# Xero Limited

## Audit and Risk Committee Charter

## 1. ROLE

1.1 The role of the Audit and Risk Committee (**Committee**) is to assist the Board of Xero Limited (**Board**) to oversee the risk management, compliance, corporate reporting, tax and audit practices of Xero Limited and its subsidiaries (**Xero**) including in relation to:

(a) corporate and financial reporting processes (including climate-related reporting) and the integrity of Xero's financial statements;

(b) external audit;

(c) internal audit;

(d) internal control processes and effectiveness;

(e) financial and non-financial risk management, including risk appetite;

(f) insurance;

(g) compliance with applicable legal and regulatory requirements (other than those within another Committee's area of responsibility); and

(h) other matters referred by the Board from time to time.

## 2. RESPONSIBILITIES

### Corporate and Financial Reporting

2.1 The Committee will oversee Xero's corporate and financial reporting processes designed to safeguard the integrity of Xero's corporate and financial reporting. In particular, the Committee will:

(a) monitor Xero's financial and liquidity position and whether Xero has sufficient financial resources to achieve its strategic plan;, and monitor and confirm to the Board that it is able to meet its debts and other obligations when they are due;

(b) review and recommend to the Board the approval of Xero's consolidated financial statements intended for external publication and related corporate and financial periodic reporting and disclosures (other than Xero's remuneration report and corporate governance statement which are reviewed by other Committees), including

whether they reflect the understanding of the Committee members and Xero's financial position in accordance with relevant reporting regulations and standards;

(c) review all representation letters signed by management in connection with Xero's financial statements or other external reporting to oversee that all relevant matters are addressed;

(d) review and report to the Board on the results of the half-year review and the full year audit, and any other matters required to be communicated to the Committee by the external auditor under generally accepted auditing standards;

(e) review and make recommendations to the Board in relation to Xero's corporate and financial reporting and disclosure processes (other than Xero's remuneration report and corporate governance statement) and make recommendations to the Board including in relation to:

(i) the adequacy of those reporting processes (including the process to verify the integrity of any periodic reporting released by Xero);

(ii) the appropriateness of the accounting judgments or choices exercised by management; and

(iii) any statements to be made by the Board in relation to those reports or processes;

(f) review Xero's accounting policies and financial reporting practices to oversee their suitability and compliance with generally accepted accounting practice and applicable accounting standards. The Committee will assess the impact of changes in accounting standards and review recommendations for adoption of such changes in the financial statements or corporate reporting; and

(g) oversee the effectiveness of the accounting and internal controls systems, including discussing with the external auditor (separately from management) matters relating to the conduct of the audit.

2.2 The Committee will review and monitor the reporting of related party transactions in accordance with financial reporting obligations.

**External Audit**

2.3 The Committee will oversee the external auditor's role in the corporate reporting process including:

(a) making recommendations to the Board on the appointment, reappointment, removal and remuneration of the external auditor (subject to any necessary shareholder approval);

(b) monitoring the effectiveness, performance and independence of the external auditor;

(c) reviewing with the external auditor its report regarding significant findings in the conduct of its audit and the adequacy of management's response, and oversee whether any issues are managed and rectified in an appropriate and timely manner;

(d) reviewing the scope and adequacy of the external audit plan and requiring that the external audit plan identifies areas of risk of material misstatement and any key financial risk areas for Xero;

(e) reviewing and approving the fees payable to the external auditor for audit and non-audit work and the terms of the external auditor's engagement;

(f) reviewing and approving the provision of non-audit services by the external auditor and whether it might compromise the independence of the external auditor, and the rotation of the audit engagement partner and

(g) periodically reviewing Xero's policies and practices regarding auditor independence and recommending any changes to the Board.

**Internal Audit**

2.4 The Committee will oversee the effectiveness, independence and objectivity of the internal audit (known internally as 'assurance') function and will:

(a) review the scope and adequacy of, and periodically approve, the assurance work plan;

(b) review the performance, objectivity and resourcing of the assurance function;

(c) monitor the independence of the assurance function from management and the external auditor;

(d) review significant assurance findings and recommendations and evaluate actions taken by management to address these; and

(e) approve the appointment and, if necessary the removal, of the head of the assurance function.

**Internal Controls**

2.5 The Committee will oversee and review:

(a) the adequacy and effectiveness of the internal control framework, including accounting and financial controls and controls relating to non-financial risks, and application of those controls; and

(b) any material incident involving non-compliance with internal controls, such as fraud.

**Risk Management**

2.6 The Committee will at least annually review:

(a) the overall adequacy and effectiveness of Xero's risk management framework and management's implementation of the risk management framework in light of the risk appetite set by the Board;

(b) the overall adequacy and effectiveness of the methodology and processes for identifying, assessing, prioritising, monitoring and managing financial and non-financial risks;

(c) whether adequate controls have been designed and implemented to manage current and emerging financial and non-financial risks, including a risk register that describes the material risks to Xero's business;

(d) whether processes are in place for proper remedial action to be undertaken to redress areas for improvement and oversee the timeliness of remediation actions;

(e) whether adequate processes and procedures are in place relating to crisis management and business continuity; and

(f) whether management is communicating the importance of internal control and management of risk throughout Xero and therefore setting an appropriate 'risk culture'.

2.7 The Committee will annually review and make recommendations to the Board in relation to:

(a) the risk appetite within which the Board expects management to operate, and whether any changes should be made to the risk appetite

(b) the risk disclosures in Xero's periodic reporting documents (including whether a review of the risk management framework has taken place and whether Xero has material exposure to environmental or social risks and if so, how it intends to manage those risks); and

(c) Xero's insurance program, including directors' and officers' insurance.

**Compliance**

2.8 The Committee will:

(a) oversee compliance with applicable laws and regulations (other than those within another Committee's area of responsibility); and

(b) oversee any material threatened or actual claims (other than those within another Committee's area of responsibility).

**Other Significant Matters**

2.9 The Committee will oversee Xero's tax management, including reviewing and making recommendations to the Board on Xero's tax risk strategy and controls framework, and overseeing the adequacy of, and compliance with, that framework.

2.10 The Committee will oversee Xero's treasury function including periodically reviewing Xero's treasury policy and bank mandate, and recommending any changes to the Board.

2.11 The Committee will oversee and make recommendations to the Board in relation to Xero's climate-related risks and opportunities, strategies, governance, performance and reporting

2.12 The Committee will annually review and recommend to the Board Xero's modern slavery statement.

2.13 The Committee will review and recommend to the Board any dividend policy and the payment of any proposed dividend to shareholders.

2.14 The Committee will review and recommend to the Board any scheme for the on-market purchase of Xero shares in connection with Xero's incentive plans.

2.15 The Committee will engage with the People and Remuneration Committee, as appropriate, about matters to be taken into account when making remuneration decisions or setting remuneration objectives.

**Access**

2.16 To support the independence of the internal audit function, the head of the assurance function has a direct reporting line to the Committee and can meet with the Chair of the Committee without management being present.

2.17 To foster open communication and draw appropriate matters to the Committees' attention, each of the Chief Executive Officer, Chief Financial Officer, Chief Legal Officer & Company Secretary and EGM - Advocacy, Risk & Compliance (or any equivalent positions) and the external auditor are also provided with direct and unrestricted access to the Committee.

**Charter Review**

2.18 The Committee will periodically review, and make recommendations to the Board in relation to the remit and charter of the Committee.

The *Board and Committee Common Principles and Procedures* supplement this Charter.

*Effective Date: 20 October 2026*