	**(8,019)**	**29,211**	**106,267**	**2,002**	**128,154**

Common control reserve

The reserve represents the difference between the consideration transferred by the Company for the acquisition of commonly controlled entities and the existing book value of those entities immediately prior to the acquisition.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to US dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration.

Profits reserve

The Profits reserve represents current year profits transferred to a reserve to quarantine these profits from being appropriated against present or prior year losses. Any profits are available for the payment of future dividends.

Note 23. Equity (continued)

Other reserves

This reserve represents the equity settled portion of contingent consideration together with any capital raising expenses that are allocated to equity, in connection with the acquisition of Butler Hill.

Accumulated losses

	2023 $ 000	2022 $ 000
Accumulated losses at the beginning of the period	**(243,085)**	(4,017)
Loss after income tax for the period	**(118,079)**	(239,068)
Accumulated losses at the end of the period	**(361,164)**	(243,085)

Note 24. Financial risk management

The key financial risks faced by the Group are market risks (including foreign currency exchange risk, price risks and interest rate risk), credit risks and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group regularly reviews these risks and related policies to manage the use of financial instruments in mitigating the overall risk exposures to an acceptable level, as summarised below.

Risk	Exposure	Measurement	Management
Market risk – Foreign currency exchange	• Non-USD payments to suppliers • Non-USD receipts from customers	Cash flow forecast and sensitivity analysis	• Economic hedges • Treasury foreign exchange hedging policy
Market risk – Interest rate	• Floating interest payables on borrowings	Sensitivity analysis	• Hedging derivatives – interest rate swaps
Credit risk	• Cash at bank • Trade and other receivables • Derivative contracts	Ageing analysis and sensitivity analysis	• Customer and supplier due diligence policies • Treasury policy over financial instrument counterpart's credit rating
Liquidity risk	• Borrowings • Lease liabilities • Trade payables and other liabilities	Cash flow forecast and sensitivity analysis	• Regular cash flow forecast • Cash and credit facility management • Maintain funding flexibility

The Chief Financial Officer retains overall responsibility for management of financial risks for the Group under policies approved by the Board of Directors ("the Board"). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

Note 24. Financial risk management (continued)

Market risk

Foreign currency exchange

The Group's exposure is limited considering majority of the Group's revenue and assets are denominated in US dollars (USD), the same as its reporting currency. The Group still has certain transactions in foreign currencies, principally in relation to corporate head office costs and ASX listing associated costs in Australian Dollars (AUD).

Where appropriate, the Group utilises forward foreign exchange contract to mitigate such risks. The maturity, settlement amounts and the average contractual exchange rates of the Group's outstanding forward foreign exchange contracts and foreign exchange – collars at the reporting date were as follows:

	Purchase AUD		Forward exchange rate	
Foreign Exchange Forward Contracts	**2023**	**2022**	**2023**	**2022**
Sell USD				
Forward contract maturity:				
< 3 months	**4,889**	6,370	**1.4815**	1.4815
3–6 months	**4,889**	8,296	**1.4815**	1.4815
6–12 months	**–**	9,778	**–**	1.4815
> 12 months	**–**	9,778	**–**	1.4815

The period-end average exchange rates and reporting date exchange rates applied were as follows:

	Average rate		Reporting date rate	
Group applied foreign exchange rates	**2023**	**2022**	**2023**	**2022**
United States Dollars				
Australian Dollars	**1.5070**	1.4430	**1.4666**	1.4663
United Kingdom Pound Sterling	**0.8019**	0.8140	**0.7854**	0.8261
European Economic and Monetary Union Euro	**0.9236**	0.9521	**0.9060**	0.9338
Hong Kong Dollars	**7.8306**	7.8325	**7.8081**	7.8078
Philippine Pesos	**55.548**	54.538	**55.170**	55.732
Chinese Yuan	**7.0825**	6.7515	**7.0698**	6.8973
Japanese Yen	**141.37**	131.77	**140.99**	131.06
Singapore Dollars	**1.3418**	1.3785	**1.3192**	1.3403
Korean Won	**1,305.4**	1.291.0	**1,293.1**	1,261.4
Indian Rupee	**82.58**	–	**83.04**	–
Canadian Dollars	**1.3493**	–	**1.3247**	–

Note 24. Financial risk management (continued)

Foreign exchange risk recognises financial assets and financial liabilities denominated in a currency that is not the US dollar and the risk is measured using sensitivity analysis.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at reporting date were as follows, excluding intangible and fixed assets, intercompany and other non-monetary balances.

	Financial assets		Financial liabilities	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Australian Dollars	**8,477**	4,373	**199**	1,277
United Kingdom Pound Sterling	**1,814**	2,130	**197**	142
European Economic and Monetary Union Euro	**1,541**	2,386	**–**	–
Hong Kong Dollars	**–**	–	**13**	13
Philippine Pesos	**678**	663	**236**	385
Chinese Yuan	**13,823**	13,589	**4,861**	1,847
Japanese Yen	**1,999**	569	**198**	47
Singapore Dollars	**319**	318	**–**	–
Korean Won	**398**	118	**27**	1
Indian Rupee	**137**	–	**181**	–
Canadian Dollars	**191**	–	**–**	–
Total	**29,377**	24,146	**5,912**	3,712

	2023 $000	**2022 $000**
Net financial assets	**23,465**	20,434

Based on the above exposure, had the US dollar weakened by 10% or strengthened by 10% against these foreign currencies with all other variables held constant, the impact on the Group's profit/loss before tax for the year (excluding translation difference for consolidation purpose) and on the Group's equity would have been as follows:

		USD strengthened		USD weakened	
2023	**change %**	**Effect on profit before tax $000**	**Equity $000**	**Effect on profit before tax $000**	**Equity $000**
Australian Dollars	**10%**	**–**	**(828)**	**–**	**828**
United Kingdom Pound Sterling	**10%**	**(21)**	**(162)**	**21**	**162**
European Economic Monetary Union Euro	**10%**	**(16)**	**(154)**	**16**	**154**
Hong Kong Dollars	**10%**	**–**	**1**	**–**	**(1)**
Philippine Pesos	**10%**	**–**	**(44)**	**–**	**44**
Chinese Yuan	**10%**	**–**	**(896)**	**–**	**896**
Japanese Yen	**10%**	**(7)**	**(180)**	**7**	**180**
Singapore Dollars	**10%**	**(31)**	**(32)**	**31**	**32**
Korean Won	**10%**	**–**	**(35)**	**–**	**35**
Indian Rupee	**10%**	**–**	**4**	**–**	**(4)**
Canadian Dollars	**10%**	**–**	**(19)**	**–**	**19**
Total	**10%**	**(75)**	**(2,345)**	**75**	**2,345**

Note 24. Financial risk management (continued)

2022	change %	USD strengthened Effect on profit before tax $000	USD strengthened Equity $000	USD weakened Effect on profit before tax $000	USD weakened Equity $000
Australian Dollars	10%	–	(310)	–	310
United Kingdom Pound Sterling	10%	(9)	(194)	9	194
European Economic and Monetary Union Euro	10%	(73)	(239)	73	239
Hong Kong Dollars	10%	–	1	–	(1)
Philippine Pesos	10%	–	(28)	–	28
Chinese Yuan	10%	–	(1,174)	–	1,174
Japanese Yen	10%	(8)	(52)	8	52
Singapore Dollars	10%	(8)	(32)	8	32
Total	10%	(98)	(2,028)	98	2,028

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Price risk

The Group holds an insignificant amount of cryptocurrency assets which, prima facie, may be subject to price risk. Cryptocurrency is a core and integral part of Quadrant's business operations, as cryptocurrency is used to pay geolancers and some suppliers, because cryptocurrency provides various benefits to Quadrant, such as: (i) real-time settlement and (ii) allows for micropayments, because a lot of the tasks that geolancers perform involve small data volumes and hence small or micro payment amounts are provided as consideration. Cryptocurrency allows and can handle these small micropayments, with the added benefit of not imposing fees on the recipient. Cryptocurrency assets are classified as inventory and valued in these financial statements at the lower of cost and net realisable value.

Interest rate risk

The Group's main interest rate risk potentially arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. At the reporting date, the Group had no borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Generally, trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period greater than one year.

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2023, the Groups held cash and cash equivalents of $32.1 million (2022: $23.4 million).

Note 24. Financial risk management (continued)

Maturity of financial liabilities are summarised below, based on the contractual undiscounted cash flows. Balances due within one year equal their carrying values considering the discounting impact is insignificant.

2023 $000	Contractual maturities < 1 year	1–2 years	2–5 years	> 5 years	Total cash flows	Total carrying value
Non-derivatives						
Non-interest bearing						
Trade payables	**13,573**	**–**	**–**	**–**	**13,573**	**13,573**
Other payables	**13,659**	**–**	**–**	**–**	**13,659**	**13,659**
Interest-bearing – fixed rate						
Lease liability[1]	**3,323**	**2,636**	**7,519**	**522**	**14,000**	**12,434**
Total non-derivatives	**30,555**	**2,636**	**7,519**	**522**	**41,232**	**39,666**

2022 $000	Contractual maturities < 1 year	1–2 years	2–5 years	> 5 years	Total cash flows	Total carrying value
Non-derivatives						
Non-interest bearing						
Trade payables	22,431	–	–	–	22,431	22,431
Other payables	17,309	–	–	–	17,309	17,309
Interest-bearing – fixed rate						
Lease liability[1]	3,277	2,638	4,012	941	10,868	10,177
Total non-derivatives	43,017	2,638	4,012	941	50,608	49,917

1 Includes interest, weighted average at 6.24% (2022: 3.99%).

Other information

Note 25. Contingent liabilities

The Group has provided security for bank guarantees regarding contractual obligations on commercial real estate leases. The total amount is A$134,000 as at 31 December 2023 (2022: A$134,000).

The Company is a party to the Deed of Cross Guarantee entered into with various Group entities. The operation of the Deed of Cross Guarantee has the effect of joining the Company as a guarantor to the Group's commitments and contingencies. Further details are disclosed in Note 28. Deed of cross guarantee.

Note 26. Parent entity information

The Group's parent entity is Appen Limited, and its supplementary information are as follows:

Statement of profit or loss

	2023 $ 000	2022 $ 000
Profit/(loss) after income tax	**4,388**	(205,235)

Statement of financial position

	2023 $ 000	2022 $ 000
Total current assets	**2,848**	1,459
Total assets	**122,745**	63,157
Total current liabilities	**1,468**	1,247
Total liabilities	**1,468**	1,247
Net assets	**121,277**	61,910
Equity		
Issued capital	**320,435**	262,917
Share-based payments reserve	**34,902**	29,211
Profits reserve	**7,355**	7,355
Translation reserve	**(33,592)**	(25,362)
Other reserves	**2,002**	2,002
Accumulated losses	**(209,825)**	(214,213)
Total equity	**121,277**	61,910

The accounting policies of the parent entity are consistent with those of the Group, except for that investments in subsidiaries are measured at cost in the parent entity.

The parent entity had a deed of cross guarantee in relation to the debtors of its subsidiaries in the prior year and as at 31 December 2023. Further information are disclosed in Note 28. Deed of cross guarantee.

The parent entity had no contingent liabilities and no significant capital commitments as at 31 December 2023.

Notes to the consolidated financial statements

for the year ended 31 December 2023

Note 27. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2. Basis of preparation.

		Interest %	
Entity	**Country of incorporation**	**2023**	**2022**
Appen AI Pty Ltd [2]	Australia	**100%**	100%
Appen Financial Services Pty Ltd	Australia	**100%**	100%
Appen AI Inc [1,3]	United States of America	**100%**	100%
Leapforce Inc.	United States of America	**100%**	100%
RaterLabs Inc.	United States of America	**100%**	100%
Figure Eight Technologies Inc.	United States of America	**100%**	100%
Figure Eight Federal LLC	United States of America	**100%**	100%
Appen AI Europe Limited [1]	Ireland	**100%**	100%
Appen (UK) Limited [1]	United Kingdom	**100%**	100%
Mendip Media Group Limited	United Kingdom	**100%**	100%
Appen Butler Hill Limited [1]	Hong Kong	**100%**	100%
Beijing Appen Technology Co., Ltd [1]	China	**100%**	100%
Appen Technology (Wuxi) Co. Ltd	China	**100%**	100%
Appen Data Technology (Shanghai) Co. Ltd	China	**100%**	100%
Appen Limited Korea [1]	Korea	**100%**	100%
Appen Japan Pty Ltd [1]	Japan	**100%**	100%
Quadrant Pte Ltd [1]	Singapore	**100%**	100%
Quadrant Protocol Ltd [1]	British Virgin Islands	**100%**	100%
Appen Canada Limited [1]	Canada	**100%**	–
Appen AI India Private Limited [1]	India	**100%**	–

1 Wholly owned subsidiaries of Appen AI Pty Ltd (previously by entity name Appen Butler Hill Pty Limited).
2 Entity name changed from Appen Butler Hill Pty Limited to Appen AI Pty Ltd on 21 May 2023.
3 Entity name changed from Appen Butler Hill Inc. to Appen AI Inc on 29 May 2023.

Accounting policy

The consolidated financial report incorporates all of the assets, liabilities and results of Appen Limited and all of the subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date control is obtained by the Group. Acquisition of subsidiaries are accounted for using the acquisition method of accounting. A change in ownership interest without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised as directly attributable to the parent.

The consolidation of a subsidiary is discontinued from the date control ceases. When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Intercompany transactions, balances and unrealised gains or losses on transactions between Group members/subsidiaries are fully eliminated on consolidation. Accounting policies of subsidiaries are regularly reviewed and adjusted where necessary to ensure uniformity of the accounting policies adopted by the Group.

Note 28. Deed of cross guarantee

The following subsidiaries together with the parent entity are parties to a Deed of Cross Guarantee under which each party has guaranteed to pay any deficiency in the event of the winding up of any of the members in the Closed Group. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785.

- Appen AI Pty Ltd (entity name changed from Appen Butler Hill Pty Limited on 21 May 2023)
- Appen Financial Services Pty Ltd

The consolidated statement of profit or loss and financial position of the entities that are members of the Closed Group is as follows:

Statement of profit or loss and other comprehensive income

	2023 $ 000	2022 $ 000
Revenue	**43,883**	55,864
Expenses		
Crowd service costs	**(3,765)**	(7,675)
Employee expenses	**(17,818)**	(23,689)
Recruitment costs	**(754)**	(2,034)
Professional fees	**(2,288)**	(2,067)
Information technology costs	**(1,591)**	(1,201)
Communication and travel expenses	**(1,020)**	(1,388)
Other expenses	**(7,343)**	(9,692)
Depreciation and amortisation	**(3,508)**	(4,206)
Share-based payments expense	**(1,578)**	569
Net foreign exchange gain/(loss)	**(2,873)**	15,494
Transaction costs	**(519)**	(1,209)
Restructure costs	**(1,959)**	(21)
Finance costs	**(660)**	(721)
Deemed interest on earn-out liability	**(354)**	(772)
Earn-out adjustment	**15,994**	–
Impairment	**(4,079)**	(204,326)
Profit/(loss) before income tax	**9,768**	(187,074)
Income tax (expense)/benefit	**(37)**	350
Profit/(loss) after income tax	**9,731**	(186,724)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**6,530**	14,798
Other comprehensive income for the period, net of tax	**6,530**	14,798
Total comprehensive profit/(loss) for the period	**16,261**	(171,926)

Notes to the consolidated financial statements

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Note 28. Deed of cross guarantee (continued)

Statement of financial position

	2023 $ 000	2022 $ 000
Assets		
Current assets		
Cash and cash equivalents	**2,842**	1,947
Trade and other receivables	**3,788**	6,036
Contract assets	**3,774**	–
Inventory	**1,069**	650
Prepayments and other assets	**2,768**	1,049
Income tax receivables	**1,760**	2,256
Derivative financial instruments	**104**	262
Total current assets	**16,105**	12,200
Non-current assets		
Prepayments and other assets	**14**	424
Intangible assets	**7,251**	9,246
Plant and equipment	**157**	1,363
Lease right of use assets	**756**	4,081
Deferred tax assets	**7,251**	7,560
Investments accounted for using the equity method	**3,095**	3,095
Intercompany transactions	**148,523**	88,738
Total non-current assets	**167,047**	114,507
Total assets	**183,152**	126,707
Liabilities		
Current liabilities		
Trade and other payables	**4,254**	5,876
Provisions	**777**	1,322
Contract liabilities	**4,698**	3,374
Lease liabilities	**966**	–
Total current liabilities	**10,695**	10,572
Non-current liabilities		
Trade and other payables	**306**	507
Lease liabilities	**3,453**	4,730
Earn-out liability	**3,750**	19,131
Deferred tax liabilities	**3,511**	4,109
Total non-current liabilities	**11,020**	28,477
Total liabilities	**21,715**	39,049
Net assets	**161,437**	87,658
Equity		
Issued capital	**320,435**	262,917
Reserves and retained earnings	**(158,998)**	(175,259)
Total equity	**161,437**	87,658

Note 29. Related party transactions

Parent entities

Appen Limited is the parent entity. Supplementary information of the parent entity is disclosed in Note 26.

Subsidiaries

Interests in subsidiaries are set out in Note 27.

Key management personnel compensation

Detailed disclosure relating to key management personnel (KMP) are disclosed in the remuneration report included in the Directors' Report.

The aggregate remuneration received/receivable by the Directors and other key management personnel of the Group is as follows:

	2023 $	**2022 $**
Short-term benefits	**1,750,025**	1,957,104
Post-employment benefits	**280,730**	400,432
Long-term benefits	**78,973**	69,547
Share-based payments	**2,634,705**	(1,552,631)
Total compensation	**4,744,433**	874,452

Detailed remuneration disclosures are contained in the remuneration report.

Loans to/from related parties

There were no formal loans to or from related parties during the year or the prior year.

Note 30. Share-based payments

The Group provides benefits to employees (including key management personnel) of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through shares or rights over shares. These share-based payments are settled via equity and the expense arising from these transactions is recorded and disclosed in the consolidated statement of profit or loss.

Performance rights – Long-term incentive plan

Appen has two LTI schemes: 1) Core Executive LTI scheme which aligns with Australian market practice and 2) Global Executive LTI scheme is tailored to the North American market.

The Core Executive LTI scheme is 100% performance and service hurdle-based with all LTI vesting at the end of year three, subject to hurdle requirements relating to key performance metrics and tenure with no re-testing.

The Global Executive LTI scheme is tailored to the North American market with 50% of rights issued subject to a time-based vesting condition only, that vest annually. The remaining 50% is subject to the same performance-based hurdles that apply to Core Executives and these rights may vest after three years, like the Core Executive LTI scheme. It also contains the continuation of employment service condition.

Performance rights lapse on cessation of employment before vesting and no performance rights would be granted under such circumstances, even if the relevant performance hurdles are met.

For rights to vest for Executive KMP, the requirements are disclosed in detail in the remuneration report. The vesting levels for the achievement of targets are summarised as follows:

Absolute TSR[1] over the performance period	% of Rights that vest
TSR is below 190%	Nil
TSR is 190%	50%
TSR is between 190% and 320%	Pro-rata straight line vesting between 50% and 100%
TSR is greater than or equal to 320%	100%

1 Absolute Total Shareholder Return (aTSR) is defined as growth in the price of shares (modified to account for capital adjustments where appropriate) together with the value of the dividends over the performance period, assuming that all those dividends are re-invested into new shares. The aTSR is measured over the three-year vesting period.

The following tables set out an overview of all performance rights granted under the existing plans:

Year ended 31 December 2023 Plans and number of rights	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2019	121,459		(2,640)	(118,096)	723
2020	227,448		(72,117)	(138,728)	16,603
2021	583,641		(16,266)	(164,187)	403,188
2022	3,830,336		(921,818)	(1,983,467)	925,051
2023	–	18,346,408	(277,041)	(6,149,550)	11,919,817
	4,762,884	**18,346,408**	**(1,289,882)**	**(8,554,028)**	**13,265,382**

Year ended 31 December 2022 Plans and number of rights	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2019	518,733		(185,081)	(212,193)	121,459
2020	720,824		(96,841)	(396,535)	227,448
2021	787,775		(84,589)	(119,545)	583,641
2022	–	5,044,566	–	(1,214,230)	3,830,336
	2,027,332	**5,044,566**	**(366,511)**	**(1,942,503)**	**4,762,884**

The fair value of the performance rights has been measured based on the share price at the date of the grant less the present value of the future dividend stream. The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.30 years (2022: 1.33 years).

Notes to the consolidated financial statements

for the year ended 31 December 2023

Note 30. Share-based payments (continued)

An overview of the 2023 performance rights granted to employees including KMPs is disclosed in the following table.

Plan	Grant date	Expiry date	Exercise price	Tranche	Performance measurement	Performance target	Performance target measurement date	Target achieved	Vesting condition	Vesting date	Value per right at grant date
One-off sign on LTI	9 Jan 23	N/A	N/A	1–11	N/A	No performance condition	N/A	Yes	Employed at 9 Feb 23 –9 Dec 23	14 Jul 23 / Release of 23 results	$2.67
One-off sign on LTI	9 Jan 23	N/A	N/A	12–24	N/A	No performance condition	N/A	Pending	Employed at 9 Jan 24 –9 Jan 25	Release of 23 results / Monthly from 9 Mar 2024	$2.67
2023 One-time	9 Jan 23	N/A	N/A	1	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	$2.67
2023	1 Mar 23	N/A	N/A	1	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 24	Release of 23 results	$2.25
2023	1 Mar 23	N/A	N/A	2	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	$2.25
2023	1 Mar 23	N/A	N/A	3	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 26	Release of 25 results	$2.25
2023	1 Mar 23	N/A	N/A	4	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	$2.25
2023	22 May 23	N/A	N/A	1	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 24	Release of 23 results	$2.34
2023	22 May 23	N/A	N/A	2	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	$2.34
2023	22 May 23	N/A	N/A	3	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 26	Release of 25 results	$2.34
2023	22 May 23	N/A	N/A	4	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	$2.34
2023	24 May 23	N/A	N/A	1	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 24	Release of 23 results	$2.23
2023	24 May 23	N/A	N/A	2	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	$2.23
2023	24 May 23	N/A	N/A	3	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 26	Release of 25 results	$2.23
2023	24 May 23	N/A	N/A	4	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	$2.23
2023	26 Sep 23	N/A	N/A	1	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 24	Release of 23 results	$1.23
2023	26 Sep 23	N/A	N/A	2	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 25	Release of 24 results	$1.23
2023	26 Sep 23	N/A	N/A	3	N/A	No performance condition	N/A	Pending	Employed at 1 Jan 26	Release of 25 results	$1.23
2023	26 Sep 23	N/A	N/A	4	aTSR	190%	31 Dec 25	Pending	Employed at 1 Jan 26	Release of 25 results	$1.23

Note 30. Share-based payments (continued)

Accounting policy

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity – share-based payment reserve, over the vesting period of the awards.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest.

No expense is recognised for awards that do not ultimately vest due to a non-market performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market performance condition not being met.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and accrual outcomes.

Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company, and its network firms:

	2023 $	2022 $
Audit and review services		
Audit or review of the financial statements – Group	**365,435**	309,924
Audit of the financial statements-controlled entities	**25,145**	23,362
Total audit services	**390,580**	333,286
Other services		
Tax compliance services – transfer pricing	**86,262**	150,450
Other services	**238,395**	7,256
Total non-audit services	**324,657**	157,706
Total audit and non-audit services	**715,237**	490,992

Note 32. Events after the reporting period

Material customer loss

On 22 January 2024, the Board announced that Appen received notification on Saturday, 20 January 2024 AEDT from a material customer, Google LLC, that as part of a strategic review process it will be terminating its global inbound services contract with Appen, resulting in the cessation of all projects with Appen by 19 March 2024. Appen had no prior knowledge of Google's decision to terminate the contract.

Revenue recognised for the year ended 31 December 2023 relating to Google LLC was $82.8 million at 26% gross margin. Gross margin refers to revenue less crowd expenses.

Implementation of cost saving measures

On 12 February 2024, the Board announced that Appen will implement measures to achieve $13.5 million in annualised cost savings. The cost initiatives represent direct and indirect costs associated with the delivery of Google LLC projects.

Appen expects to complete 80% of the cost initiatives by March 2024 and the remainder by June 2024. The bulk of the costs are direct costs, however indirect costs have been further scrutinised resulting in the eventual closure of the Toronto and Bellevue offices in North America.

The first full year benefit of these cost savings is expected to be realised in FY25. The one-off costs associated with implementing the cost reduction initiatives are expected to be approximately $1.5 million to $2.5 million and will be reported as a non-recurring expense and excluded from underlying EBITDA for FY24.

Appointment of Chief Executive Officer

On 5 February 2024, Appen announced the appointment of Ryan Kolln, formerly the Chief Operating Officer (COO) as CEO and Managing Director.

Armughan Ahmad stepped down from his role as CEO, President and Managing Director on 5 February 2024. Mr Ahmad will receive his statutory entitlements and payment in lieu of notice (12 months – US$600,000).

Mr Ahmad's LTI grant was forfeited upon his termination. The board exercised its discretion and no STI was awarded to Mr Ahamd. However, Mr Ahamd's share-based sign-on bonus will remain on-foot and continue to vest in accordance with the terms of this contract.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28 to the financial statements.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Richard Freudenstein
Non-executive Chair

27 February 2024
Sydney

Independent auditor's report

to the shareholders of Appen Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Appen Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of material accounting policies;
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2, "Going Concern" in the financial report. The conditions disclosed in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Group's plans to manage business performance and working capital to address going concern;
- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the recent history of loss making operations;
- Determining the completeness of the Group's going concern disclosures for the principal matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Independent auditor's report

to the shareholders of Appen Limited

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Valuation of Goodwill

Refer to Note 12 to the Financial Report

The key audit matter

The Group's annual testing of goodwill for impairment is a key audit matter, due to the size of the balance and the increased judgement applied by us when evaluating the forward-looking assumptions including:

- Forecast cash flows, revenue growth rates and terminal value growth rates of the Group, which has experienced a history of operating losses. This impacted the Group through a reduction in the demand for services, loss in revenue and margin pressure; and
- Discount rates which are complicated in nature and vary according to the conditions and environment the specific cash generating unit (CGU) is subject to.

In addition to the judgements described above, the Group's model is highly sensitive to small changes in these assumptions, reducing available headroom, or increasing impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.

The Group uses complex models to perform their annual testing of goodwill for impairment. The model uses adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions increase the possibility of goodwill being impaired, which necessitates additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.
- We assessed the integrity of the value in use model used, and the accuracy of the underlying calculations.
- We checked the forecast cash flows in the Group's value in use model to the Board approved FY24 budget;
- We assessed the accuracy of the Group's previous forecasts to inform our evaluation of forecasts incorporated in the model. We applied increased scepticism to assumptions in areas where previous forecasts were not achieved;
- We challenged the Group's forecast cash flows, revenue growth rates and terminal value growth rates assumptions and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry understanding;
- We independently developed a discount rate range using publicly available data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in;
- We considered the sensitivity of the models by varying key assumptions, such as revenue growth rates, terminal value growth rates and discount rates within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We then identified those assumptions at a higher risk of bias to focus our further procedures; and
- We assessed the Group's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Independent auditor's report

to the shareholders of Appen Limited

Other Information

Other Information is financial and non-financial information in Appen Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf
This description forms part of our Auditor's Report.

Independent auditor's report

to the shareholders of Appen Limited

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Appen Limited for the year ended 31 December 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 62–85 of the Directors' report for the year ended 31 December 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Cameron Slapp
Partner

Sydney
27 February 2024

Additional information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 01 February 2024.

Distribution of shareholders

The distribution of issued capital is as follows:

Size of holding	Number of shareholders	Ordinary shares	% of issued capital
100,001 and over	183	133,691,296	60.98
10,001 to 100,000	1,717	47,451,154	21.64
5,001 to 10,000	1,562	11,431,502	5.21
1,001 to 5,000	8,045	18,762,905	8.56
1 to 1,000	27,309	7,905,013	3.60
Total	**38,816**	**219,241,870**	**100.00**

Distribution of performance rights holders

The distribution of unquoted performance rights on issue is as follows:

Size of Holding	Number of performance rights holders	Unlisted performance rights	% of total performance rights
100,001 and over	16	10,385,897	77.87
10,001 to 100,000	86	2,380,138	17.85
5,001 to 10,000	33	248,587	1.86
1,001 to 5,000	115	296,077	2.22
1 to 1,000	49	26,668	0.20
Total	**299**	**13,337,367**	**100.00**

The performance rights on issue are unquoted and have been issued under our employee incentive scheme.

Distribution of warrant holders

The distribution of unquoted performance rights on issue is as follows:

Size of Holding	Number of performance rights holders	Unlisted performance rights	% of total performance rights
100,001 and over	1	2,591,598	54.41
10,001 to 100,000	0	0	0.00
5,001 to 10,000	0	0	0.00
1,001 to 5,000	0	0	0.00
1 to 1,000	0	0	0.00
Total	**1**	**2,591,598**	**54.41**

The warrants on issue are unquoted and were issued in connection with the acquisition of Quadrant.

Additional information

Less than marketable parcels of ordinary shares

There are 30,174 shareholders with unmarketable parcels, holding 11,604,797 shares.

Twenty largest shareholders

The names of the twenty largest shareholders of quoted equity securities are as follows:

		Ordinary shares	
		Number held	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	23,248,231	10.60
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,137,923	5.08
3	C & J VONWILLER PTY LTD <VONWILLER FAMILY A/C>	9,600,827	4.38
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,940,253	4.08
5	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	5,826,865	2.66
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	3,988,327	1.82
7	MICHAEL ANDREW DAVIE	3,925,865	1.79
8	BNP PARIBAS NOMS PTY LTD	3,821,153	1.74
9	MS BO XU	3,006,576	1.37
10	MS HUA LU	2,926,833	1.33
11	PENG CHENG INVESTMENT PTY LTD <PENG CHENG INVESTMENT A/C>	2,850,000	1.30
12	MATTHEW WONG INVESTMENTS (AUS) PTY LTD <MATTHEW WONG INV (AUS) F A/C>	2,802,386	1.28
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	2,632,066	1.20
14	NATIONAL NOMINEES LIMITED	2,228,095	1.02
15	QY LONG RIVER PTY LTD	2,106,326	0.96
16	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	2,039,314	0.93
17	PACIFIC CUSTODIANS PTY LIMITED APX PLANS CTRL A/C	1,508,716	0.69
18	MR GUOXIN HU	1,200,000	0.55
19	MS DONGMEI CHEN	1,100,000	0.50
20	FINCLEAR PTY LTD <SUPERHERO SECURITIES A/C>	868,683	0.40
		95,758,439	**43.68**
	Remaining quoted equity securities	**123,483,431**	**56.32**
	Total number of ordinary shares on issue	**219,241,870**	**100.00**

Unquoted equity securities

The Company had the following unquoted securities on issue as at 01 February 2024:

	Number on issue	Number of holders
Performance rights	13,337,367	299
Warrants	2,591,598	1

Additional information

Substantial shareholders

The names of the substantial shareholders as disclosed in notices submitted to the ASX as at 01 February 2024 are:

		Ordinary shares	
Date of last notice received	**Shareholder**	**Number held**	**% of issued capital**
23 January 2024	Bank of America Corporation	11,471,576	5.23
18 December 2023	Mitsubishi UFJ Financial Group, Inc	13,380,447	6.33
8 December 2023	First Sentier Investor Holdings Pty Limited	13,271,154	7.38
26 May 2023	C & J Vonwiller Pty Limited	9,060,083	6.14

Restricted securities

The Company had 23,197 restricted securities on issue as at 01 February 2024.

Voting rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

Holders of performance rights have no voting rights.

On-market buy-backs

There is no current on-market buy-back in relation to the Company's securities.

Materiality assessment

This year, our materiality assessment was a three-step process.

Identify	We **identify** our most material issues by considering Appen's economic, environmental, and social impacts and the risks associated with these. In determining what issues are most material to our business we consider the following: 1 existing and emerging ESG issues 2 relevant ESG frameworks, assessments and standards 3 topics in the media impacting our industry 4 changes to our key and emerging risks 5 feedback captured from internal and external stakeholders
Evaluate	We **evaluate** each material issue based on its importance to Appen's business and to our stakeholders. We typically engage with each stakeholder group during the year through many forums such as face-to-face and virtual meetings, surveys and by responding to queries and concerns. Through this process we have identified **26** material issues on which we report. We have also identified and reported on other important issues and risks that are of interest to our stakeholders.
Review and report	Our Risk, Trust and Safety team and senior management, and the Board **review** our materials issues. Our material issues provide a basis of what we **report** and how we measure our success by the outcomes we deliver through our six value drivers. We also corroborate the material issues raised with our risk reporting and ensure they are incorporated into the appropriate risk registers.

Value driver	2023 material issues	Principle risks	Page reference
Technology, processes and systems	• Data security and governance • Cyber security • Technology innovation • Protection of intellectual property • Managing technology disruptions and business continuity • Platform availability	→ Investment in technology innovation and transformation → Compliance with security privacy and other data regulations	12–14
Global crowd	• Fair pay, treatment and wellbeing • Crowd diversity and inclusion • Crowd integrity	→ Crowd conditions → Crowd supply meets customer demand	15–17
Customer and brand	• Customer experience and satisfaction • Innovative customer solutions • Customer concentration	→ Changing customer strategy and needs → Ability to execute on operational requirements	18–21
Our people	• Culture and engagement • Diversity, equity and inclusion • Talent attraction and retention • Wellbeing and safety • Workplace training and development	→ Talent strategy and employee value proposition	22–26
Financial	• Sustainable earnings • Ongoing customer demand for data • Evolution of the AI market	→ Strategic direction of business – Capture potential of generative AI – Implement turnaround	27–31
Social and environment	• Responsible AI • Environmental impact and climate change • Corporate Governance • Corporate citizenship and reputation • Labour and Human rights • Supply chain management	→ Compliance with legal, statutory and ethical obligations → Environmental, social and governance (ESG) risks and performance	32–38

Prioritised United Nations Sustainable Development Goals

Sustainable Development Goals (SGDs)	Playing our part
9 Industry innovation and infrastructure	Our services support technology development, research and innovation across the globe, many of which are used to increase access to technology in developing countries.
8 Decent work and economic growth	Our work from anywhere model provides income generating opportunities for individuals whose personal circumstances make it difficult for them to access traditional employment. For many communities, the ability to access digital work through our platform has unlocked a new world of possibilities for economic development, skills training, and the ability to participate in the digital economy.
10 Reduced inequalities	We believe in digital equality through responsible AI practices. By ensuring training data is representative of the real world this reduces the potential for technology to introduce further bias and discrimination to underrepresented and marginalised communities. Our diverse global crowd is fundamental to ensuring this and we continue to invest in research to ensure that our crowd reflects the real world.
5 Gender equality	We believe in opportunities for all and embed this in our day-to-day practices as guided by our Diversity Policy. We have a 50% gender balance across our board and looking to increase female representation in our senior management team.
13 Climate action	We believe we can help drive the global net zero agenda by playing our part and have committed to the following: • Net zero across our operations and supply chain by 2030 • Becoming a signatory to the SBTi

Non-financial data metrics

People

Employee Engagement[1]

	2020	2021	2022	2023
Score (%)	82	76	78	**75**

1 Measures the likelihood of full time permanent employees (including those in PEOS) referring a friend or colleague to Appen based on their employee experience. The scale is a 5 point Likert resulting in 1–2 Detractor, 3 Passive and 4–5 Promoter. NPS is calculated by subtracting the % of total detractors from the % of total promoters. Survey results are provided by Workday Peakon.

Training hours[1]

	2020	2021	2022	2023
Total training hours	29,380	32,527	41,665	**35,156**

1 Data from Appen University.

Mandatory training completion rates[1]

	2020	2021	2022	2023
Compliance courses (%)	–	91	91	**95**

1 Data from Appen University.
2 Appen University was setup in 2019, however was not consistently tracked until 2021.

Employee demographics – gender[1]

	2020	2021	2022	2023
Female				
Overall workforce (%)	58	58	57	**55**
Board director (%)	43	50	50	**50**
Executive Team/SVP (%)	13	30	30	**22**
Vice President (%)	25	28	32	**35**
Senior Director (%)	50	53	63	**47**
Director (%)	60	41	45	**40**
Manager (%)	61	60	57	**61**
Male				
Overall workforce (%)	42	42	43	**45**
Board director (%)	57	50	50	**50**
Executive Team/SVP (%)	87	70	70	**78**
Vice President (%)	75	72	68	**65**
Senior Director (%)	50	47	37	**53**
Director (%)	40	59	55	**60**
Manager (%)	39	40	43	**39**

1 HR report for all employees generated from Workday. Refer to link https://appen.com/company-about-us/#Leadership for percentage on Board director.

Non-financial data metrics

Employee demographics – ethnicity[1]

US Only

Breakdown	2022 Share of total workforce (%)	2022 Share in all mgmt. positions (%)	2023 Share of total workforce (%)	2023 Share in all mgmt. positions (%)
Asian	21.5	22.0	**18.1**	**13.2**
Black or African American	6.5	2.0	**0.6**	**0.0**
Hispanic or Latino	4.3	2.0	**3.6**	**4.0**
White	54.8	64.0	**59.5**	**65.7**
Indigenous or Native	0.0	0.0	**0.0**	**0.0**
Other	12.9	10.0	**4.8**	**6.6**
Not disclosed	0.0	0.0	**13.4**	**10.5**

1 HR report for all permanent employees generated from Workday.

All regions

Breakdown	2022 Share of total workforce (%)	2022 Share in all mgmt. positions (%)	2023 Share of total workforce (%)	2023 Share in all mgmt. positions (%)
Asian	40.9	32.5	**41.5**	**37.9**
Black or African American	1.5	0.6	**0.1**	**0.0**
Hispanic or Latino	1.0	0.6	**1.1**	**1.0**
White	16.9	21.4	**19.5**	**21.2**
Indigenous or Native	0.0	0.0	**0.0**	**0.0**
Other	3.6	3.3	**1.6**	**2.2**
Not disclosed	36.1	41.6	**36.2**	**37.7**

Crowd

Crowd NPS[1]

	2020	2021	2022	2023
Score (%)	47	40	31	**27**

1 Measures the likelihood of crowd contractors to recommend Appen to a friend or colleague, according to a scale of 1–10 where 10 means extremely likely (0–6 Detractor, 7–8 Passive, 9–10 Promoter). NPS is calculated by subtracting the % of total detractors from the % of total promoters. Scores can range from -100 to +100. Source: Cascade Insights.

Customer

Customer NPS[1]

	2020	2021	2022	2023
Score (%)	Not disclosed	Not disclosed	22	**35**

1 Measures the likelihood of Customer to recommend Appen to a friend or colleague, according to a scale of 1–10 where 10 means extremely likely (0–6 Detractor, 7–8 Passive, 9–10 Promoter). NPS is calculated by subtracting the % of total detractors from the % of total promoters. Scores can range from -100 to +100. Source: ChurnZero.

Non-financial data metrics

Environment

Geographic distribution of emissions (Scope 1 and 2)[1,2]

	Gas (MWh)	Electricity (MWh)	Electricity -renewable (MWh)	Scope 1 tCO_2e	Scope 2 tCO_2e	Scope 2 (location based) tCO_2e
Australia	–	36.7	18.3	–	24.9	37.4
US and Canada	578.8	1,014.2	–	104.9	311.6	295.7
China and Japan	1,033.6	651.1	–	187.3	560.1	560.1
UK	94.6	–	44.7	17.2	–	9.3
Philippines	–	1,154.5	–	–	734.3	734.3
Total	1,707.0	2,856.5	63	309.4	1,630.9	1,636.8

1 Greenhouse Gas (GHG) emissions for scope 1 and 2 are calculated based on the GHG Protocol.
2 Electricity and Gas consumptions are based on utility bills (if available) or estimation by leased floor area.

Scope 3[1]

Category	Description	Emissions
Category 1 – Purchased goods and services[2]	Suppliers and Crowd contractors	9,974
Category 5 – Waste generated in operations[3]	Disposal and treatment of waste generated in the company's operations	33
Category 6 – Business travel[4]	Business flights and accommodation	2,062
Category 7 – Employee commuting[5]	Employees commuting between their homes and their worksites and employees working from home	425
Category 11 – Use of sold products[6]	End use of goods and services sold	2

1 Scope 3 categories and GHG emissions are calculated based on GHG Protocol Scope 3 value chain reporting.
2 Estimated emissions based on supplier spend data and crowd contractors' work hours in 2023.
3 Estimated waste generation based on employee attendance in 2023.
4 Based on business travel information retrieved from travel agency Egencia, Navan and credit card bookings. Estimated emissions are calculated using web-based calculators for flight (provided by International Civil Aviation Organisation (ICAO)) and hotel (provided by Greenview).
5 Based on employee attendance in 2023.
6 Based on carbon footprint report from Amazon Web Service, our third-party cloud service provider.

Technology

	2020	2021	2022	2023
Data privacy breaches (number)[1]	1	0	0	**0**
System availability[2] (%)	99.98	99.9	99.9	**99.9**

1 Based on report from Legal Team.
2 Based on report from third-party website monitoring company, StatusCake.

Governance

	2020 $	2021 $	2022 $	2023 $
Political donations[1]	0	0	0	**0**

1 Based on financial data from Workday.

Social

Philanthropic donations[1]

	2020 $	2021 $	2022 $	2023 $
Matched Contributions	Not disclosed	Not disclosed	25,953	**9,393**
Campaigns	Not disclosed	Not disclosed	18,628	**8,093**

1 Based on Employee Services Committee (ESC) donation report.

Corporate directory

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Company secretary

Carl Middlehurst

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Shareholder enquiries

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Auditor

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Stock exchange listing

Appen Limited shares are listed on the Australian Securities Exchange (ASX code: APX)

Corporate Governance Statement

www.appen.com/corporate-governance

Appen