



**NOTICE OF**

# 2018 Annual Meeting

**16 August 2018  
Sydney, Australia**

**xero**

Beautiful business



Cover Image – Little Veggie Patch, Melbourne, AU  
Below – The Rec Room, Berkeley, California, USA

## Dear shareholder

On behalf of the board of directors (the Board) of Xero Limited (Xero) I'm pleased to invite you to attend the 2018 annual meeting of shareholders (the Meeting) to be held on Thursday 16 August 2018, at 2pm AEST (4pm NZT) at Level 3, Establishment, 252 George Street, Sydney, NSW, Australia.

**We encourage you to attend the Meeting.** We welcome shareholders who can attend in person.

For our third year in a row, Xero is holding a hybrid Meeting. This means that in addition to attending the Meeting in person, you also have the option to watch the Meeting live, vote, and ask questions virtually through an online platform at [agmlive.link/xero2018](https://agmlive.link/xero2018). You can attend the Meeting online if you would like to try out the virtual experience or are not able to attend in person.

If you cannot attend the Meeting physically or online, you may appoint a proxy by 2pm AEST (4pm NZT) on Tuesday 14 August 2018.

For details about attending the Meeting or appointing a proxy, please see the "Important Information" section.

**We welcome your questions.** If you attend the Meeting physically or online, you will have the opportunity to submit questions to the Board, Xero's leadership team and Xero's auditors during the Meeting. If you would like to ask a question prior to the Meeting, please email [investors@xero.com](mailto:investors@xero.com) by 2pm AEST (4pm NZT) on Tuesday 14 August 2018. The Board will endeavour to address all appropriate questions at the Meeting.

At the conclusion of the Meeting, shareholders will be invited to join the Board and members of the leadership team for refreshments. I look forward to your attendance, and thank you for your ongoing support.

Sincerely,

**Graham Smith**  
Chair

# Notice of Annual Meeting of Shareholders

The annual meeting of shareholders (the Meeting) of Xero Limited (Xero) will be held at:

**VENUE** Level 3, Establishment, 252 George Street, Sydney, NSW, Australia  
**DATE** Thursday 16 August 2018  
**TIME** 2pm AEST (4pm NZT)

Any capitalised terms not defined below have the meaning given to them in the Explanatory Notes to the Notice of Meeting.

## ITEMS OF BUSINESS

- A. The Chair's introduction
- B. Formal business and resolutions
- C. Presentation from Xero's Chief Executive and members of Xero's leadership team
- D. Shareholder questions

**Shareholders will be asked to consider, and if thought fit, to pass, with or without modification, the following resolutions:**

## ORDINARY RESOLUTIONS

1. *That the Board is authorised to fix the remuneration of the auditor for the ensuing year.*
2. *That Dale Murray, appointed by the Board as a Director on 13 April 2018, be elected as a Director of Xero Limited.*
3. *That Rod Drury, retiring from office as a Director of Xero Limited by rotation, be re-elected as a Director of Xero Limited.*

4. *That Craig Winkler, retiring from office as a Director of Xero Limited by rotation, be re-elected as a Director of Xero Limited.*
5. *That Graham Smith, retiring from office as a Director of Xero Limited by rotation, be re-elected as a Director of Xero Limited.*
6. (a) *That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Xero to issue shares to Lee Hatton in lieu of her remuneration on the terms and conditions set out in the Explanatory Notes of this Notice of Meeting.*  
 (b) *That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Xero to issue shares to Bill Veghte in lieu of his remuneration on the terms and conditions set out in the Explanatory Notes of this Notice of Meeting.*

## SPECIAL RESOLUTION

7. *That Xero's current constitution be revoked and Xero adopt the new Constitution tabled at the Meeting in its place, with effect from the close of the Meeting or any adjournment of it.*

By order of the Board.



**Chaman Sidhu**  
 Company Secretary  
 13 July 2018

## Explanatory Notes

### IN THESE EXPLANATORY NOTES:

**ASX** means ASX Limited

**Board** means the board of Directors of Xero

**Companies Act** means New Zealand’s Companies Act 1993

**Constitution** means Xero’s new constitution to be tabled at the Meeting

**Director** means a director of Xero

**Meeting** means Xero’s 2018 annual meeting of shareholders

**Non-Executive Director** means a Director who is not also an employee or executive of Xero

**Notice of Meeting** means this notice of annual meeting of shareholders

**Ordinary Resolution** means a resolution passed by a simple majority of the votes of shareholders of Xero entitled to vote and voting on the resolution

**Share** means an ordinary share in Xero

**Special Resolution** means a resolution approved by a majority of 75 percent or more of the votes of those shareholders of Xero entitled to vote and voting on the resolution

**Xero** means Xero Limited

### RESOLUTION 1

## Fixing the Remuneration of the Auditor

Ordinary Resolution: *“That the Board is authorised to fix the remuneration of the auditor for the ensuing year.”*

Under section 207T of the Companies Act, Ernst & Young is automatically reappointed at the Meeting as auditor of Xero. Section 207S of the Companies Act provides that the auditor’s fees and expenses must be fixed by the company or in the manner that the company determines at this Meeting. The proposed resolution, if passed by shareholders, would authorise the Board, consistent with commercial practice, to fix the remuneration of Ernst & Young as Xero’s auditor.

**RESOLUTION 2**

## Election of Dale Murray as a Director

Ordinary Resolution: “That Dale Murray, appointed by the Board as a Director on 13 April 2018, be elected as a Director of Xero Limited.”

Dale Murray was appointed by the Board as a Director on 13 April 2018. Under ASX Listing Rule 14.4, Dale is required to retire from office as a Director at this Meeting, but she offers herself for election by the shareholders. The Board (other than Dale Murray because of her interest in this resolution) unanimously supports Dale’s election.

Dale is a technology entrepreneur and growth-company advisor. Dale co-founded mobile pioneer Omega Logic in 1999, which co-launched prepaid top-ups in the UK. She led the growth of top-up transactions to £450m within five years, generating net revenue of £25 million. After selling the company in a trade sale, she turned to investing and advising start-ups and won the British Angel Investor of the Year award in 2011. Dale is currently a non-executive director at Sussex Place Ventures and a Board Advisor to Seedrs. She was formerly a non-executive director and Trustee for the Peter Jones Foundation and a non-executive director at the Department for Business, Innovation & Skills. She served on the Business Taskforce on EU Redtape for the Prime Minister in 2013.

Dale holds a Masters of Business Administration issued by the London Business School, University of London. Dale received a Commander of the Most Excellent Order of the British Empire (CBE) from Her Majesty the Queen for services to business. Dale is also a Fellow of the College of Chartered Accountants, issued by the New Zealand Institute of Chartered Accountants (now Chartered Accountants Australia & New Zealand).

**DALE MURRAY, CBE**

*Independent Non-Executive Director*

*Term of Office: Appointed by the Board as a Director on 13 April 2018*

*Board Committees: Audit and Risk Management Committee*

**RESOLUTION 3**

## Re-election of Rod Drury as a Director

Ordinary Resolution: *“That Rod Drury, retiring from office as a Director of Xero Limited by rotation, be re-elected as a Director of Xero Limited.”*

Under ASX Listing Rule 14.4, Rod is required to retire by rotation at this Meeting as a Director. Rod will offer himself for re-election as a Director at this Meeting. The Board (other than Rod Drury because of his interest in this resolution) unanimously supports Rod’s re-election.

For more than a decade, Rod led Xero from humble beginnings with four employees working in a Wellington apartment to a global software business and S&P/ASX 100 company. Rod remains Xero’s largest shareholder. Rod started his career at Ernst & Young and went on to establish and lead a number of innovative technology businesses. Rod was an independent director on the NZX Board and the Trade Me Board, through its acquisition by Fairfax. At the Deloitte Top 200 Awards 2017, Rod was named Visionary Leader of the Year. He was named Ernst & Young New Zealand 100 Entrepreneur of the Year 2013, and is a member of the New Zealand Hi-Tech Hall of Fame.

Rod holds a Bachelor of Commerce and Administration from Victoria University of Wellington.

**ROD DRURY**

*Xero Founder, Non-Executive Director*

*Term of Office: Appointed as a Director on 6 July 2006, elected as a Director by shareholders on 26 July 2012*

**RESOLUTION 4**

## Re-election of Craig Winkler as a Director

Ordinary Resolution: *“That Craig Winkler, retiring from office as a Director of Xero Limited by rotation, be re-elected as a Director of Xero Limited.”*

Under ASX Listing Rule 14.4, Craig is required to retire by rotation at this Meeting as a Director. Craig will offer himself for re-election as a Director at this Meeting. The Board (other than Craig Winkler because of his interest in this resolution) unanimously supports Craig’s re-election.

Craig co-founded Australian small business accounting software provider MYOB in 1991. Craig built MYOB to be a popular business tool and brand which, in 2004, merged with Solution 6 to become Australia’s largest IT company. Craig became a substantial shareholder of Xero in 2009, when he also joined the Board. Craig now spends the bulk of his time working in the philanthropic sector.

Craig holds a Master of Business Administration (Technology Management) from APESMA (in conjunction with Deakin University).

**CRAIG WINKLER**

*Non-Executive Director*

*Term of Office: Appointed by the Board as a Director on 21 May 2009, elected as a Director by shareholders on 23 July 2009, re-elected by shareholders on 21 July 2011, 1 August 2013 and 22 July 2015*

*Board Committees: People and Remuneration Committee, Nominations Committee*

**RESOLUTION 5**

## Re-election of Graham Smith as a Director

Ordinary Resolution: *“That Graham Smith, retiring from office as a Director of Xero Limited by rotation, be re-elected as a Director of Xero Limited.”*

Under ASX Listing Rule 14.4, Graham is required to retire by rotation at this Meeting as a Director. Graham will offer himself for re-election as a Director at this Meeting. The Board (other than Graham Smith because of his interest in this resolution) unanimously supports Graham’s re-election.

Graham has more than 25 years of finance experience in the software and SaaS industry. He was Chief Financial Officer at Salesforce from 2008 to 2014. He has held executive positions at Advent Software, Vitria Technology, Nuance Communications and Oracle. Graham serves on the Board of directors at Splunk, MINDBODY and BlackLine, and recently served on the Citrix Board. Graham is also involved in his local community, as evidenced by his Board membership on the Sonoma Valley Education Foundation.

Graham holds a Bachelor of Science in Economics and Politics from Bristol University in England. He previously qualified as a Chartered Accountant (A.C.A) in England and Wales from the Institute of Chartered Accountants in England and Wales.

**GRAHAM SMITH**

*Independent Non-Executive Director, Chair of the Board  
Term of Office: Appointed by the Board as a Director on 25 February 2015, elected as a Director by shareholders on 22 July 2015*

*Board Committees: Nominations Committee (Chair), Audit and Risk Management Committee*





Junk & Disorderly – Auckland, NZ

## RESOLUTION 6

# Approval of the Issue of Shares to Directors

Ordinary Resolutions:

6 (a) *“That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Xero to issue shares to Lee Hatton in lieu of her remuneration on the terms and conditions set out in the Explanatory Notes of this Notice of Meeting.”*

6 (b) *“That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Xero to issue shares to Bill Veghte in lieu of his remuneration on the terms and conditions set out in the Explanatory Notes of this Notice of Meeting.”*

Please refer to the voting exclusions on page 24 in relation to these resolutions.

## OVERVIEW

These resolutions seek shareholder approval for the issue of Shares to Lee Hatton and Bill Veghte (or their nominees) in lieu of receipt of their directors’ fees in cash from time to time (the Remuneration Shares).

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX’s opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

The Board believes that providing remuneration to Directors in the form of Shares in consideration for their services as Directors more effectively aligns the interests of Directors with those of shareholders, by giving the Directors an opportunity to share in the success of Xero. Director remuneration in this form can motivate and reward long-term decision making, through the aim of creating and maximising shareholder value.

The value of the Shares at the time of issue, taken together with all other Director remuneration, cannot exceed the then applicable maximum annual remuneration that can be paid to all of the Directors (known as the directors' remuneration cap). If shareholders do not approve the issue of Shares, the remuneration for the relevant Directors will be paid in cash.

### SPECIFIC INFORMATION

ASX Listing Rule 10.13 requires certain information to be provided in relation to approval sought under ASX Listing Rule 10.11. This information is set out below:

The name of the person:	Resolution 6(a) - Lee Hatton (Director) Resolution 6(b) - Bill Veghte (Director)
The formula for calculating the number of securities to be issued to the person:	The maximum number of Shares that may be issued to each Director can be calculated as follows:  Value of remuneration to be received by the relevant Director / the volume weighted average price (VWAP) of Shares calculated over a period which is at least five business days prior to the issue date

The formula for calculating the number of securities to be issued to the person:	The actual number of Shares to be issued to Lee Hatton and Bill Veghte will therefore depend on the remuneration each receives and the actual VWAP. A worked example is set out on page 17 assuming each Director receives her or his existing remuneration. The level of remuneration may vary during the course of the relevant 12 months, but taken together with all other Director remuneration, the aggregate directors' remuneration cap of NZD \$1.4 million cannot be exceeded
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The date by which the securities will be issued (issue date):	The Shares to be issued to Directors (or their nominees) will be issued within 12 months after shareholder approval is obtained
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The issue price:	The number of Shares to be issued will be calculated by dividing the relevant Director's remuneration (from time to time) by the VWAP of the underlying Shares over a period which is at least five business days prior to the issue date
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Terms of the equity securities:	The Shares to be issued to the Directors will be on the same terms as all other fully paid Shares on issue
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The intended use of funds raised:	Not applicable. Shares are issued in lieu of paying Directors' remuneration in cash
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Voting exclusion statement:	A voting exclusion statement is contained on page 24 of this Notice of Meeting. Votes cast by shareholders contrary to the voting exclusion statement will be disregarded
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**DILUTION - WORKED EXAMPLE\***

The table below provides a worked example of the dilution that may occur to shareholders as a result of the issue of Shares to Directors over the next 12 months.

	Maximum number of Shares**	Dilution to shareholders***
Based on highest closing Share price over last 12 months ending 2 July 2018 (AU\$47.81)	6,711	0.0048%
Based on lowest closing Share price over last 12 months ending 2 July 2018 (AU\$23.25)	13,802	0.0099%
Based on closing Share price on 2 July 2018 (\$AU45.86)	6,997	0.0050%

\* Illustrative purposes only

\*\* Assumes current annual remuneration of Lee Hatton of NZ\$110,000 and Bill Veghte of NZ\$240,000

\*\*\* Dilution to shareholders is based on Xero's Shares on issue as at 2 July 2018

**ASX WAIVER**

Please note that ASX has granted Xero a waiver from ASX Listing Rules 10.13.3 and 10.13.5, subject to the following conditions:

- (a) *The Notice states that the Remuneration Shares will be issued within 12 months after shareholder approval is obtained.*
- (b) *The Notice states that the number of Remuneration Shares to be issued will be calculated based on the volume weighted average price of the underlying shares over a period which is at least five business days prior to the issue date.*
- (c) *The Notice includes a worked example of the dilution that will occur to existing shareholders of the Company as a result of the issue of Remuneration Shares at three different prices.*
- (d) *The Notice sets out that the Remuneration Shares will be fully paid ordinary shares in the capital of the Company ranking equally in all respects with the Company's existing shares on issue.*
- (e) *The Company's annual report for any period during which the Remuneration Shares are issued to the Directors, discloses details of the number of Remuneration Shares that were issued to them, including the percentage of the Company's issued capital represented by those Remuneration Shares.*
- (f) *The terms of the waiver are stated in the Notice.*

Other than Lee Hatton in relation to resolution 6(a) because of her interest in that resolution, and other than Bill Veghte in relation to resolution 6(b) because of his interest in that resolution, the Board unanimously supports issuing Shares to Lee Hatton and Bill Veghte in lieu of remuneration.

**RESOLUTION 7**

## Adoption of New Constitution

Special Resolution: *“That Xero’s current constitution be revoked and Xero adopt the new Constitution tabled at the Meeting in its place, with effect from the close of the Meeting or any adjournment of it.”*

**ADOPTION OF NEW CONSTITUTION**

Xero’s current constitution is in substantially the same form as the constitution that was adopted on 9 May 2007 in connection with Xero’s listing on the New Zealand Stock Exchange (NZX). There have been no major amendments since that date.

There are two reasons to revise the current constitution:

1. To reflect developments in the law and current best practice for a company of Xero’s size and nature.
2. To be consistent with, and include references to, the ASX Listing Rules now that Xero is listed solely on the ASX (this includes removing references to the NZX Listing Rules and reflecting the provisions referenced in Appendix 15A of the ASX Listing Rules, as required by ASX Listing Rule 15.11). Xero is required to comply with the ASX Listing Rules regardless of the provisions in its constitution and so the adoption of the new Constitution does not affect Xero’s current obligations regarding such compliance in any event. The inclusion of the required ASX references is essentially an administrative matter.

The Board also considers this is a good opportunity to modernise and simplify some of the existing language in the constitution. As a result, the Board considers it most appropriate to adopt a wholly new constitution, rather than amending Xero’s current constitution.

The Board considers that there are no material proposed changes to Xero’s current constitution. The primary proposed changes to Xero’s current constitution, reflecting the types of changes described above, are summarised in the Appendix to these Explanatory Notes. A copy of the proposed new Constitution can be obtained by shareholders prior to the meeting at no charge from the Investors section of Xero’s website ([www.xero.com/about/investors](http://www.xero.com/about/investors)). A copy of the proposed new Constitution will also be available for inspection at the Meeting.

The Board unanimously supports adoption of the proposed new Constitution.

## Important Information

### ATTENDANCE IN PERSON

For those shareholders who are attending the Meeting in person, please bring the accompanying personalised Proxy Form with you to assist with your registration. You can also vote during the Meeting using a mobile phone (see LinkVote App section below for more information).

### ATTENDANCE ONLINE

Shareholders may attend and participate at the Meeting virtually via an online platform provided by Xero's share registrar, Link Market Services Limited (Link), at [agmlive.link/xero2018](https://agmlive.link/xero2018). Shareholders attending and participating in the Meeting virtually via the online platform will be able to vote and ask questions during the Meeting. More information regarding virtual attendance at the Meeting is available in the Online Portal Guide available on the Investors section of Xero's website ([www.xero.com/about/investors](http://www.xero.com/about/investors)).

### VOTING

Voting entitlements for the Meeting will be determined as at 7pm AEST (9pm NZT) on Tuesday 14 August 2018. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the Shares registered in those shareholders' names at that time may be voted at the Meeting.

### LINKVOTE APP

Shareholders attending the Meeting in person can download the LinkVote App from the Apple App Store or Google Play Store if they would like to vote during the Meeting using a mobile phone. More information on voting using a mobile phone at the Meeting can be found in the Mobile App Guide available on the Investors section of Xero's website ([www.xero.com/about/investors](http://www.xero.com/about/investors)).

### PROXIES

If you are entitled to attend and vote at the Meeting, you may appoint a proxy to attend and vote for you by completing and following the instructions on the accompanying Proxy Form. Alternatively you can securely appoint a proxy online by following the instructions on the Proxy Form.

In order to complete the validation process to appoint a proxy online, you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode or country of residence. If you need to obtain these details, please contact Link. Their contact details are set out in the Proxy Form.

The person you appoint as proxy is not required to be a Xero shareholder. If you are entitled to cast two or more votes at the Meeting, you may appoint two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If you appoint a proxy, you may either direct your proxy how to vote for you or you may give your proxy discretion to vote as they see fit. If you wish to give your proxy discretion, then you do not tick any box for a resolution. The Chair of the Meeting and any Director appointed as proxy intend to vote all discretionary proxies in favour of the relevant resolution, except that Lee Hatton cannot vote such discretionary proxies on resolution 6(a) and

Bill Veghte cannot vote such discretionary proxies on resolution 6(b). If you do not appoint a proxy on your Proxy Form, your Proxy Form will be invalid. If you tick more than one box for a resolution, your vote on that resolution will be invalid.

The completed Proxy Form must be received by Link by no later than 2pm AEST (4pm NZT) on Tuesday 14 August 2018. Any Proxy Form received after that time will not be valid for the Meeting.

#### **DEFAULT TO THE CHAIR OF THE MEETING**

If:

- a poll is called on a resolution; and
- you have appointed a proxy other than the Chair of the Meeting and the appointment of the proxy directs the proxy how to vote on the resolution; and
- your proxy either does not attend the Meeting, or attends the Meeting but does not vote on the resolution,

then the Chair of the Meeting will, before voting on the resolution closes, be taken to have been appointed as your proxy for the purposes of voting on that resolution. In these circumstances, the Chair of the Meeting must vote in accordance with your written direction.

#### **POWERS OF ATTORNEY**

If you have appointed an attorney to attend and vote at the Meeting, or if your Proxy Form is signed by an attorney, you must provide the power of attorney (or a certified copy of the power of attorney) to Link by no later than 2pm AEST (4pm NZT) on Tuesday 14 August 2018, unless the document has previously been lodged with Link.

#### **CORPORATE REPRESENTATIVES**

A corporate shareholder may appoint a person to act as its representative. The representative must bring a properly executed letter or other document confirming that they are authorised to act as the shareholder's representative at the Meeting. A "Certificate of Appointment of Corporate Representative" form may be obtained from Link.

#### **VOTING EXCLUSIONS**

**Resolution 6:** In accordance with ASX Listing Rule 14.11.1, Xero will disregard any votes cast in favour of resolution 6(a) by Lee Hatton or any of her associates. In accordance with ASX Listing Rule 14.11.1, Xero will disregard any votes cast in favour of resolution 6(b) by Bill Veghte or any of his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **MORE INFORMATION**

If you have any questions or require further information about this Notice of Meeting, please contact Xero's Company Secretary, Chaman Sidhu, at [companysecretary@xero.com](mailto:companysecretary@xero.com).

**APPENDIX**

## Additional information for Resolution 7

**PRIMARY PROPOSED CHANGES TO XERO'S CONSTITUTION**

Most of the provisions in the proposed Constitution reflect the corresponding provisions in Xero's current constitution and therefore have not been described in this Appendix (i.e. most provisions are unchanged). The primary proposed changes are summarised below.

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Incorporation of ASX Listing Rules (Clause 2)	The ASX Listing Rules require that Xero, as a company solely listed on the ASX, includes certain provisions in its constitution (per ASX Listing Rule 15.11 requiring the inclusion of the provisions in Appendix 15A of the ASX Listing Rules). Such detailed provisions cover the requirement that, in essence, the ASX Listing Rules prevail over the constitution to the extent of any conflict or inconsistency.
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Right of set off (Clause 8.8)	This new provision allows the Board to deduct certain sums of money that a shareholder owes Xero from any dividends payable to that shareholder. This provision reflects best practice for the constitution of a company of Xero's size and nature.
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Holding locks (Clause 9.5)	This new provision gives the Board the power, subject to ASX Listing Rules and ASX Settlement Operating Rules, to decline to register any paper-based transfer of shares or apply for a "holding lock" (to prevent certain dealings in financial products) on the occurrence of one of the prescribed events, provided the powers are exercised within a set timeframe. Such prescribed events include, among others, where the transfer would result in a breach of an Australian law, ASX Listing Rules, a Restriction Agreement, or in a disposal of restricted securities during an escrow period. It is usual market practice in Australia to include similar provisions in a company's constitution, to allow a board to maintain control over share transfers that would otherwise result in non-compliance by an ASX listed company with relevant law, the ASX Listing Rules or contractual arrangements. This provision is appropriate having regard to Xero's sole listing on the ASX.
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Restricted securities (Clause 9.6)	The ASX Listing Rules also require that Xero's constitution include certain provisions in relation to the disposal of restricted securities during the escrow period (per ASX Listing Rule 15.12). These provisions cover the requirement that, in essence, restricted securities cannot be disposed of during the escrow period and the holder of restricted securities is not entitled to rights attached to the restricted securities in the event of a breach of the ASX Listing Rules or a Restriction Agreement.
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Unmarketable parcels (Clause 9.8)	The new detailed provision for unmarketable parcels reflects the usual approach for dealing with the potential tidy-up of very small parcels of shares under applicable ASX Listing Rules (and is similar to the previous “Sale of less than Minimum Holding” provisions that reflected the former applicable NZX Listing Rules approach). Such unmarketable parcels may be sold by Xero and the proceeds provided to the holder.
Remove chairperson’s casting vote for shareholders’ meetings (Clause 15.13)	The current constitution includes a casting vote for the chairperson at shareholder meetings. This is no longer market practice in New Zealand. Accordingly, the new constitution removes the chairperson’s entitlement to a casting vote.
Electronic voting (Clause 15.16)	This provision acknowledges Xero’s ability to permit the use of electronic voting methods for appointing proxies or representatives to attend shareholder meetings, cast postal votes by electronic means and, to the extent permitted by law, vote on resolutions. This reflects the now more permissive provisions of the Companies Act.
Number of New Zealand resident Directors (Clause 20.1)	The current constitution provides that at least two Directors must be ordinarily resident in New Zealand, reflecting the requirement in the NZX Listing Rules. The revised provision removes this requirement given the company is now solely listed on the ASX. The Companies Act requires that at least one Director is ordinarily resident in New Zealand.

Directors’ tenure (Clause 21)	This new provision reflects the approach to Directors’ tenure of office set out in the ASX Listing Rules, including that: <ul style="list-style-type: none"> <li>– (except for any Managing Director) a Director must not hold office without re-election for more than three years or following the third annual meeting after the Director’s last appointment or re-election (whichever is longer);</li> <li>– at least one Director must retire from office at each annual meeting (unless there has been an election of Directors earlier that year);</li> <li>– a Director who retires from office or whose office is vacated will be eligible for election or re-election to the board at the meeting at which the Director retires from office; and</li> <li>– Xero may remove any Director at any time by ordinary resolution.</li> </ul>
Remove chairperson’s casting vote for Board meetings (Clause 24.9)	The current constitution includes a casting vote for the chairperson at Board meetings. This is no longer appropriate in the Board’s view, including not reflecting market practice for a company of Xero’s size and nature. Accordingly, the new Constitution removes the chairperson’s entitlement to a casting vote for Board meetings.
Unclaimed dividends (Clause 27.4)	The revised provision allows the Board to forfeit dividends or other monetary distributions unclaimed for five years or more after the due date.





Beautiful business



Beautiful business

Xero Limited

NZ Company No. 1830488  
ARBN 160 661 183

### LODGE YOUR VOTE

**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**BY MAIL**  
Xero Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

**BY FAX**  
+61 2 9287 0309

**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

**ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



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## PROXY FORM

I/We being a member(s) of Xero Limited (**Xero**) and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chair of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual Meeting of the Company to be held at **2:00pm AEST (4:00pm NZT) on Thursday, 16 August 2018 at Level 3, Establishment, 252 George Street, Sydney, NSW, Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business.

### VOTING DIRECTIONS

Proxies will only be valid and accepted by Xero if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Fixing the Remuneration of the Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Re-election of Graham Smith as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Dale Murray as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6a Approval of the Issue of Shares to Lee Hatton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Rod Drury as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6b Approval of the Issue of Shares to Bill Veghte	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-election of Craig Winkler as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Adoption of new Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Securityholder 1

or duly authorised officer or attorney

Securityholder 2

or duly authorised officer or attorney

Securityholder 3

or duly authorised officer or attorney

Please provide your name and daytime telephone number in case we need to contact you regarding this proxy form.

Contact Name: \_\_\_\_\_

Daytime Telephone: \_\_\_\_\_ Date: \_\_\_\_\_

XRO PRX1801N



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on Xero's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of Xero.

### DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted in favour of the relevant resolution.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting (physically or online) and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Xero's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** in the case of a corporate shareholder, a director or duly authorised officer must sign.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from Xero's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm AEST (4:00pm NZT) on Tuesday, 14 August 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Xero Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
or  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL MEETING IN PERSON, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**