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.

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 which will be independent.

3. Committee meetings
The Committee is to 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 Board members. A report on matters addressed by the Committee is provided at the next Board meeting.
4. Duties and responsibilities

The Committee has 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.

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, succession planning, and talent management practices;
- oversee the application of best practice strategic and operational human resource functions;
- oversee the appointment, termination and performance of each direct report of the Chief Executive Officer (CEO);
- oversee management succession planning for key roles within Xero;
- oversee Xero’s recruitment, retention, performance management, and termination policies;
- oversee any significant employment law issues facing Xero;
- review and monitor other strategic initiatives associated with people and culture.

b) Remuneration

The Committee will also undertake the following duties and responsibilities:

- review Xero’s remuneration strategy, structure, and policy;
- make recommendations to the Board regarding short and long-term incentive plans, including amendments to such plans, and other material employee benefits;
- make recommendations to the Board regarding the remuneration and changes to remuneration of the CEO;
- approve the remuneration and material changes in remuneration of each of the CEO’s direct reports;
- 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;
- make recommendations to the Board regarding upcoming equity vests for the CEO;
- review and approve upcoming equity vests for other senior executives;
- 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 other reporting as it relates to remuneration;
● 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 and inclusion in the workplace, and does so with reference to Xero’s Diversity and Inclusion 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 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;
● annually 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 have signed it, and will be effective the date the last member constituting the majority signs.

The Committee’s Charter will be reviewed at least every two years.

Last reviewed: April 2019