Social and environment

AI technology helps to power many aspects of our daily lives and can provide a positive contribution to the community and the environment. Across the AI lifecycle, we strive to embed social and environmental principles to ensure the responsible development of AI.

Signatory

to the UN Global Compact

Committed

to Net Zero Roadmap

Priority SDGs

Good business practice

Doing the right thing by our customers, employees and stakeholders is key to maintaining relationships and our ability to operate.

We hold ourselves to the highest ethical standards and conduct our business with integrity, respect and fairness. To demonstrate our commitment, we have become a signatory to the United Nations Global Compact (UNGC). In doing so, we support the ten principles of UNGC on human rights, labour, environment, and anti-corruption and adopting them to our business strategies and operations. Progress regarding implementation of the 10 UNGC principles will be shared in our FY23 annual report.

Our Code of Conduct sets out the standards to which we hold our business, our people and our interactions with stakeholders to. We have zero tolerance for bribery and corruption and our Anti-Corruption and Anti-Bribery Policy details our approach. We also do not use corporate funds for political advocacy and we do not make political donations [1].

We ensure our people are aware of their obligations through mandatory code of conduct training. As of 31 December 2022, 91% [2] of eligible employees had completed the mandatory code of conduct training. To improve compliance levels and foster a culture of accountability, next year we are implementing STI conditions linked to training completion.

1 Based on financial data from Workday.

2 Data from Appen University. Calculation consistent with FY21 which excludes China and Quadrant.

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.

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. We have set out expectations for our suppliers and ourselves in Our Global Ethical Sourcing and Modern Slavery Policy. The policy reflects our commitment to respect human rights and address modern slavery by confirming our opposition to forced labour. Our policy also outlines our support for fair employment, working hours and conditions, freedom of association, discrimination and harassment, and offers whistleblower protections.

We also continued the integration of our supplier requirements from our Global Ethical Sourcing and Modern Slavery Policy into our procurement practices and continue to work with our suppliers and customers to manage the risks of modern slavery and human rights abuses in our supply chain.

Any breaches of our commitments to good business practices are taken seriously, where necessary any concerns raised, either through grievance processes or under the whistleblower process are investigated and reported back to the board. In 2022, no modern slavery breaches were recorded.

Importance of diversity to achieving fair AI

Ensuring equitable results for users of AI products requires developers to consider the impact of bias across the AI lifecycle. Bias in AI needs to be addressed in the sourcing of data, but also in the preparation, evaluation and quality management stages. Our skilled global crowd spanning a range of diverse backgrounds, help our customers incorporate fairness and minimise bias, by ensuring not only diversity in the data itself, but within those that are involved in the data lifecycle and development of the product. As part of our ongoing efforts to ensure diverse representation across key projects, we are launching studies globally to help us understand and address any representation gaps across a number of demographic characteristics including ethnicity, race, gender, sexual orientation and disability.

Creating responsible AI standards

For an AI solution to work, and work well, it must work for everyone. A biased model that works for some users, and not others, is a failed model. At the beginning of the year, we launched our publication Embracing Responsible AI from Pilot to Production. We also continue to expand our key AI ethics considerations:

- bias
- explainability
- security
- impact

The aim is to improve quality, efficiency, transparency and responsibility for AI projects while promoting inclusivity and collaboration.

Larrakia Nation

Overview:

To preserve the Larrakia language, linguist Dr. Mark Harvey has teamed up with the Larrakia Nation Aboriginal Corporation of People and Appen with a goal to improve the database of usable text and audio data language samples of the Larrakia language.

Challenge:

To improve the data and database for the Larrakia language so it can be useable and preserved for future teaching and future generations. The two databases, one with text and one with audio, were not linked and could only be accessed independently via loose time alignments. They needed to isolate sentences or speakers, to distinguish between passages of English vs. Larrakia, and reduce errors in the data samples.

Solution:

Appen expert linguists provided acoustic measurements to help describe Larrakia vowels and consonants, supplementary English transcription, and introduced more granular timestamping by inserting markers at relevant sense units (phrases, sentences or single words). Each sense unit was further labelled by speaker role and language being spoken. Appen specialists supervised the phonetic annotation of subsets of vowels and consonants and performed acoustic measurements, which will help describe and better understand the phonetic inventory of Larrakia.

Result:

- As a partner, Appen has been helpful in creating a useable, sustainable database.
- The Larrakia Language database project is an ongoing effort.
- The next steps will be to preserve and teach the language.

Social Impact

As part of our commitment to having a positive social impact, Appen partners with organisations to provide work opportunities to people that otherwise wouldn't have access to work, especially those from vulnerable or marginalised communities such as refugees, people who have been long-term unemployed, and people with prior justice system involvement. In 2022 we launched a partnership with MercyCorps to provide opportunities for their tech training graduates to work on Appen projects. In 2023 we will expand this partnership and launch other impact sourcing partnerships to increase our impact and support of these communities. Appen is a lead member of the IAOP Center for Social Impact, helping to connect, convene and support industry investment in impact sourcing.

Appen employees give back by undertaking pro-bono work and hold various fundraising events to support a variety of not-for-profit organisations throughout the year including the Cerebral Palsy Alliance, Comic Relief, Save the Children, St Petrocks (supporting those who are homeless or vulnerably housed) MacMillan Cancer Support, the Cancer Council and the Organisation for Autism Research.

In 2022, Appen continued its pro-bono partnership with CLEAR Global, previously Translators Without Borders, to help support the development of a chatbot for mental health, focused in regions with limited literacy. Linguist from Appen undertook Language Specific Peculiarities (LSP) research to outline the phonological, grammatical, and orthographic aspects of Sheng, a Swahili-English slang used primarily by young people in Nairobi and other urban areas of Kenya. *"As a native speaker of Sheng and Swahili, I was impressed by the level of detail and accuracy in the LSP document Appen delivered,"* shared Paul Waramabo, Swahili Language Lead for CLEAR Global. *"It's a powerful tool that shows the endless possibilities for many underdeveloped languages and what can be done for those languages."*

Environmental footprint

Our environmental and climate change commitments are outlined in our Environment Position Statement (EPS).

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:

- leasing energy efficient buildings and adopting energy efficient practices.
- reducing electricity consumption and increasing our use of renewable energy.
- optimising our data centre requirements and working with a cloud supplier that has committed to using 100% renewable energy.
- reducing waste generation and water use and increasing recycling.
- evaluating and reducing our greenhouse gas emissions.
- minimising travel by using digital conferencing and collaboration tools.
- buying carbon offsets for unavoidable travel.
- working with our partners, suppliers and crowd on sustainable procurement solutions.

Climate strategy

Appen's Net Zero Roadmap provides pathways towards achieving net zero emissions across Appen's business operations and supply chain which consists of:

- Better energy management.
- Energy efficiency.
- Sustainably sourced energy (renewable energy).
- Engagement with suppliers and our crowd to pursue net zero emissions.
- Carbon offsets.

We have also revised our net zero targets as part of the Roadmap, they are:

- Net zero emissions across Appen's operations by 2025.
- Net zero emissions across whole business by 2030.

As carbon offsets play a key part in our Roadmap, an offset strategy will be drafted in 2023 to ensure the integrity of the offsets and that our investment is long term focused and encompass ESG criteria that goes beyond carbon reductions.

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 Roadmap to provide pathways towards achieving our net zero emissions target. The Roadmap and its proposed funding (excluding offsets) which will receive formal approval once the offset strategy is finalised has been approved by the Board and will be adopted across the business.

Further details of the Roadmap can be found on page 47 and on Appen's website.

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 opportunities' 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 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 172.

Metrics and targets

The GHG emissions inventory (carbon footprint) for 2022 has been completed based on the principles of GHG Protocol with emissions breakdown in scope 1, 2 and 3 shown in the following table. We have expanded on the categories reported in the current year to also include estimated emissions from our crowd. As part of the development of Net Zero Roadmap, our estimation assumptions were reviewed by an external consultant during the year. The inventory below indicates that 14% 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.).

Appen 2022 GHG Inventory [1]	2022 ($MTCO_2e$)
Scope 1 – Onsite Combustion	263
Scope 2 – Electricity – Location-Based Emissions ($MTCO_2e$)	1,475
Sub-total (Scope 1 and 2)	1,738
Scope 3 – Emissions	9,872
TOTAL	**11,610**

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 six months or less in the reporting period have been excluded from this boundary.

1 Emissions calculations based on GHG Protocol.

Outlook

Over the next year we will be implementing the key strategies within the Net Zero Carbon Roadmap, engaging with our crowd and suppliers on emissions reduction and formulation of an offset strategy with the aim of achieving Climate Active certification by end of 2024.

We are also focused on reviewing our EPS and developing environmental policies for water and waste along with key initiatives to reduce water and waste generation. We will outline these measures in our 2023 Annual Report.

We are expanding our impact sourcing activities with key objectives of assisting people out of poverty and providing a pathway to meaningful employment by increasing digital skills. We are also expanding our efforts to manage modern slavery risks through enhanced vendor engagement and assessment.

In 2023 we are establishing an AI for Good Committee to ensure we are embedding AI for Good throughout our governance, products and operations. A large part of the remit of this committee will be dedicated to leading the way in AI for Good by ensuring we also walk the talk through our social and environmental initiatives. The committee will be chaired by our CEO and President.

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) Fifth Assessment Report: low emissions (RCP 4.5 or 2 °C warming) and high emissions (RCP 8.5 or 4 °C 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:

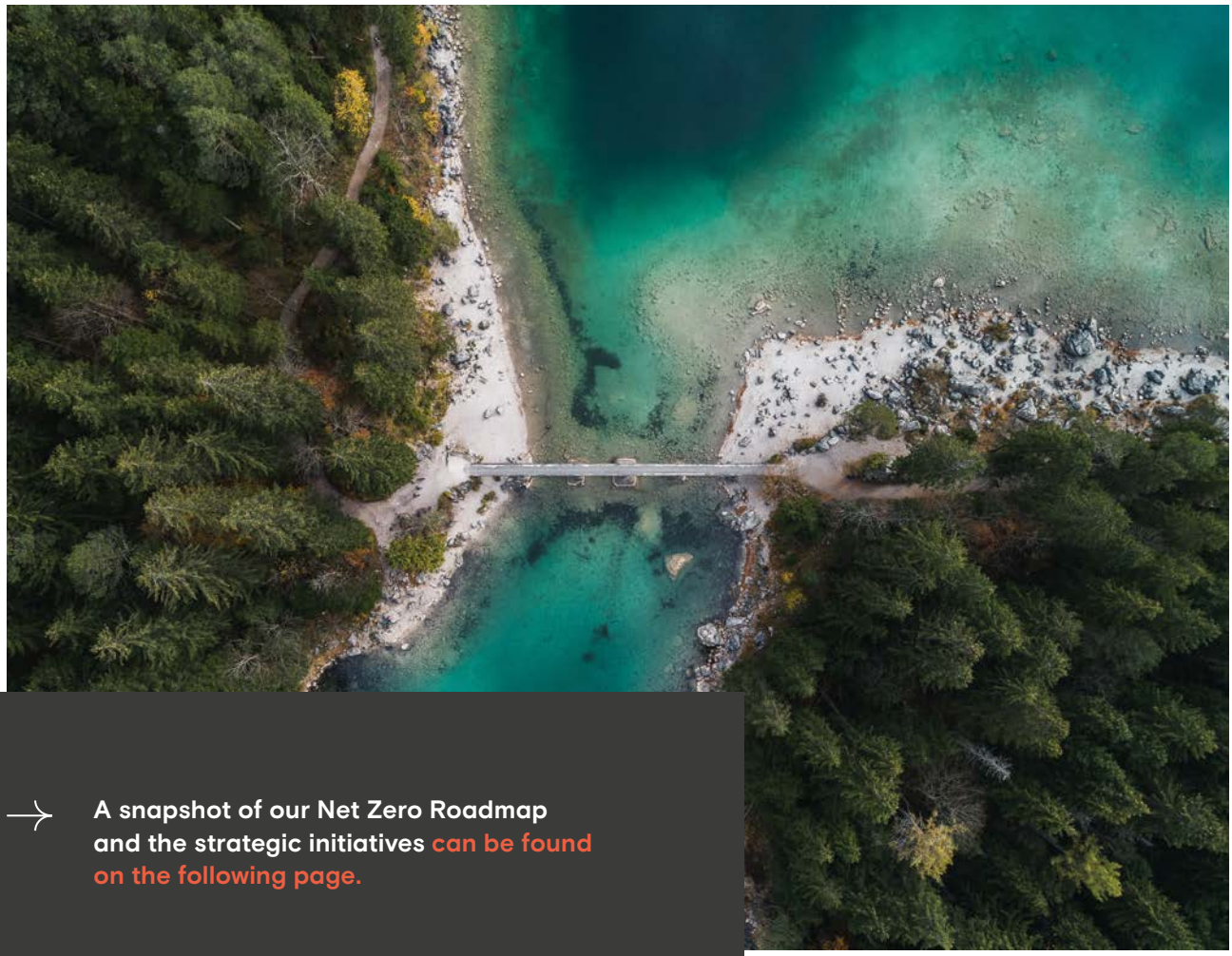
- Damage to property and potential loss of life.
- Rising cost of business operations.
- Scarcity of resources such as water, etc.

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:

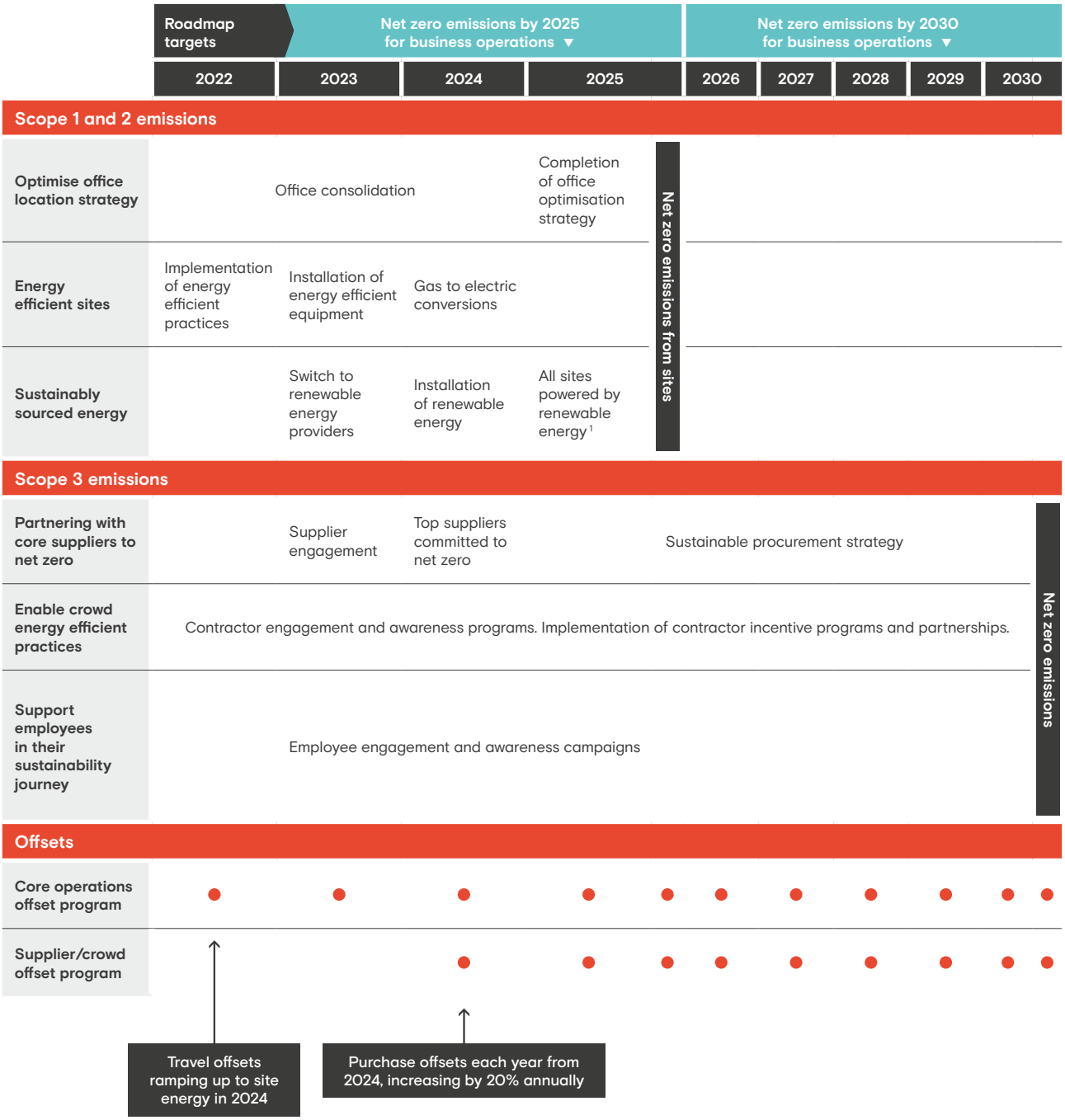
- Energy efficient HVAC and installation of LED lightings.
- Water efficient plumbing and water fixtures.
- Sourcing of on-site or off-site renewable energy (i.e. solar, wind, hydro).



A snapshot of our Net Zero Roadmap and the strategic initiatives can be found on the following page.

Net zero roadmap

Our roadmap outlines the key strategies and actions to be taken across our business to achieve net zero emissions by 2030.



1 Where available in the market otherwise offsets utilised.