

Tax Strategy

1. Our commitment

At Xero, our purpose is to make life better for people in small business, their advisors and communities around the world. This purpose is underpinned by five values described in Xero's Code of Conduct which are fundamental to everything we do.

Human Xeros are authentic, inclusive and really care.	Challenge Xeros dream big, lead and embrace change.	Team Xeros are great team players.	Ownership Xeros deliver on our commitments.	Beautiful Xeros create experiences that people love.
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In line with our purpose and values, Xero is committed to:

- Tax transparency and tax responsibility
- Complying with the tax law in countries in which we operate, both in letter and spirit
- Open and honest working relationships with tax authorities

We support the spirit of the Organisation for Economic Co-operation and Development's (OECD) base erosion and profit shifting initiatives.

2. Our approach to tax governance

The Board of Xero Limited (the Board) is responsible for overseeing Xero's tax management. The Audit and Risk Management Committee (**ARMC**) assists the Board to oversee the tax practices of Xero Limited and its subsidiaries. This includes periodically reviewing and reporting to the Board on Xero's tax management including reviewing and making recommendations to the Board on the Tax Risk Strategy and Control Framework (**Tax Framework**) and overseeing the adequacy of, and compliance with, the Tax Framework. The Chief Financial Officer (**CFO**) is responsible for management oversight and execution of Xero's tax strategy. The Executive General Manager (**EGM**) Tax and Payroll has day-to-day responsibility for tax.

Our Tax Framework governs how we manage our global tax obligations and includes a code of conduct for tax professionals working at Xero (**Tax Code of Conduct**). This has been approved by the Board and is based on established approaches of responsible compliance and tax risk management. The Tax Framework applies to Xero Limited and all entities controlled by Xero Limited (**the Group**).

Tax professionals working at Xero must adhere to the Tax Framework and the Tax Code of Conduct, and are responsible for collaborating to identify, investigate and assess Xero's tax

risks, and promptly report any identified risks to the EGM Tax and Payroll or CFO. Adherence with the Tax Code of Conduct is intended to ensure the correct amount of tax is paid, in compliance with relevant tax law and practice.

3. Our approach to tax risk management

Xero defines tax risk as “any event, action or inaction in tax strategy, operations, financial reporting or compliance that either adversely affects Xero’s tax or business objectives or results in an unanticipated or unacceptable level of financial or reputational loss or exposure”.

Our Tax Framework outlines a comprehensive approach for monitoring and reporting tax risks to the ARMC and the Board. Tax risks are categorised and reported in accordance with their assigned level of risk. The Tax Framework outlines the minimum level of opinion required when taking a position on a tax matter or issue, based on the level of tax risk. The EGM Tax and Payroll reports tax risks or issues that are identified as high risk, along with significant transactions and events, to the CFO and/or ARMC.

We manage taxes so that tax liabilities due in accordance with tax law shall be correctly recorded and accounted for and paid on time. We maintain robust accounting systems and strong internal controls to support our tax compliance and reporting obligations. Appropriate training is provided to members of our tax team and external tax advice is sought on a regular basis in accordance with the Tax Framework for both routine and non-routine matters.

4. Our approach to tax planning

We apply the local tax laws of the jurisdictions in which we operate, and we follow the OECD’s principles on transfer pricing and other international tax matters. Our tax strategy is in line with the regulatory, legal and commercial environment that Xero operates in, and due consideration is given to Xero’s reputation, brand and corporate and social responsibilities to stakeholders when considering tax initiatives.

The Board has determined that Xero has a low risk appetite for tax risk and all reasonably practical measures will be taken to minimise the tax risk where possible. As a result, Xero will not enter into any artificial tax arrangements for the purposes of avoiding paying taxes or generating tax credits or tax losses. All transactions must have clear alignment with a business purpose or commercial rationale and comply with the associated tax legislation.

External advice is sought for high risk or significant transactions across the Group, and also where there is uncertainty about how the relevant tax law should be applied.

5. Our relationships with tax authorities

Xero is committed to being open, transparent and collaborative with tax and other regulatory authorities. We do this by:

- Building relationships with a focus on being proactive, frank and appreciative of all perspectives and objectives
- Actively participating in the development and reform of tax laws and tax administration in those locations in which we have business operations or interests and, on those topics, relevant to our expertise and thought leadership, or where this is expected to have a material impact on Xero
- Being transparent and proactive, constructive and cooperative in all interactions with tax authorities, including always engaging in a manner that is aligned with our Xero values, which underpin everything that we do

Approved by: Xero Board, October 2022