

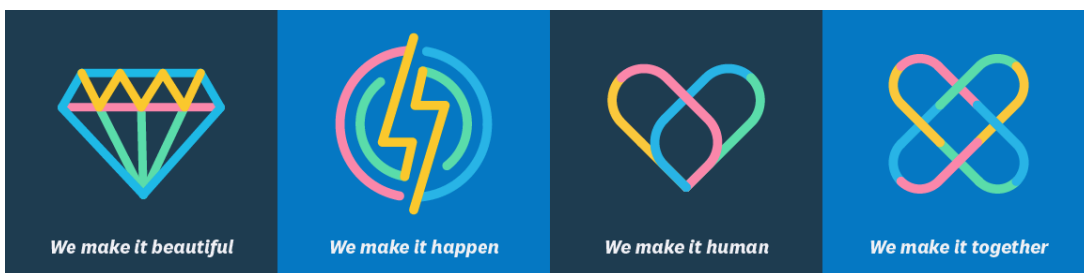
Tax Strategy

This statement sets out Xero's approach to conducting its tax affairs and managing tax risk.

This tax strategy has been reviewed and approved by the Xero Board. It applies to all companies in the Xero Group, including UK tax resident companies in the group. The strategy is compliant with the requirements of Paragraph 19(2) Schedule 19 of Finance Act 2016 (UK) and applies for the financial year ending on 31 March 2025 for the purposes of that Act.

1. Our commitment

At Xero, our purpose is to make life better for people in small business, their advisors and communities around the world. This purpose is underpinned by four values outlined in Xero's Code of Conduct, which are fundamental to everything we do at Xero.



In line with our purpose and values, Xero is committed to:

- Tax transparency and tax responsibility
- Complying with the tax laws in all countries where we conduct business, both in letter and spirit
- Open and honest working relationships with tax authorities

Xero supports the spirit of the Organisation for Economic Co-operation and Development's (OECD) base erosion and profit shifting initiatives and applies the arm's length principle to all related party transactions within the Xero Group. These transactions reflect economic and commercial reality, and Xero uses appropriate transfer pricing methodologies consistent with local tax laws and OECD guidelines.

2. Our approach to tax governance

The Board of Xero Limited (the Board) is responsible for overseeing Xero's tax management. This includes the tax management of Xero Limited and all entities in the global Xero Group (Xero). The Audit and Risk Management Committee (**ARMC**) assists the Board to oversee Xero's tax practices. This includes periodically reviewing and reporting to the Board on Xero's tax management including reviewing and making recommendations to the Board on the Tax Risk Strategy and Control Framework (**Tax Framework**) and overseeing the adequacy of, and compliance with, the Tax

Framework. Management's reporting to ARMC occurs semiannually (at a minimum). The Chief Financial Officer (**CFO**) is responsible for management oversight, and execution of Xero's tax strategy. The Executive General Manager Centre of Excellence and Transformation (EGM COE) has day-to-day responsibility for tax and reports to the CFO. The EGM COE is supported by a team of qualified tax experts.

Our Tax Framework governs how we manage our global tax obligations and includes a code of conduct for tax professionals working at Xero (**Tax Code of Conduct**). This has been approved by the Board and is based on established approaches of responsible compliance and tax risk management. The Tax Framework applies to all entities in the Xero Group.

Tax professionals working at Xero must adhere to the Tax Framework and the Tax Code of Conduct, and are responsible for collaborating to identify, investigate and assess Xero's tax risks, and promptly report any identified risks to the EGM COE or CFO. Adherence with the Tax Framework and the Tax Code of Conduct is intended to ensure the correct amount of tax is paid, in compliance with relevant tax law and practice. The Tax Code of Conduct includes mechanisms for all Tax Professionals at Xero to report unethical and unlawful activities in accordance with Xero's whistleblower policy.

3. Our approach to tax risk management

The Board has determined that Xero has a low risk appetite for tax risk and all reasonably practical measures will be taken to minimise the tax risk where possible. Xero defines tax risk as "any event, action or inaction in tax strategy, operations, financial reporting or compliance that either adversely affects Xero's tax or business objectives or results in an unanticipated or unacceptable level of financial or reputational loss or exposure".

Our Tax Framework outlines a comprehensive approach for monitoring and reporting tax risks to the ARMC and the Board. Tax risks are categorised and reported in accordance with their assigned level of risk. The Tax Framework outlines the minimum level of opinion required when taking a position on a tax matter or issue, based on the level of tax risk. The EGM COE reports tax risks or issues that are identified as high risk, along with significant transactions and events, to the CFO and/or ARMC. This is done to support proactive risk management.

We manage taxes so that tax liabilities due in accordance with tax law shall be correctly recorded and accounted for and paid on time. We maintain robust accounting systems and strong internal controls to support our tax compliance and reporting obligations. Appropriate training is provided to members of our tax team and external tax advice is sought on a regular basis in accordance with the Tax Framework for both routine and non-routine matters.

4. Our approach to tax planning

We apply the local tax laws of the jurisdictions in which we operate, including in the United Kingdom (UK), and we follow the OECD's principles on transfer pricing and other international tax matters. Our

tax strategy is in line with the regulatory, legal and commercial environment that Xero operates in, and due consideration is given to Xero's reputation, brand and corporate and social responsibilities to stakeholders when considering tax initiatives.

Xero does not artificially divert profits to low tax jurisdictions. Our entities are established for substantive and commercial purposes. Xero will not enter into any artificial tax arrangements for the purposes of avoiding paying taxes or generating tax credits or tax losses. All transactions must have clear alignment with a business purpose and commercial rationale and comply with the associated tax legislation.

We will use tax incentives (for example research and development tax credits) where they are consistent with the policy intention of the relevant governments and are aligned with Xero's business and operational objectives.

External advice is sought for high-risk or significant transactions across the Xero Group, and also where there is uncertainty about how the relevant tax law should be applied, in line with Xero's Board-endorsed Tax Framework.

5. Our relationships with tax authorities

Xero is committed to being open, transparent and collaborative with tax and other regulatory authorities in the countries we operate, including HMRC. We do this by:

- Building relationships with a focus on being proactive, frank and appreciative of all perspectives and objectives
- Actively participating in the development and reform of tax laws and tax administration in those locations in which we have business operations or interests and, on those topics, relevant to our expertise and thought leadership, or where this is expected to have a material impact on Xero
- Being transparent, proactive, constructive and cooperative in all interactions with tax authorities, including always engaging in a manner that is aligned with our values,
- Seeking clarity over the interpretation of tax law if necessary

Tax laws can be complex and open to interpretation, particularly with the rapid evolution of technology and business practices. Where ambiguity arises, tax positions will be adopted which are in line with our tax risk appetite and with support from external advisers, in accordance with our Tax Framework. Xero will work collaboratively with the relevant tax authorities to resolve differences in interpretation.

Approved by: Xero Board 12 February 2025