Corporate Governance Statement

For the year ended 31 March 2023

Xero’s purpose is to make life better for people in small business, their advisors and communities around the world. Xero is a purpose-led, values-driven business and the Board of Xero (Board) is committed to a culture that seeks to embed and uphold high standards of corporate governance. The Board recognises the importance of this to good decision-making and long-term value creation. Xero’s values are shown below.

Xero’s corporate governance framework is designed to deliver on Xero’s purpose and strategy, support Xero’s operations, monitor performance, and manage risk in a manner that reflects Xero’s values and the digital, global and high-growth nature of Xero’s business. As Xero grows and evolves, so do the expectations of Xero’s shareholders and other stakeholders, and the Board is committed to a continuous improvement approach to corporate governance.
Xero Limited is listed on the Australian Securities Exchange (ASX) and is a New Zealand incorporated and domiciled company. From a regulatory perspective, this means that while the ASX Listing Rules apply to Xero, certain provisions of the Australian Corporations Act 2001 (Cth) do not.¹

Xero’s corporate governance reporting framework has been developed with regard to the ASX Listing Rules and the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations, 4th edition (ASX Principles and Recommendations). This Corporate Governance Statement (Statement) sets out how Xero has complied with each of the ASX Principles and Recommendations during the financial year ended 31 March 2023 (FY23). This Statement has been prepared in accordance with ASX Listing Rule 4.10.3, is current as at 6 April 2023, and has been approved by the Board.

This Statement should be read in conjunction with the information and documents on Xero’s Investor Centre at www.xero.com/investors/governance, including Xero’s FY23 Annual Report, Constitution, corporate governance policies referred to in this Statement (including the Code of Conduct), and Board and Committee Charters.

¹ Xero complies with the ASX Listing Rules. As Xero is not incorporated in Australia, it is not a disclosing entity for the purpose of Chapter 2M of the Australian Corporations Act 2001 (Cth) (Financial reports and audits) and certain provisions of that chapter do not apply (e.g. section 295 regarding annual financial report, section 298 regarding directors’ report or section 300A regarding remuneration reporting). As a New Zealand company, Xero’s annual reporting is primarily governed by the Companies Act 1993 (New Zealand).
Xero Board

David Thodey, AO
Chair of the Board
Australia
Independent non-executive director since June 2019 and Chair since February 2020
Nominations Committee (Chair)
People and Remuneration Committee

David is a business leader focused on innovation, technology and telecommunications, with more than 30 years’ experience creating brand and shareholder value. He is Chair of the Xero Board and a non-executive director of Ramsay Health Care, a global hospital group.

David was CEO of IBM Australia and New Zealand and Telstra, and has wide experience as a board director including as a past director of Vodafone Group, CSIRO, CSL, and TelstraClear. David has a Bachelor of Arts in Anthropology and English from Victoria University of Wellington and completed the post-graduate General Management Program at Northwestern University’s Kellogg School of Management. David received an honorary Doctorate in Science from Deakin University in 2016, an honorary Doctorate in Technology from University of Technology in 2018, and was recognised for his services to business and ethical business leadership with an Order of Australia (AO) in 2017.

Steven Aldrich
Non-executive director
United States
Independent director since October 2020
People and Remuneration Committee

Steven is an entrepreneur and professional director with more than 25 years’ experience in creating and delivering products within the technology and accounting software industries. Steven is currently a non-executive director of Semrush, an online visibility management SaaS platform, and a previous non-executive director of Avantax.

Steven has held a range of senior executive roles, including at GoDaddy, the world’s largest services platform for entrepreneurs, where most recently he was chief product officer. Prior to this, Steven was the CEO of Outright, an online bookkeeping service, which was acquired by GoDaddy. Steven has also held various senior management roles at Intuit, including vice president of strategy and innovation for the small business division. Steven holds a Bachelor of Arts in Physics from the University of North Carolina and a Master of Business Administration from Stanford University.

Mark Cross
Non-executive director
New Zealand
Independent director since April 2020
Audit and Risk Management Committee (Chair)
People and Remuneration Committee

Mark is an experienced professional director with more than 20 years of international experience in corporate finance and investment banking. He is currently the chair of Chorus, a board member of the Accident Compensation Corporation (ACC) New Zealand, and chair of the ACC Investment Committee. His recent previous directorships include Z Energy and Milford Asset Management (chair).

Mark was at Deutsche Bank for 10 years, initially based in Sydney in mergers and acquisitions, then in London as a managing director and co-head of a European M&A industry group. Mark holds a Bachelor of Business Studies (Accounting & Finance) from Massey University New Zealand, is a member of Chartered Accountants Australia and New Zealand, a chartered member of the New Zealand Institute of Directors, and a member of the Australian Institute of Company Directors.

Rod Drury
Xero founder / Non-executive director
New Zealand
Director since July 2006
Nominations Committee

For more than a decade, Rod led Xero to be a global software business and S&P/ASX 100 company. Rod started his career at Ernst & Young and went on to establish and lead a number of innovative technology businesses. Rod was formerly an independent director of the NZX and Trade Me. He holds a Bachelor of Commerce and Administration (Accounting, Information Systems) from Victoria University of Wellington. At the Deloitte Top 200 Awards in 2017, Rod was named Visionary Leader of the Year. He was named Ernst & Young New Zealand Entrepreneur of the Year in 2013, and is a member of the New Zealand Hi-Tech Hall of Fame.
Lee Hatton
Non-executive director
Australia
Independent director since April 2014
Audit and Risk Management Committee

Lee has more than 20 years’ experience internationally in the financial services industry and has held senior executive roles in marketing, strategy and risk in large-scale customer-facing businesses. In 2022, Lee joined Block - she holds the roles of lead, Cash App Financial Operations and Co-Lead of Global. Lee was recognised by IBM as one of 40 Women Leaders in Artificial Intelligence across the globe for her work in delivering world-first innovations. Lee holds a Bachelor of Business from the Auckland University of Technology, and is an alumni of the Berkeley Haas School of Business. She is also a member of Chief Executive Women, which represents Australia’s most senior and distinguished female leaders.

Dale Murray, CBE
Non-executive director
United Kingdom
Independent director since April 2018
Audit and Risk Management Committee
Nominations Committee until 26 January 2023

Dale is an experienced non-executive director and former technology entrepreneur and CEO. Dale is currently a non-executive director at the Cranemere Group, Jupiter Fund Management, Rated People, LendInvest, and Lightspeed Commerce and is a board advisor to Accelerate:Her. She was formerly a non-executive director and trustee for the Peter Jones Foundation, a non-executive director at Sussex Place Ventures and at the Department for Business, Innovation & Skills (UK).

Dale co-founded and was CEO of mobile pioneer Omega Logic in 1999, which co-launched prepay top-ups in the UK leading the growth of top-up transactions to £450m within five years. She then turned to investing and advising startups and won the British Angel Investor of the Year award in 2011. She holds a Master of Business Administration from the London Business School and served on the Business Taskforce on EU Redtape for the British Prime Minister in 2013. Dale was made Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II in 2013, for services to business.

Brian McAndrews
Non-executive director
United States
Independent director since February 2022
Audit and Risk Management Committee

Brian is a professional director who has extensive experience from his career as an executive and CEO driving growth and innovation for leading technology, software-as-a-service and cloud-based companies. His experience includes leading Pandora Media, a streaming music provider in the US, and aQuantive, a digital marketing services and technology company that was acquired by Microsoft.

Brian is currently lead director of Frontdoor, the largest provider of home service plans in the United States, and is presiding director on the board of The New York Times. He was previously a director of Chewy and Teledoc Health and chairman of Grubhub.

Brian has been included in the National Association of Corporate Directors Directorship 100, which recognises the most influential board members. He holds a Bachelor of Arts with Honors in Economics from Harvard College and a Master of Business Administration from the Stanford Graduate School of Business.

Susan Peterson
Non-executive director
New Zealand
Independent director since February 2017
People and Remuneration Committee (Chair)
Nominations Committee

Susan is an experienced non-executive director and business leader with a particular interest in helping companies to drive growth through technology, innovation and organisational culture. Susan is currently the chair of Vista Group and an independent director of Arvida Group, Mercury NZ, and Craigs Investment Partners.

Susan is also a board member of non-profit Global Women and was previously a member of the New Zealand Markets Disciplinary Tribunal. Susan is a past director of ASB Bank and Trustpower and a past ministerial appointee to the National Advisory Council on the Employment of Women. Susan holds a Bachelor of Commerce and Bachelor of Laws from the University of Otago.
CORPORATE GOVERNANCE STATEMENT

The Board

The Board Charter sets out the roles and responsibilities of the Board and the manner in which the Board exercises and discharges its role and responsibilities. It also sets out matters expressly reserved to the Board and those delegated to management. The Board is responsible for the overall governance, management and strategic direction of Xero and for delivering accountable corporate performance in accordance with Xero’s purpose, strategy and values. The Board regularly meets without management present, including when considering remuneration arrangements for the CEO.

CEO

Sukhinder Singh Cassidy was appointed by the Board as Xero’s Chief Executive Officer (CEO) with effect from 1 February 2023. The CEO has responsibility for the day-to-day management of Xero’s business within the limits determined by the Board, and is supported by the Xero leadership team. The CEO is responsible for managing Xero in accordance with the strategic plan, annual budget and operating plan, and risk appetite approved by the Board. The CEO is not a director of Xero but attends all Board meetings to report to the Board and participate in discussion as appropriate.

Chair

The Chair of Xero, David Thodey, is considered an independent non-executive director. The Chair’s role is to lead the Board, facilitate constructive discussion at Board meetings, and ensure that the Board functions effectively and communicates the Board’s position to shareholders and other stakeholders.

Company Secretary

The Company Secretary of Xero, Damien Coleman, is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The formal reporting line of the Company Secretary is to the CEO. All directors have direct access to the Company Secretary. His qualifications and experience are set out on Xero’s Investor Centre.

Director appointment and election

Before appointing a director, or putting forward a candidate for election as a director, Xero undertakes appropriate background checks, including director disqualification, bankruptcy, criminal history and education, to determine that candidate’s suitability. Once appointed, directors receive formal letters setting out the key terms and conditions of their appointment.

Directors are generally appointed by the Board and must subsequently stand for election at Xero’s next Annual Meeting of shareholders. Directors must stand for re-election by shareholders at least every three years. The Board determines whether to endorse those directors who will stand for re-election at the Annual Meeting, having regard to the skills, knowledge, capacity and experience needed to effectively steer Xero both now and in the future. Information relevant to the election or re-election of directors, including their relevant qualifications and professional experience, is included in the Notice of Meeting distributed to shareholders each year in advance of the Annual Meeting.

Induction

All new directors are given appropriate induction to enable them to gain an understanding of Xero’s purpose, values, people, customers, operations, financial position, strategy, and risk management framework, and the rights, duties and responsibilities of the Board, its Committees, and management. In addition, new directors are provided with training in relation to Xero’s regulatory environment including the ASX Listing Rules. Each new director has the opportunity to meet with existing Board members, Xero’s leadership team, and members of the senior management team. All directors are expected to maintain the skills required to discharge their respective roles, and are provided with access to training and professional development opportunities which are identified and overseen by the Nominations Committee.

Board diversity and tenure

<table>
<thead>
<tr>
<th>Gender</th>
<th>Location</th>
<th>Race and ethnicity</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male 62.5% (5 directors)</td>
<td>NZ 37.5% (3 directors)</td>
<td>White and/or European heritage 100%</td>
<td>0-3 years 37.5% (3 directors)</td>
</tr>
<tr>
<td>Female 37.5% (3 directors)</td>
<td>AU 25.0% (2 directors)</td>
<td></td>
<td>3-6 years 25.0% (2 directors)</td>
</tr>
<tr>
<td></td>
<td>UK 12.5% (1 director)</td>
<td></td>
<td>6-9 years 25.0% (2 directors)</td>
</tr>
<tr>
<td></td>
<td>US 25.0% (2 directors)</td>
<td></td>
<td>9+ years 12.5% (1 director)</td>
</tr>
</tbody>
</table>
Evaluation of the Board
On an annual basis, the Board, with assistance from the Nominations Committee, reviews and evaluates its performance (including against the requirements of the Board Charter) and the performance of the Committees and individual directors, including the Chair. These performance reviews are conducted both internally and, on a periodic basis, externally with the assistance of a facilitator.

The Board conducted an externally facilitated performance review during FY23. The process included the use of confidential in-depth questionnaires and one-on-one interviews with directors and management. The results and recommended areas for further consideration and discussion were reviewed by the Nominations Committee and the Board. Individual directors were also provided with feedback. The overall assessment was that the performance of the Board and its Committees continues to be sound. The Board has identified actions to continue to support its focus on being a consistently high-performing Board, including actions related to setting up and supporting the new CEO for success, ongoing Board succession planning and capability, and continuing to refine the Board operating rhythm.

Skills matrix
The Board comprises directors who bring a mix of skills, knowledge, experience, diversity and independence, together with a deep understanding of current and emerging issues to guide the business. The table below sets out the skills the Board considers necessary to address existing and emerging business and governance issues relevant to Xero and the mix of skills that the Board currently has.

The Board is satisfied that it has the appropriate mix of skills and experience necessary to fulfil the Board’s role. All directors are expected to act in accordance with Xero’s Code of Conduct, Xero’s values, and the Xero Way (described below). The Board is committed to including a diverse mix of skills, knowledge and experience to support effective decision-making, and considers geographic diversity, cultural, ethnic and racial diversity, gender diversity, diversity in age, and diversity of thought when considering its composition.

<table>
<thead>
<tr>
<th>Capability</th>
<th>Number of directors with the capability</th>
<th>High capability¹</th>
<th>Moderate capability²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Markets</td>
<td></td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Experience in Xero’s current and emerging global markets including scaling global businesses with large customer bases</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Software as a service (SaaS) Technology and Data</td>
<td></td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Experience in SaaS, cloud, digital platforms and data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Product Management</td>
<td></td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Experience in digital product management, technology trends, and implications and the software and technology product value chain</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales, Marketing and Customer Experience</td>
<td></td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Experience in customer insight and advocacy, sales, marketing and business development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Strategy and corporate development including M&amp;A and strategic partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Acumen</td>
<td></td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Qualifications or experience in corporate finance, financial accounting, and capital markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance and Risk Management</td>
<td></td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Experience as a director on a listed company board including expertise in investor engagement, governance, compliance, sustainability and risk management principles, policies and frameworks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People and culture</td>
<td></td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Experience in setting remuneration frameworks, workforce planning, talent management, culture, and the promotion of diversity, equity and inclusion</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Executive Leadership</td>
<td></td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Experience as a senior executive in a large organisation or listed company</td>
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</tr>
</tbody>
</table>

¹ High capability: High level of knowledge or experience in the relevant skill area. High level of proficiency and experience in applying the skill, including in complex situations, as a senior executive or board member
² Moderate capability: Sound knowledge and understanding of the relevant skill through either experience, application in Board and Committee activities and/or through training and professional development activities
Independence
The Board Charter states that the Board will consist of a majority of independent non-executive directors. Xero considers a director to be independent when they are a non-executive director who is independent of management and free of any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of their unfettered and independent judgement, having regard to the best interests of Xero as a whole. In the context of director independence, ‘materiality’ is considered from both a Xero and an individual director perspective. Directors are required to disclose to the Board relevant personal interests and actual or potential conflicts of interest at the earliest opportunity, including any development that may impact their perceived or actual independence.

Director independence is assessed in accordance with the definition of independence above, and having regard to the relevant factors listed in the ASX Principles and Recommendations. The Board assesses the independence of each director upon their appointment and annually thereafter.

The Board considers all directors, other than Rod Drury, independent. Rod Drury is not considered independent due to his substantial shareholding in Xero, his tenure as a director and his former executive role at Xero.

Board Committees
The Board has established the following standing Committees:
1. Nominations Committee
2. Audit and Risk Management Committee (ARM Committee)
3. People and Remuneration Committee (P&R Committee)

The Board may also delegate specific functions to ad hoc committees from time to time. The Committee Charters are available on Xero’s Investor Centre. A summary of the responsibilities of each Committee and details of their membership are disclosed below.

The Charter for each standing Committee provides that the Committee will consist of at least three members, all of whom are non-executive directors and a majority of whom are independent. Each Committee must be chaired by an independent non-executive director. The Chair of the Board cannot be the Chair of the ARM Committee. The composition of each standing Committee meets these requirements. Each Committee meets at least four times per year and all directors have a standing invitation to attend.

Nominations Committee
The Nominations Committee assists the Board in relation to:
- Board and Committee size and composition
- director selection, appointment, election and re-election
- selection of, appointment of, and succession planning for the CEO
- non-executive director induction and continuing professional development
- Board performance evaluation
- Board succession planning
- reporting in relation to Xero’s corporate governance practices

Audit and Risk Management Committee
The ARM Committee assists the Board to oversee the risk management, corporate reporting, tax and audit practices of Xero and its subsidiaries, including in relation to:
- financial reporting processes, principles, policies and controls and the integrity of Xero’s financial statements
- external audit of Xero
- assurance (internal audit) processes
- internal control processes and effectiveness, including controls to safeguard Xero’s assets
- financial and non-financial risk management, including risk appetite
- insurance
- Xero’s climate strategy, governance and performance
- compliance with applicable legal and regulatory requirements within the Committee’s area of responsibility
- other matters referred by the Board from time to time

All Committee members must be financially literate, and the Committee members between them must have the accounting and financial expertise and a sufficient understanding of the industry in which Xero operates to be able to discharge the Committee’s mandate effectively. The Committee composition meets these requirements.
People and Remuneration Committee
The P&R Committee assists the Board to oversee strategies and policies relating to:

- people and culture
- remuneration and benefits
- executive performance and development
- succession planning for Xero’s executive leadership team (other than the CEO, which is overseen by the Nominations Committee)
- diversity and inclusion

More information about Xero’s approach to remuneration, including details of remuneration paid to directors and senior executives, is set out in the Remuneration Report in Xero’s FY23 Annual Report, available on Xero’s Investor Centre. The Remuneration Report also contains information on Xero’s policy for determining the nature and amount of remuneration for Xero’s directors and leadership team.

Board and Committee membership and meeting attendance
Set out below are the members of Xero’s Board and Committees for FY23, the number of meetings scheduled in advance for the year and attendance at those meetings. In FY23, on top of scheduled meetings, the Board held three additional meetings, the P&R Committee held three additional meetings, and the Nominations Committee held one additional meeting. The ARM Committee did not hold any additional meetings on top of the scheduled meetings.

<table>
<thead>
<tr>
<th>Director</th>
<th>Board Held¹</th>
<th>Board Attended</th>
<th>Nominations Committee Held¹</th>
<th>Nominations Committee Attended²</th>
<th>ARM Committee Held¹</th>
<th>ARM Committee Attended²</th>
<th>P&amp;R Committee Held¹</th>
<th>P&amp;R Committee Attended²</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Thodey</td>
<td>8*</td>
<td>8</td>
<td>6*</td>
<td>6</td>
<td>(5)</td>
<td>5</td>
<td>5</td>
<td></td>
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<tr>
<td>Steven Aldrich</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>(1)</td>
<td>5*</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Mark Cross</td>
<td>8</td>
<td>8</td>
<td>6</td>
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<tr>
<td>Rod Drury</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>5</td>
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<tr>
<td>Lee Hatton</td>
<td>8</td>
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<td>6</td>
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<tr>
<td>Brian McAndrews</td>
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<td>-</td>
<td>-</td>
<td>5</td>
<td>5</td>
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<td></td>
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<tr>
<td>Dale Murray³</td>
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<td>4</td>
<td>4</td>
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<td>5</td>
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<td></td>
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<tr>
<td>Susan Peterson</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>(5)</td>
<td>5*</td>
<td>5</td>
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</tbody>
</table>

¹ Held represents the number of scheduled meetings held while the relevant director was a member of the Board or the relevant Committee
² Committee meetings are open to all directors to attend. Where the Chair of the Board or the Chair of a Committee has attended a meeting of a Committee of which he or she was not a member, this is indicated by (). The table does not otherwise report Committee attendance by directors who are not members of the relevant Committee
³ Dale Murray was a member of the Nominations Committee until 26 January 2023
* Denotes Board/Committee Chair

Leadership team
Appointment Before appointing a new member of Xero’s leadership team, Xero undertakes appropriate background checks in relation to an appointee’s character, experience, education, criminal record and bankruptcy history to determine that candidate’s suitability. All members of Xero’s leadership team are appointed pursuant to formal letters of appointment setting out the key terms and conditions of their appointment, including remuneration.

Evaluation of the leadership team The Chair of the Board, with support from the P&R Committee, reviews and evaluates the CEO’s performance and makes recommendations to the Board on the performance objectives for the CEO for the following year. The CEO, with oversight from the P&R Committee, reviews the performance of the rest of Xero’s leadership team.

The performance of Xero’s leadership team is reviewed annually. Performance reviews are conducted by assessing each executive’s performance against specific quantitative and qualitative performance criteria. The assessment is then discussed with the P&R Committee. The performance criteria against which the executives are assessed are aligned with the financial and non-financial objectives of Xero.

Performance reviews for Xero’s leadership team took place for FY23 in accordance with this process. The remuneration, including outcomes resulting from the performance reviews, for the CEO and Chief Financial Officer (CFO) are detailed in the Remuneration Report within Xero’s FY23 Annual Report, available on Xero’s Investor Centre.
Shareholders

Shareholder communication

Investor Centre Xero’s website has a dedicated Investor Centre. This provides important information about Xero and its governance that is relevant to Xero’s shareholders. Xero’s Investor Centre includes:

- Xero’s Board and Committee Charters, policies, and Constitution
- Profiles of Xero’s directors and leadership team
- ASX Market Releases
- Full and half year financial results (the Annual Report and Interim Report) and investor presentations
- Data book
- Links to live and archived webcasts or conference calls for financial results and other investor briefings
- Key upcoming dates in the financial calendar
- Historical financial reports and share price information
- Details of Xero’s share registrar, Link Market Services
- An online form to enable shareholders to send enquiries directly to the Xero investor relations team

Xero’s media releases can be found on the Xero website at www.xero.com/media-releases.

Annual Report and other shareholder communications Alongside the publication of full and half year results, Xero’s Annual Report is made available to shareholders electronically (and by post on election) and includes relevant information about the operations of Xero, including Xero’s financial results and other required disclosures. Each shareholder also receives a Notice of Meeting, inviting them to attend and participate in Xero’s Annual Meeting. Shareholders may elect to receive communications from, and send communications to, Xero and its share registry electronically.

Investor relations program

Xero has an investor relations team which operates a comprehensive and active investor relations program. The program supports Xero’s commitment to ensure its shareholders receive important information in a timely and effective manner and facilitates regular dialogue with shareholders. Activities undertaken as part of the investor relations program include:

- Post-results and ad hoc meetings with institutional shareholders and analysts
- Attendance at a range of domestic, regional, and global investor conferences to meet with existing and potential shareholders in-person or virtually
- Pre-Annual Meeting engagement with beneficial interest holders and the primary governance advisory bodies
- Engagement with the retail investor community through shareholder associations, including pre-Annual Meeting engagement

Annual Meeting

Xero encourages shareholders to attend its Annual Meeting and to ask questions of the Chair, Board, CEO, and CFO as follows:

- Shareholders are notified of the Annual Meeting in advance of the meeting in accordance with regulatory requirements
- Shareholder voting is conducted via a poll, and shareholders may vote electronically or by proxy
- Xero held a fully virtual Annual Meeting in 2022 via an online platform provided by Xero’s share registrar, Link Market Services. Shareholders were able to watch the meeting live, vote, and ask questions online or by telephone. Recordings of past Annual Meetings and presentations are available on Xero’s Investor Centre
- Noting the geographical spread of its shareholders, Xero carefully plans the timing and format of its Annual Meeting to allow as many shareholders as possible to attend and participate
Audit and risk management

Risk management governance
Risk management oversight and accountability is an integral part of Xero’s governance. The Board has ultimate accountability for risk management, which includes ensuring that material risks facing Xero have been identified and that adequate controls, monitoring, and reporting mechanisms are in place and operating effectively. The ARM Committee assists the Board with its oversight of risk management, audit, and compliance with legal and regulatory requirements within the Committee’s area of responsibility.

The ARM Committee Charter sets out its responsibilities for monitoring Xero’s risk management, including how Xero identifies, assesses, monitors and manages financial and non-financial risks within the risk appetite approved by the Board. This is designed to ensure the adequacy and effectiveness of Xero’s ongoing risk management framework.

Risk management framework
Xero has aligned accountability for managing risk to the globally recognised ‘Three Lines Model’. Key roles are outlined in the diagram below.

Xero’s Risk Management Accountability – Three Lines Model

The Xero Board
Deciding the nature and extent of the risks Xero is prepared to take to meet objectives

The Board’s role: Set risk appetite, and oversight of the risk management framework

Xero Leadership Team & Management
Establishing risk management framework and managing risks within Board-defined risk appetite

First line’s role
Day-to-day ownership and management of risks and controls

Second line’s role
Expertise, support, monitoring and challenge on risk-related matters

Assurance
Independent assurance over risks

Third line’s role
Independent and objective assurance and advice on the effectiveness of risk and control management

External Assurance Providers

Key
Accountability, reporting
Delegation, direction, resources, oversight
Alignment, communication, coordination, collaboration
Xero has an enterprise risk management framework that is managed by the CFO and overseen by the Board and the ARM Committee. The Executive General Manager of Risk and Assurance has a functional reporting line to the Chair of the ARM Committee (day-to-day reporting is to the CFO) and regularly meets with the Chair without other management present.

There are several components to Xero’s risk management framework including:

- ‘Risk Guardrails’ which set out Xero’s risk appetite
- Policies and procedures covering key financial and non-financial risks
- Guidelines and limits for approval of all expenditure, including capital expenditure and investments, and non-financial commitments
- Various strategic governance forums, including for the purposes of oversight of key areas of risk

A key component of Xero’s risk management framework is the regular review of key risks and opportunities by Xero’s leadership team. The risk profile for Xero and its subsidiaries was developed, and continues to be reviewed and refined, through a series of workshops and discussions involving Xero’s leadership team, senior management, and operational specialists.

The identified risks are included in a risk radar according to the key risk categories, which include strategic, operational, legal and compliance, financial, and emerging risks. The risk radar is reviewed by Xero’s leadership team on a regular basis prior to being submitted to the ARM Committee each quarter. Risks lying outside the boundaries of Xero’s agreed risk appetite require proactive mitigation and include ongoing action plans, which are tracked and monitored on a periodic basis by Xero’s leadership team, the ARM Committee and the Board.

The Key Risks section of Xero’s FY23 Annual Report highlights a range of key risks including economic, environmental, and social sustainability-related risks and how Xero manages, or intends to manage, those risks. More information about Xero’s approach to sustainability is also available on Xero’s website.

**Review of risk appetite and risk framework**

The ARM Committee reviews the overall adequacy and effectiveness of Xero’s risk management framework at least once a year. It also reviews management’s implementation of the risk management framework in light of the risk appetite set by the Board.

The ARM Committee conducted this review for FY23 and is satisfied that the current framework continues to be sound and that Xero is operating with due regard to the risk appetite set by the Board. Xero will continue to invest in people, processes, and technology to ensure that Xero’s risk management framework continues to evolve with the business.

The ARM Committee reviews the risk appetite parameters annually and the risk radar at least four times per year to ensure it has oversight of risk status, understands key changes, and monitors key mitigation action plans. The ARM Committee receives risk ‘deep-dive’ updates on key risk areas throughout the year. In FY23, the Board undertook these reviews and approved ‘Risk Guardrails’ which support decision-making, planning and risk management activities by articulating the risk appetite principles across Xero.

**Declaration regarding financial statements**

As a New Zealand domiciled company, section 295A of the Australian Corporations Act 2001 (Cth) is not applicable to Xero. However, before the Board approves Xero’s half or full year financial statements, the CEO and CFO provide a written declaration to the Board in accordance with the ASX Principles and Recommendations. This declaration confirms that, in their opinion:

- The financial records of Xero have been properly maintained
- The financial statements comply with the appropriate accounting standards
- The financial statements give a true and fair view of the financial position and performance of Xero

The CEO and CFO also confirm to the Board that their opinion is formed on the basis of a sound system of risk management and internal control which is operating effectively.
Process for verifying periodic corporate reporting

Xero is committed to providing shareholders and other external stakeholders with timely, consistent and transparent corporate reporting. The verification process for particular periodic corporate reports is tailored based on the nature of the relevant report and its subject matter.

Xero’s annual financial statements are audited by the external auditor. Xero’s interim financial statements are reviewed by the external auditor.

Xero has processes in place to verify the integrity of other periodic corporate reports prepared for the benefit of investors before they are released to the market. Any periodic report must be approved before it is released externally. Generally, the approval process includes review by a number of Xero’s functions, including the relevant business owner, subject-matter experts, investor relations, communications, and legal.

The purpose of the review process is to confirm, among other things, that the material:
- is factually accurate and represents Xero’s position fairly, including by reference to underlying data sources or supporting documents where relevant
- is consistent with other information Xero has released to the public as part of Xero’s financial reporting disclosures
- complies with any applicable legislation or regulations including any approval requirements

External audit

To ensure that the external auditor remains independent, all non-audit work or arrangements with the external audit firm must be approved by the ARM Committee. The Committee reports to the Board annually on the provision of non-audit services by the external auditors.

Xero is committed to ensuring that the external auditor carries out its function independently and has adopted an Auditor Independence Policy. The policy requires that the senior audit partner and review partner for Xero must be rotated at least every five years. The senior audit partner responsible for the FY23 audit commenced as Xero’s audit partner in FY21. The independent audit review partner responsible for the FY23 audit commenced as Xero’s review partner in FY20. The policy also requires the external auditor to confirm annually that it has complied with all professional regulations relating to auditor competency and independence and to monitor its independence, and to report to the Committee twice per year that it has remained independent during the previous six months. In FY23 the ARM Committee undertook a review of external auditor performance based on external guidelines, which addressed both audit quality and quality of service. No material issues were identified as a result of that review.

The external auditor attends and is available to answer shareholder questions at Xero’s Annual Meetings.

Internal audit

Xero has an assurance function which provides independent and objective assurance and advice on Xero’s organisational governance, risk management and internal control processes. The assurance function assists the business in understanding and managing risk and provides confidence that the key elements of the business that are relied on to manage risk are in place and working effectively.

The General Manager of Assurance reports to the Executive General Manager of Risk and Assurance and also has direct access to the Chair of the ARM Committee. The assurance function develops an assurance plan which is approved by the ARM Committee twice per year. The ARM Committee receives and reviews reports regarding assurance activity undertaken and, through these reports, monitors the progress of management action plans.
Diversity, Equity and inclusion

Xero values diversity, equity and inclusion and considers it a priority in the creation of a sustainable business capable of delivering value for all stakeholders, including shareholders. Xero embraces the diverse experience, ideas, skills and perspectives of its people. The diversity of its people enables Xero to innovate, attract and retain top talent, and to better reflect and serve its customers, partners, and the communities with which Xero interacts every day.

The Board has ultimate responsibility for approving policies, practices and measurable objectives for achieving diversity and inclusion across its workforce generally. The P&R Committee assists the Board in relation to diversity and inclusion, including making recommendations regarding the measurable objectives and monitoring Xero's progress towards achieving these objectives.

Xero takes a broad view of the meaning of diversity and believes that it’s through inclusion that Xero will tap into and maximise the potential and power of its people’s differences. Diversity at Xero includes differences that relate to gender, age, culture, ethnicity, race, disability, family status, migration status, language, religion, sexual orientation, and gender identity as well as differences in background, skills, work styles, perspectives and experience. Inclusion means all of Xero’s people have a sense of belonging and fairness, feel valued and respected, and can play their part in creating business success.

Xero’s Diversity and Inclusion Policy sets out the key principles that summarise Xero’s approach to diversity and inclusion.

Xero’s Respect and Responsibility Policy supports a clear and consistent approach to equal opportunity, promotes a workplace free from discrimination, harassment, sexual harassment, and bullying, and sets out the internal process to resolve concerns and complaints.

Measurable objectives for gender diversity

Xero’s measurable gender diversity objectives for FY23, as approved by the Board, are set out in the following table, including Xero’s progress towards achieving the objectives and the proportion of women employed by Xero Limited and its subsidiaries (Xero Group) as at 31 March 2023.¹

<table>
<thead>
<tr>
<th>Female representation target</th>
<th>Female</th>
<th>Male</th>
<th>Non-binary/ Gender diverse</th>
<th>Total²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>Xero maintains a gender balance on its Board with not less than 30% women and not less than 30% men. By the end of FY25, the Board aspires to have at least 40% women and 40% men as directors, with the remaining 20% unallocated to allow flexibility for renewal and to recognise that gender is not binary</td>
<td>37.5% (3)</td>
<td>62.5% (5)</td>
<td>0% (0)</td>
</tr>
<tr>
<td>Senior leaders³</td>
<td>45% representation of women among our senior leaders, our people leaders and all employees by the end of FY25</td>
<td>38.7% (24)</td>
<td>61.3% (38)</td>
<td>0% (0)</td>
</tr>
<tr>
<td>People leaders</td>
<td>45.0% (492)</td>
<td>54.6% (597)</td>
<td>0.4% (4)</td>
<td>1,093</td>
</tr>
<tr>
<td>Employees⁴</td>
<td>44.2% (2,282)</td>
<td>55.1% (2,843)</td>
<td>0.6% (29)</td>
<td>5,160</td>
</tr>
</tbody>
</table>

¹ Gender and age data covers Xero’s global workforce, excluding contingent workers. All data is self-reported, as at 31 March 2023.

² Xero has an optional gender identification question that allows employees to choose from the following options: female, male, gender diverse, non-binary, none of the options offered, and prefer not to say. Where employees have selected none of the options offered or prefer not to say, their responses are included in the total. Five employees (0.1%) were excluded from the total because they have not responded to the gender identification question.

³ Xero’s senior leaders includes the CEO, senior executives with global roles who report directly to the CEO and their direct reports whose roles meet a minimum role size as determined by a job evaluation methodology.

⁴ These figures include permanent full-time, permanent part-time, fixed-term, casual employees and interns, and do not include contractors.
CORPORATE GOVERNANCE STATEMENT

More information about Xero’s progress towards achieving its measurable objectives for diversity, and Xero’s Diversity, Equity & Inclusion initiatives, is included in the People and Culture section of Xero’s FY23 Annual Report, available on Xero’s Investor Centre, together with Xero’s Diversity and Inclusion Policy.

The Xero Way

Xero is, and always has been, a values-driven business. As a rapidly scaling global business, Xero’s values are not only important internally, but are integral to its brand and reputation. The Xero Way is a set of behaviours that aligns with each of the Xero values and defines how the team should behave in interactions with one another and with external stakeholders. The Xero Way is core to Xero’s culture and identity.

Xero’s key governance policies build on the Xero Way and important components in promoting good corporate governance. They include the Code of Conduct, Whistleblower Policy, Modern Slavery and Human Trafficking Statement, Continuous Disclosure Policy, and Share Trading Policy, which are available on Xero’s Investor Centre.

“Xeros” is a term used to refer to Xero employees internally

Xeros are authentic, inclusive and really care
Kind and assume best intent
Inclusive, approachable and show empathy
Are willing to be vulnerable, share fears, failures and learnings

Xeros dream big, lead and embrace change
Are curious and think big
Welcome challenging conversations and do it with respect
Lead and embrace change, seeking new and better ways

Xeros are great team players
Champion Xero’s purpose and priorities
Work together to do what’s best for Xero and our customers
Appreciate and celebrate each other and success

Xeros deliver on our commitments
Do what we say we will do
Own our mistakes and take positive action
Move fast to get the right things done

Xeros create experiences that people love
Create experiences that inspire and delight
Do high-quality work
Go the extra mile
**Code of Conduct**

Xero’s Code of Conduct (the Code) applies to all directors, officers, employees, contractors, and consultants of Xero. The Code details Xero’s standards and values and sets out expectations for behaviour and conducting business at Xero. The Code is underpinned by Xero’s policies, some of which are global and some of which are country specific, and includes topics covering safety and wellbeing, respect and responsibility, and workplace behaviour. The Code also sets out Xero’s zero-tolerance approach to bribery, facilitation payments, and corruption in any form.

The P&R Committee oversees ethical compliance, including material breaches of the Code and the resultant actions taken by management. The Board is also informed of any material breaches of the Code (including breaches of the anti-bribery and corruption requirements).

**Whistleblower Policy**

Xero’s Whistleblower Policy applies to Xero’s current and former directors, officers, employees, contractors, consultants, volunteers, interns, casual workers or agency workers, and to any current or former suppliers (whether paid or unpaid) and their employees. The policy also applies to the relatives, dependants, or spouses of any of those people.

The policy aims to encourage a culture of openness and accountability within Xero and to encourage its people to speak up about any concerns as soon as possible. It includes topics such as the types of concerns that can be raised, how to raise concerns, how whistleblowers will be protected and supported, and how Xero will investigate and deal with any concerns that are raised. The P&R Committee is informed of material incidents under the Whistleblower Policy and oversees the actions taken by management in response. The Board is also informed of any material incidents reported under the policy.

**Modern Slavery and Human Trafficking Statement**

Xero has published a statement (on behalf of itself and Xero Australia Pty Limited under Australia’s Modern Slavery Act 2018 (Cth) and on behalf of itself and Xero (UK) Limited under the United Kingdom’s Modern Slavery Act 2015) setting out the actions that it has taken to understand potential modern slavery risks related to its business and supply chains and to implement steps to prevent slavery and human trafficking.

**Continuous Disclosure Policy**

Xero’s Continuous Disclosure Policy describes the key obligations of the Board and Xero’s leadership team to ensure that Xero complies with its disclosure obligations under the ASX Listing Rules. The Continuous Disclosure Policy applies to all directors and employees of Xero, as well as any contractor, consultant, or other person who has agreed to comply with Xero’s policies.

The Board is responsible for compliance with Xero’s continuous disclosure obligations and has established a Disclosure Committee, comprising the CEO, CFO, CLO and Company Secretary to support this primary responsibility and provide assurance to the Board. Xero’s Company Secretary is primarily responsible for overseeing and coordinating all communications with the ASX, and is the Disclosure Officer for the purpose of the policy. Any briefing or presentation materials that contain price sensitive information are released to the ASX before being communicated outside Xero. The Board receives copies of all material Market Releases as soon as possible after they have been released to the market.

Xero’s representatives authorised to speak on behalf of Xero to major investors and analysts are the Chair, CEO, CFO, Executive General Manager of Investor Relations, Executive General Manager of Communications, General Manager of Corporate Communications, or their respective delegates, and any other person authorised by the CEO. The Chair of the P&R Committee is authorised to speak to major investors, analysts and proxy advisors in relation to Xero’s people and remuneration practices, including ahead of Xero’s Annual Meeting.

**Share Trading Policy**

Xero’s Share Trading Policy governs dealings in Xero securities, and applies to all directors and employees of Xero, as well as any contractor, consultant or other person who has agreed to comply with Xero’s policies, and their connected persons. The policy is designed to ensure acknowledgement of, and support compliance with, relevant insider trading laws, as part of Xero’s commitment to good governance. Xero’s Share Trading Policy prohibits transactions that are intended to hedge or otherwise limit the economic risk of unvested or restricted Xero securities.