1. Role

The People and Remuneration Committee (Committee) is a Committee of the Board of Directors of Xero Limited (Xero). The Committee’s role is to assist the Board to fulfill its responsibilities in relation to overseeing the human resources activities of Xero, including overseeing Xero strategies and policies relating to:

- organisational structure and culture
- remuneration
- employee performance and development
- succession planning for Xero’s executive leadership team (XLT) other than the CEO

2. Committee membership

The Board will appoint and remove the members of the Committee and the Committee’s Chair, who will be an independent non-executive director. The Committee will comprise at least three non-executive directors, the majority of whom will be independent.

3. Committee meetings

The Committee will meet at least four times per year. All directors have a standing invitation to attend Committee meetings. A quorum may be formed by two Committee members, at least one of whom is independent.

Members of management may be invited to attend a Committee meeting, as the Committee considers necessary. The Committee may ask any person to withdraw from any part of any meeting where his or her performance is being discussed, or where there is a potential conflict of interest.

Committee papers and minutes of Committee meetings are distributed to all directors. A report on matters addressed by the Committee is provided at the next Board meeting.
4. Duties and responsibilities

The primary responsibility of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to this Charter, in order to facilitate decision-making by the Board.

The Committee's overall objective is to oversee the implementation of frameworks and principles aimed at ensuring that directors and employees are motivated to perform to the best of their abilities in the interests of the company as a whole and are fairly, reasonably and transparently compensated.

a) People and Culture

The Committee will undertake the following duties and responsibilities:

- monitor the development of strategies aimed at improving Xero's culture, executive development, executive succession planning, and talent management practices
- maintain oversight of employee engagement survey results and oversee the progress of any management actions undertaken in response to those surveys
- oversee, and inform the Board of, the appointment, termination and performance of the XLT other than the CEO
- oversee succession planning for the XLT other than the CEO. CEO, Chair, and non-executive director succession will be managed by the Nominations Committee
- ensure that appropriate character and background checks have been undertaken before making an appointment to the XLT
- oversee Xero’s recruitment, retention, performance management, and termination policies
- oversee any significant employment law issues facing Xero

b) Remuneration

The Committee will also undertake the following duties and responsibilities:

- review and recommend to the Board Xero’s remuneration strategy, structure, and policy and ensure that each of these complies with Xero’s risk appetite, purpose, and values
- review and facilitate shareholder and other stakeholder engagement with Xero’s remuneration policies and practices
- review and make recommendations to the Board regarding short and long-term incentive plans, including amendments to such plans, and other material employee benefits and oversee that conduct is only rewarded where it aligns with Xero's purpose, values, and risk appetite
- make recommendations to the Board regarding the remuneration and changes to remuneration of the CEO
- approve, and inform the Board of, the remuneration and material changes in remuneration of the XLT other than the CEO
• support the Chair of the Board to review and evaluate the CEO’s performance against key performance objectives, and make recommendations to the Board to set the performance objectives for the CEO for the following year
• ensure that both positive and negative risk behaviours are reflected in recommendations to the Board regarding remuneration outcomes for the CEO, and in the remuneration outcomes for the XLT
• make recommendations to the Board regarding upcoming vesting of incentives for the CEO
• review and approve upcoming vesting of incentives for the XLT other than the CEO
• exercise authority with respect to the administration of any incentive plans
• make recommendations to the Board regarding annual remuneration budgets for Xero
• at least every two years, review non-executive directors’ remuneration and recommend suggested changes to the Board where necessary
• monitor Xero’s financial and corporate governance processes and reporting as it relates to remuneration
• receive input from the Audit and Risk Management Committee about matters to be taken into account when making remuneration decisions or setting remuneration objectives, including risk

c) Diversity and inclusion

The Committee actively recognises and promotes the importance of diversity and inclusion in the workplace, and does so with reference to Xero’s Diversity and Inclusion Policy.

The Committee is responsible for annually:

• making recommendations to the Board about the measurable objectives to be set by the Board for achieving diversity in the composition of the Board, senior executives, and the workforce generally
• assessing the effectiveness of the Diversity and Inclusion Policy, the measurable objectives set for achieving diversity, the progress toward achieving them and making recommendations to the Board in respect of such assessments
• reviewing and reporting to the Board on (amongst other indicators) the relative proportion of women and men making up Xero’s workforce, at all levels of the business

5. Authority

The Committee will not take actions or make decisions on behalf of the Board unless specifically mandated. However, the Committee has the delegated authority of the Board to fulfil the duties and responsibilities in this Charter, subject always to the Committee keeping the Board informed of its activities, and subject to any legal or regulatory obligation on the Board.

The Committee has access to Xero’s resources and senior management as it reasonably requires to meet its duties and responsibilities.
The Committee is authorised by the Board to obtain external legal, remuneration or other professional advice as it considers necessary and appropriate.

The Committee may deal with matters requiring a decision by way of written resolution. A written resolution will be deemed to have been passed once a majority of members eligible to vote has signed it, and will be effective the date the last member constituting the majority signs.

The Board will periodically review the membership of the Committee and the Charter to determine its adequacy for current circumstances and the Committee may make recommendations to the Board about the Committee’s membership, responsibilities, functions or otherwise.

_Last reviewed: February 2020_