



Xero Limited

People and Remuneration Committee Charter

1. Introduction

The People and Remuneration Committee (the **Committee**) is a Committee of the Board of Directors (the **Board**) of Xero Limited (the **Company** or **Xero**).

2. Purpose / Role

The Committee has the role of assisting the Board in overseeing the human resources activities of the Company. The Committee's principal function is to oversee the Company's strategies and policies relating to organisational structure, culture, employee performance and development, succession planning, growth, and remuneration.

3. Committee Composition

The Board will appoint and remove Committee members. The Committee must consist of a minimum of three non-executive Directors and a majority of independent Directors, in accordance with the independence criteria set out in the Xero Board Charter and applicable securities exchange listing rules and guidance.

One Committee member, who shall be an independent Director, is to be appointed by the Board as the Chair of the Committee.

4. Procedures

The Committee will meet as considered necessary (at least three times a year) to properly fulfill its obligations and discharge its duties.

Directors who are not Committee members have a standing invitation to attend any Committee meeting. Members of management may be invited to attend any 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.



A quorum of the Committee shall comprise two independent members, unless otherwise stipulated by the Board. A written resolution signed by at least two independent members of the Committee, is as valid and effective as if it had been passed at a meeting of the Committee duly convened and held.

The Committee agenda and papers will be prepared and circulated to all members prior to the Committee meeting. The Chief People Officer or Company Secretary will provide assistance to the Committee in the preparation of agenda, board papers and minutes of the meetings and will provide secretarial support to the Committee.

At the next Board meeting after a Committee meeting, the Chair of the Committee will report to the Board as to the outcomes of the prior Committee meeting.

5. Responsibilities and Duties

The Committee functions have the overall objective of overseeing the implementation of frameworks and principles aimed at ensuring that Directors and employees are fairly, reasonably and transparently compensated and are motivated to perform to the best of their abilities in the interests of shareholders. The Committee will not take any action or make decisions on behalf of the Board unless such actions or decisions have been specifically delegated to the Committee by the Board. The Board has delegated certain functions to the Committee, as follows:

(a) People and Culture

- monitor the development of strategies aimed at improving the Company's culture, executive development, succession planning, and talent management practices;
- oversee the application of best practice strategic and operational human resource functions;
- make recommendations to the Board (for Board approval) regarding the appointment of the Chief Executive Officer, setting the terms of his or her employment and where necessary, terminating his or her employment, and remuneration and changes to remuneration of the Chief Executive Officer;
- review and evaluate the Chief Executive Officer's performance against key performance objectives, and review the performance objectives for the Chief Executive Officer for the following year;
- oversee the appointment, termination and performance of each of the Chief Executive Officer's direct reports;
- approve the remuneration and material changes in remuneration of each of the Chief Executive Officer's direct reports;
- oversee management succession planning for key roles within the Company;
- oversee the Company's recruitment, retention, performance management, and termination policies;



- oversee any significant employment law issues facing Xero; and
- review and monitor other strategic initiatives associated with people and culture.

(b) Remuneration

- review the Company's remuneration strategy, structure, and policy;
- make recommendations to the Board (for Board approval) regarding short and long-term incentive plans, including amendments to such plans, and other material employee benefits;
- exercise authority with respect to the administration of any incentive plans;
- make recommendations to the Board (for Board approval) regarding annual remuneration budgets for the Company;
- annually review non-executive Directors' remuneration and recommend suggested changes to the Board where necessary;
- monitor the Company's financial and corporate governance processes and other reporting as it relates to remuneration; and
- review and make recommendations to the Board on Xero's risks that relate to remuneration including reviewing controls and plans to reduce risk.

(c) Diversity and Inclusion

The Committee actively recognises and promotes the importance of diversity in the workplace, and does so with reference to the Company's Diversity Policy. The Committee is responsible for:

- making recommendations to the Board about the measurable objectives to be set by the Board for achieving diversity;
- annually assessing the effectiveness of the Diversity Policy, the measurable objectives set for achieving diversity, the progress toward achieving them and making recommendations to the Board in respect of such assessments; and
- annually reviewing and reporting to the Board on (amongst other indicators) the relative proportion of women and men making up the Company's workforce, at all levels of the business.

(d) Other

Attend to any other matter put to the Committee by the Board.

6. Power and Authority

The Committee and each Committee member shall have the authority of the Board, where the Committee deems necessary, to:

- retain, terminate and consult with outside or other independent external advisers (including legal advisers and remuneration consultants) at the Company's expense;



- secure the attendance at meetings of outsiders with relevant experience;
- delegate any of its responsibilities to the Chair of the Committee from time-to-time and on such occasions that the Committee considers appropriate;
- investigate any activity within the Committee’s responsibilities under the terms of this Charter; and
- communicate with any Company employee to seek any information required in order for the Committee to carry out its role.

Committee members are not employees of Xero. Committee members are entitled to rely on Xero executives as to matters within their responsibility and on external professionals as to matters within their area of expertise. Committee members may assume the accuracy of information provided by such persons, so long as the Committee member is not aware of any reasonable grounds upon which such reliance or assumption may be inappropriate.

The Board may rely upon information provided by the Committee and its members in relation to matters within the Committee’s responsibility under the terms of this Charter, provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy.

7. Accountability

The Board shall annually review this Charter and the Committee’s performance against this Charter.

Last reviewed: July 2017