

**APPEN LIMITED**

**ACN 138 878 298**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Shareholders of Appen Limited (the **Company**) will be held at the offices of KPMG, Level 38, Tower 3, 300 Barangaroo Avenue, Sydney NSW 2000 on 18 May 2018 at 10.00am (AEST) (**Meeting**).

The Explanatory Notes to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Notes and the Proxy Form form part of this notice.

**BUSINESS OF THE MEETING**

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**Item 1: Financial Statements and Reports**

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 December 2017.

**Item 2: Remuneration Report**

To consider and, if thought fit, to pass the following resolution:

*"To adopt the Remuneration Report for the year ended 31 December 2017."*

**Notes:**

- (i) In accordance with section 250R of the Corporations Act 2001, the vote on this resolution will be advisory only and will not bind the directors or the Company.
- (ii) A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

**Item 3: Re-election of Director – Mr Stephen Hasker**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Stephen Hasker, being a Director who is retiring in accordance with clause 68 of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."*

**Item 4: Ratification of the issue of Shares**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 7,098,171 fully paid ordinary shares on the terms and conditions set out in the Explanatory Notes."*

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

**Item 5: Approval of the Appen Long Term Incentive Plan Terms and Conditions and the subsequent issue of securities under that plan**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That for the purposes of Listing Rule 7.2, Exception 9(b), and for all other purposes, shareholders approve the Appen Long Term Incentive Plan Terms and Conditions and the subsequent issue of securities under that plan, on the terms and conditions outlined in the Explanatory Notes."*

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

**Item 6: Grant of Performance Rights to Mr Mark Brayan, Managing Director and Chief Executive Officer**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant and issue of 223,153 Performance Rights to Mr Mark Brayan, the Chief Executive Officer and Managing Director of the Company, and the subsequent issue of Shares on the vesting of such Performance Rights, on the basis set out in the Explanatory Notes to this Notice of Meeting."*

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

**Item 7 – Non-executive Directors' Remuneration**

To consider and if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 10.17 and for all other purposes, effective from the close of the Meeting the total amount that may be paid in aggregate and in any one year by the Company to the non-executive Directors as remuneration for services be increased by \$350,000, from \$450,000 to \$800,000."*

## ENTITLEMENT TO VOTE

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The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company as at 7.00pm (AEST) on Wednesday 16 May 2018 (**Entitlement Time**).

This means that if you are not the registered holder of a Share in the Company at the Entitlement Time, you will not be entitled to vote at the Meeting.

## ANNUAL REPORT

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Copies of the Company's full Annual Report may be accessed at our website [www.appen.com](http://www.appen.com) and clicking on the Investors tab.

## VOTING OPTIONS AND PROXIES

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If you do not plan to attend the Meeting in person, you are encouraged to complete and return the Proxy Form that accompanies this Notice of Annual General Meeting.

### Voting by Proxy

A Shareholder who is entitled to attend and vote at this Meeting is entitled to appoint not more than two proxies to attend and vote in place of the shareholder.

If the Shareholder appoints two proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the Shareholder's votes. If the specified proportion or number of votes exceeds that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

A proxy need not be a Shareholder of the Company. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Subject to the specific proxy provisions applying to Items 2, 5, 6 and 7 (see the Explanatory Notes below):

- If a Shareholder has not directed their proxy how to vote, the proxy may vote as the proxy determines; and
- If a Shareholder appoints the Chair of the Meeting as proxy and does not direct the Chair how to vote on an item of business, the Chair will vote in accordance with his voting intention as stated in this Notice of Meeting.

### Proxy Voting by the Chair

For Item 2 (Remuneration Report), Item 5 (Approval of the Appen Long Term Incentive Plan Terms and Conditions and the subsequent issue of securities under that plan), Item 6 (Grant of Performance Rights to the CEO) and Item 7 (Increase in the non-executive Director fee pool), where the Chair is appointed as a Shareholder's proxy and that Shareholder has not specified the way in which the Chair is to vote on Items 2, 5, 6 and 7 the Shareholder is directing the Chair to vote in accordance with the Chair's voting intentions for these items of business, even though Items 2, 5, 6 and 7 are connected with the remuneration of Key Management Personnel.

The Chair intends to vote all undirected proxies in favour of the resolutions in the Notice of Meeting, including Items 2, 5, 6 and 7.

## Proxy Forms

To be effective, the Proxy Form must be completed, signed and lodged (together with the relevant original power of attorney or a certified copy if the proxy is signed by an attorney) with the Company's share registry, as an original or by facsimile, **no later than 10.00am (AEST) on Wednesday 16 May 2018 (Proxy Deadline)**.

Proxy forms may be submitted in one of the following ways:

- (i) **By mail** to Link Market Services Limited using the reply paid envelope or Locked Bag A14, Sydney South NSW 1235. Please allow sufficient time so that it reaches Link Market Services Limited by the Proxy Deadline;
- (ii) **By fax** to Link Market Services Limited on +61 2 9287 0309;
- (iii) **Online** via the Company's Share Registry website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Please refer to the Proxy Form for more information; or
- (iv) **By hand delivery** to Link Market Services Limited at Level 12, 680 George Street, Sydney NSW 2000.

Proxy Forms and Powers of Attorney must be received by the Proxy Deadline.

## CORPORATE REPRESENTATIVES

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Where a shareholding is registered in the name of a corporation, the corporate shareholder may appoint a person to act as its representative to attend the meeting by providing that person with:

- (i) a letter or certificate authorising him or her as the corporation's representative, executed in accordance with the corporation's constitution; or
- (ii) a copy of the resolution appointing the representative, certified by a secretary or director of the corporation.

BY ORDER OF THE BOARD

**Leanne Ralph**  
Company Secretary  
12 April 2018

## Explanatory Notes

### Notes on Business

#### ITEM 1 – Financial Statements

As required by section 317 of the *Corporations Act 2001* (Cth) (**Corporations Act**) the Financial Report, Directors' Report and Auditor's Report of the Company for the most recent financial year will be presented to the meeting. The Financial Report contains the financial statements of Appen Limited.

There is no requirement for a formal resolution on this item.

The Chair of the Meeting will allow a reasonable opportunity at the Meeting for Shareholders to ask questions about or make comments on the management of the Company. Shareholders will also be given a reasonable opportunity at the Meeting to ask the Company's auditor, KPMG, questions about the Auditor's Report, the conduct of its audit of the Company's Financial Report for the financial year ended 31 December 2017, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of KPMG in relation to the conduct of the audit.

Shareholders may submit written questions to the Company in relation to the above matters. Written questions must be received no later than 5.00pm (AEST) on 11 May 2018. A form to facilitate the submission of questions is attached to this Notice and it includes details on the return of this form to the Share Registry.

#### ITEM 2 – Adoption of Remuneration Report

##### Reasons for Resolution

In accordance with section 300A of the Corporations Act the Company has proposed a Remuneration Report for the consideration of Shareholders.

As provided by section 250R(3) of the Corporations Act, the resolution on this item of business is advisory only and does not bind the Board or the Company.

The Company's objective is to provide the maximum benefit to shareholders. The Board believes that the Company will achieve this objective by retaining a high quality Board and executive team remunerated fairly and appropriately. The Company's remuneration philosophy is to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration should be linked to performance and appropriate for the results delivered. The Company's policies are designed to attract and maintain talented and motivated Directors and employees, thereby raising the level of performance of the Company and enhancing shareholder value.

##### Director's Recommendation

The Board unanimously recommends that Shareholders vote in favour of the Resolution in Item 2.

##### Voting Exclusion Statement

As required by the Corporations Act, the Company will disregard any votes cast on Item 2 by any member of the Company's Key Management Personnel (**Key Management Personnel** or **KMP**) or a Closely Related Party of any such member unless the person unless the person:

- (i) votes as a proxy appointed by writing that specifies how the person is to vote on the resolutions; or
- (ii) is the Chair of the Meeting and votes as a proxy appointed by writing that authorises the Chair to vote on the resolutions even though that resolution is connected with the remuneration of a member of the Company's KMP.

**What this means for Shareholders:** If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on the proposed resolution in Item 2. If you intend to appoint the Chair of the Meeting as your proxy, you can direct him how to vote by marking the boxes for Item 2 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Item 2 and give the Chair your express authority to vote your undirected proxy (in which case the Chair will vote in favour of this item of business).

## ITEM 3 – Re-election of Director

In accordance with the Company's Constitution and the ASX Listing Rules an election of Directors must be held at each annual general meeting.

Clause 68.2 of the Constitution also states that an election of Directors must be held at each annual general meeting. The Constitution states that one-third of all Directors (or a number not exceeding one-third) must retire and offer themselves for re-election, excluding the Managing Director and Directors appointed during the year by the Board. If no directors are scheduled to be elected by virtue of the ASX Listing Rules or Clause 68.2 of the Constitution, then one-third of Directors (or a number not exceeding one-third) must still retire and be re-elected by the Shareholders of the Company. Normally, this would be the Directors (other than the Managing Director) who has held office the longest since being appointed or last being elected. In the case where Directors were elected on the same day, the Directors to retire are determined by agreement between the Directors, or a ballot.

Mr Hasker has submitted himself for re-election at this Meeting.

Steve Hasker has been a non-executive director of Appen since 7 April 2015. Steve is Chief Executive Officer of Creative Artists Agency Global, based in Los Angeles where he oversees CAA's commercial activities. Prior to joining CAA in January 2018, Steve was Global President and COO of Nielsen, based in New York, responsible for Nielsen's commercial and product activities across all of its media and consumer businesses. Prior to joining Nielsen in 2009, he was a partner at McKinsey & Company's Global Media, Entertainment and Information practice in New York. Before joining McKinsey, Steve spent five years in several financial roles in the U.S., Russia and Australia.

Steve holds an undergraduate economics degree from the University of Melbourne and has an MBA and a master's in international affairs, both with honours, from Columbia University. He is also a non-executive director of Global Eagle and is a member of the Australia and NZ Institute of Chartered Accountants.

Having had regard to the ASX Corporate Governance Principles and Recommendations (3rd edition) (**ASX Principles**), the Board considers Mr Hasker to be an independent director.

### Director's Recommendation

The Board unanimously (other than Mr Hasker) supports the re-election of Mr Hasker and recommends that Shareholders vote in favour of this resolution.

## ITEM 4: Approval and Ratification of the Issue of Shares

### Background

On the 29 November 2017 Appen announced it had executed binding agreements to acquire Leapforce Inc and RaterLabs, Inc. (together **Leapforce**) for a total consideration of US\$80.0 million plus working capital. The acquisition was funded by the issue of 2,787,826 ordinary shares subject to escrow arrangements and performance conditions to the Leapforce vendors (**Vendor Shares**) and the issue of 4,310,345 ordinary shares to institutional investors via a placement (**Placement Shares**). In addition, 862,981 shares were issued pursuant to a share purchase plan (**SPP**) to retail investors on 21 December 2017 (**SPP Shares**).

### Reasons for resolution

Listing Rule 7.1 restricts the number of Equity Securities which a listed entity may issue in any 12 month period, without the approval of Shareholders, to 15% of the number of securities on issue at the start of the period, subject to certain adjustments and permitted exceptions. Listing Rule 7.4 provides that an issue of securities is deemed to have been made with Shareholder approval if Listing Rule 7.1 is not breached at the time the securities were issued and Shareholders subsequently approve the issue.

Therefore, if Shareholders ratify the issue of the Shares pursuant to Item 4, the Company will have the flexibility to issue further Equity Securities up to the 15% limit over the next 12 month period because the Shares will not be counted for the purposes of the 15% limit set out in Listing Rule 7.1.

The issue of shares under an SPP are excluded from ASX Listing Rule 7.1 and 7.1A (exclusion 15 of ASX Listing Rule 7.2), and therefore the Company is not seeking shareholder approval for the issue of the SPP Shares.

The following information is provided to Shareholders to allow them to assess Item 4, including for the purposes of Listing Rule 7.5:

- (a) The number of securities allotted and issued: 7,098,171 – 4,310,345 Placement Shares were issued on the 6 December 2017 and 2,787,826 Vendor Shares were issued on the 7 December 2017.

- (b) Issue price: 4,310,345 Placement Shares were issued at \$5.80 per share and 2,787,826 Vendor Shares were issued at \$5.66 per share.
- (c) Terms of the Shares: 4,310,345 Placement Shares allotted and issued rank equally with the existing shares on issue. 2,787,826 Vendor Shares were issued with the following escrow and performance conditions:
- 75% of the Vendor Shares are subject to voluntary escrow arrangements and will be held in a third party escrow account with 40% released on the first anniversary of closing of the acquisition, 40% on the second anniversary of the closing of the acquisition and 20% on the third anniversary of the closing of the acquisition. 25% of the Vendor Shares are contingent upon the achievement of performance conditions and will be issued once the conditions have been met. 60% of these contingent shares will be issued on the third anniversary of the closing of the acquisition provided Mr Jackson remains employed by Appen or one of its affiliates at such time or “good leaver” provisions apply. The remaining 40% of these contingent shares will be issued evenly on the first anniversary, second anniversary and third anniversary of closing of the acquisition subject to the CTO of Leapforce still serving as a full-time employee of Appen or as one of its officers at such time or “good leaver” provisions applying.
- (d) Allottees: The Placement Shares issued on the 6 December 2017 were allotted and issued to new and existing institutional investors. The Vendor Shares issued on the 7 December 2017 were allotted to the vendors of Leapforce as part of the purchase price consideration.
- (e) Intended use of funds raised: Funds raised from the issue of the Shares were used to acquire Leapforce.

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Item 4 by any person who participated in the issue of the Shares under this Item. However the Company will not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Directors' Recommendation**

The Board unanimously recommends that Shareholders vote in favour of the Resolution in Item 4.

## **ITEM 5 – Approval of the Appen Long Term Incentive Plan Terms and Conditions and the subsequent issue of securities under that plan**

### **Background**

In general, without Shareholder approval, ASX Listing Rule 7.1 prohibits the Company issuing equity securities, which in aggregate exceed 15% of the fully paid ordinary share capital of the Company in a 12 month period.

Exception 9 to ASX Listing Rule 7.2 provides that ASX Listing Rule 7.1 does not apply in respect of the issue of securities by the Company under an employee incentive scheme (such as the Employee Share Plan), if within 3 years before the date of issue of the relevant securities, the Shareholders have approved the issue of securities under that employee incentive scheme.

The Company has established the Appen Long Term Incentive Plan (**Plan**) and wishes to exclude issues of securities under the Plan from the limit in ASX Listing Rule 7.1 on issuing securities. The Shares which may be granted under the Plan will form part of eligible employees' remuneration packages, and are intended to provide an incentive to those eligible employees and to recognise their contribution to the Company's success.

The Directors consider that the incentive represented by securities issued under the Plan is a cost effective and efficient incentive offered by the Company when compared with alternative forms of incentive such as cash bonuses or increased remuneration.

Shareholder approval of the Plan was last obtained on 22 May 2015, and the following securities have been issued under the Plan:

- 520,040 Performance Rights were issued in 2015;
- 352,342 Performance Rights were issued in 2016; and
- 215,331 Performance Rights were issued in 2017.

Accordingly, Resolution 5 seeks the approval by Shareholders pursuant to Exception 9 to ASX Listing Rule 7.2 for the issue of securities under the Plan.

### **Summary of the terms and conditions of the Appen Long Term Incentive Plan**

A summary of the terms of the Plan is set out below. A full copy of the Plan Terms and Conditions are available on the Company's website.

Under the Plan, the Board may, from time to time, issue Shares, Rights or Options (**Plan Interest**) to 'Eligible Persons', being employees, contractor, consultant or executive directors of the Company and its subsidiaries provided the issue of Shares meets certain qualifying requirements, including certain conditions under the Tax Act. These include:

- the Plan must be operated on a 'non-discriminatory basis'
- the terms of Plan Interests issued under the Plan are set in accordance with the offer details. For Rights and Options, there are vesting periods that are required to be met before the Shares are issued or Options are exercisable. These periods may change due to end of employment with the Company as a result of death or other special circumstances as determined by the Board.
- the Plan cannot include any condition that constitutes a real risk of the holder forfeiting or losing their Plan Interest (other than by disposing of them).

Plan Interests may be issued under the Plan for nil consideration or the Board may determine that a price be payable by the Eligible Persons for the Shares.

The Board may at its discretion (but subject to meeting the conditions under the Tax Act) determine which Eligible Persons will be offered securities under the Plan, and the number of Plan Interests offered to each such Eligible Person.

Invitations to Eligible Persons to apply for Plan Interests are to be made in writing and Eligible Persons who wish to make an application must do so in writing.

The Shares allotted under the Plan will be of the same class currently on issue (ordinary shares) and will rank equally with Shares in the Company at the date of issue. Holders are entitled to receive any dividend paid on Shares and to exercise all voting rights attaching to those Shares.

The Company will apply to the ASX for official quotation of any new Shares issued under the Plan and also for new Shares issued as a result of the exercise of Options or Performance Rights issued under the Plan.

The Company will impose a holding lock (if required) with the Company's Share Registry to enforce the transfer restriction, and holders of Shares issued under the Plan will not be able to trade the Shares until the holding lock is lifted by the Company.

### **Voting exclusion**

The Company will disregard any votes cast on the proposed Item 5 by any Director of the Company (except one who is ineligible to participate in the Plan) and any associate of any such persons. However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form;  
or
- b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy does.

### **Directors' Recommendation**

The Board unanimously (other than Mr Brayan) recommends that Shareholders vote in favour of the resolution in Item 5.

## **ITEM 6 – Grant of Performance Rights for Mr Mark Brayan**

### **Background**

ASX Listing Rule 10.14 provides that the Company must not permit any Directors to acquire securities under an employee incentive scheme without the approval of Shareholders.

Accordingly, Item 6 seeks the approval by Shareholders pursuant to ASX Listing Rule 10.14 to grant Performance Rights (**Rights**) to Mr Brayan, Executive Director of the Company, as part of his remuneration for the year ended 31 December 2018



in accordance with the terms and conditions of the Appen Long Term Incentive Plan (**Plan**), and to the issue of Shares on the vesting of the Rights.

As the Rights are to be issued under the Plan, the terms and conditions of the Plan govern the Rights to be issued to Mr Brayan. The terms and conditions of the Plan were approved by Shareholders at the 2015 AGM and are for re-approval at this meeting. A full copy of the Plan terms and conditions is available on the Company's website.

#### Details of Rights grant to Mr Brayan, Managing Director and Chief Executive Officer

The terms of Mr Brayan's employment contract with Appen allows him to participate in the Plan. The Board has proposed that for the year ending 31 December 2018, Mr Brayan be eligible for Rights as outlined below.

The intention of the Plan is to align Shareholder returns of Appen with the 'at-risk' compensation potentially payable to executive level employees and to reward executives who remain in employment and perform at the required levels of performance.

For the year ending 31 December 2018, Mr Brayan's remuneration comprises the following components:

- fixed remuneration, including statutory superannuation of \$500,000 per annum;
- an at-risk short term incentive of up to 50% of fixed remuneration as a maximum, payable in cash; and
- an at-risk long term incentive of up to 40% of fixed remuneration in Rights (**2018 LTI Rights**).

The number of LTI Rights has been calculated as 40% of his total fixed remuneration, multiplied by the 20 day VWAP to 21 February 2018. This calculates to 23,153 2018 LTI Rights.

The board has further proposed that Mr Brayan be issued an additional 200,000 Rights as a one-off grant – 150,000 Rights as a long term incentive with higher performance hurdles (**2018 Special Rights**) and 50,000 Rights as a short term incentive (**STI**) reward (**STI Rights**) as a result of the successful Leapforce acquisition.

The total number of Rights that Shareholder approval is being sought is 223,153.

The Rights are granted under the Plan and subject to the terms and conditions of that Plan, in addition to the rules outlined below.

If Item 6 is approved by Shareholders, the Company will issue the Rights shortly thereafter the Meeting.

In determining the number of Rights to be issued to Mr Brayan the Board considered the:

- Company's remuneration strategy;
- Company's performance;
- Role and contribution of Mr Brayan to the achievement of the Company's objectives; and
- Current market practice for remuneration of executive and non-executive officers in positions of similar responsibility.

#### Vesting of Rights

These Rights will vest as follows:

Plan	Number of rights	Grant date	Expiry date <sup>1</sup>	Exercise price	Tranche	Performance measurement	Performance target	Performance target measurement date	Target achieved <sup>2</sup>	Vesting condition	Vesting date
2018	7,718	20 Feb 2018	n/a	n/a	1	Basic EPS annual growth rate	10.0%	end 2018	n/a	employed at 1 Jan 2021	1 Jan 2021
2018	7,718	20 Feb 2018	n/a	n/a	2	Basic EPS annual growth rate	10.0%	end 2019	n/a	employed at 1 Jan 2021	1 Jan 2021
2018	7,717	20 Feb 2018	n/a	n/a	3	Basic EPS annual growth rate	10.0%	end 2020	n/a	employed at 1 Jan 2021	20 Feb 2021
2018 Special	50,000	20 Feb 2018	n/a	n/a	1	Basic EPS annual growth rate	20.0%	end 2018	n/a	employed at 1 Jan 2021	1 Jan 2021
2018 Special	50,000	20 Feb 2018	n/a	n/a	2	Basic EPS annual growth rate	20.0%	end 2019	n/a	employed at 1 Jan 2021	1 Jan 2021
2018 Special	50,000	20 Feb 2018	n/a	n/a	3	Basic EPS annual growth rate	20.0%	end 2020	n/a	employed at 1 Jan 2021	20 Feb 2021
STI	50,000	20 Feb 2018	n/a	n/a	1	see below	see below	7 Dec 2017	Yes	n/a	7 Dec 2017

<sup>1</sup> Rights are automatically converted to shares on the vesting dates, assuming all the performance conditions of the plan and the employment condition is met.

<sup>2</sup> Target achievement table

EPS Target Achieved	% Performance Rights Allocated
100% or more of EPS Target	100%
90-99% of EPS Target*	50-80%
Less than 90 %	Nil

\* at the board's discretion.

No amount is payable in return for the grant of the Rights.

The following terms and conditions apply to Mr Brayan's Rights:

- On the vesting date, Appen will cause the relevant number of APX Shares to be issued or transferred to Mr Brayan.
- No amount is payable in return for the issue or transfer of APX Shares.

#### **STI Rights – Performance Condition**

The number of STI Rights proposed to be granted to Mr Brayan are 50,000 per the table above.

The STI Rights are subject to a performance condition, the completion of the Leapforce acquisition.

#### **2018 LTI Rights and Special Rights - Performance Condition**

The 2018 LTI Rights and Special Rights are subject to an earnings per share (**EPS**) performance condition. The EPS target is growth over the previous year as reflected on the table above. The EPS calculation is based on the annual audited financial statements for the relevant performance period.

#### **Shareholder approval – Corporations Act**

Under Part 2D.2 of the Corporations Act, subject to a number of exemptions, Shareholder approval must be obtained before the Company (or a Related Body Corporate or prescribed superannuation fund in relation to the Company) can give a person a "benefit" in connection with the person's retirement from a managerial or executive office.

Under the Appen Long Term Incentive Plan, where a participant in that plan ceases to be an employee of Appen (other than in prescribed circumstances) all unvested Rights held by that participant will lapse. In circumstances where the reason for that participant ceasing employment is because of death, total and permanent disability or any other reason with the approval of the Board, the Board has discretion as to how unvested Rights are to be treated. In the context of exercising this discretion, providing Shares to the person may constitute a termination benefit regulated by Part 2D.2 of the Corporations Act.

#### **Shareholder approval – ASX Listing Rules**

ASX Listing Rule 10.14 requires Shareholder approval before a Director can acquire shares or rights to shares under an employee incentive scheme. Approval from Shareholders is being sought to grant rights to Mr Brayan under the Appen Long Term Incentive Plan in respect of FY18 with any Rights issued within 12 months after the date of this Meeting.

#### **Information required by ASX Listing Rule 10.15**

ASX Listing Rule 10.15 requires the following information to be disclosed in relation to the Rights to be granted to Mr Brayan under the Plan:

##### **i. Maximum number of Rights and Shares**

The maximum number of Rights that may be granted to Mr Brayan within 12 months of this Meeting is 223,153.

After the grant of Rights, the number of Shares that Mr Brayan may receive at the end of the vesting period on the vesting date will be determined having regard to the satisfaction of the relevant performance condition.

##### **ii. Price for each Right (and the price for each APX Security that vests)**

No payment for the Rights or upon vesting of the Rights is required by Mr Brayan.

##### **iii. Shares under the Rights Plan received since the last approval**

At the Annual General Meeting on the 26 May 2017, shareholders approved the granting of on the 59,430 Rights, to Mr Brayan. No shares have been issued to Mr Brayan as a result of the issue of the rights.

##### **iv. Persons who are entitled to participate in the Rights Plan**

The eligible participants under the Plan are employees of the Company (including Directors) or others who are determined by the Board to be eligible participants for the purposes of the Plan.

Mr Brayan is the only person referred to in ASX Listing Rule 10.14 who is currently entitled to participate in the Plan.

**v. Terms of any related loan**

There is no loan provided in relation to the acquisition of the Rights by Mr Brayan.

**vi. Issue date of Rights**

The Rights will be granted to Mr Brayan no earlier than immediately following this Meeting and no later than 12 months after this Meeting, on the conditions described in the Explanatory Notes.

**Voting exclusion**

The Company will disregard any votes cast on the proposed Item 6 by any Director of the Company (except one who is ineligible to participate in the Rights Plan), including Mr Brayan and any associate of any such persons. However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy does.

In addition, no KMP of the Company or a Closely Related Party or Associate of such a KMP may vote as a proxy on the proposed Item 6 unless:

- a) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed Item 6; or
- b) the person is the Chairman and votes as a proxy appointed by writing that authorises the Chairman to vote on the proposed Item 7 even though the resolution is connected directly or indirectly with the remuneration of KMP of the Company.

**Directors' Recommendation**

The Board unanimously (other than Mr Brayan) recommends that Shareholders vote in favour of the resolution in Item 6.

## **ITEM 7 – Non-executive Director's Remuneration**

It is proposed to increase the maximum aggregate remuneration that may be paid to non-executive Directors by \$350,000, from \$450,000 per annum to \$800,000 per annum. The proposed increase in the maximum aggregate amount payable to non-executive Directors will ensure that fees are in line with future market rates and provide sufficient headroom to enable non-executive Directors' fees to be paid to any incoming Directors.

It is the Board's policy that the remuneration of non-executive Directors should accord with market rates and the level of responsibilities involved with each Board position.

The existing fee pool of \$450,000 was established in 2014 upon the Company's listing on the ASX and the market capitalisation of the Company has since increased from \$47m to \$924m (calculated from the closing price as at 04 April 2018).

Shareholder approval of this proposal is sought under clause 83 of the Company's Constitution and under ASX Listing Rule 10.17.

For the purposes of ASX Listing Rule 10.17, no securities have been issued to non-executive Directors at any time over the last three years under rule 10.11 or 10.14.

**Directors' Recommendation**

The Board unanimously recommends that Shareholders vote in favour of the Resolution in Item 7.

## **CHAIRMAN'S VOTING INTENTION**

The Chairman of the Meeting intends to vote all available proxies in favour of all resolutions.

## GLOSSARY

**\$** means Australian Dollars.

**AEST** means Australian Eastern Standard Time as observed in Sydney, Australia.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**ASX** means ASX Limited ACN 008 624 691.

**ASX Listing Rules** means the Listing Rules of the ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.

**ASX Principles** means the ASX Corporate Governance Principles and Recommendations (3rd edition).

**Board** means the current board of directors of the Company.

**Closely Related Party** has the meaning as defined in section 9 of the Corporations Act.

**Company** means Appen Limited (ACN 138 878 298)

**Constitution** means the Company's Constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Entitlement Time** means 7.00pm AEST Wednesday 16 May 2018.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Notes** means the Explanatory Notes accompanying the Notice.

**Items** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Key Management Personnel** has the meaning as defined in section 9 of the Corporations Act.

**Notice** or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

**Option** means an option to acquire a Share under the Plan or other employee incentive plan, as the context requires.

**Plan** means Appen Long Term Incentive Plan.

**Proxy Deadline** means 10.00am AEST Wednesday 16 May 2018.

**Proxy Form** means the proxy form accompanying the Notice.

**Related Body Corporate** has the meaning set out in in section 50 of the Corporations Act.

**Remuneration Report** means the remuneration report set out in the Director's Report section of the Company's annual financial report for the year ended 31 December 2017.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Rights** mean long term incentive rights to acquire a Share issued under the Plan.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Link Market Services Limited.

**Shareholder** means a holder of a Share.