



MARKET RELEASE

Xero CEO pay revised, aligns to performance and global peers

Continues to incentivise long-term shareholder value creation

WELLINGTON, 14 December 2024 - Xero Limited (ASX: XRO) today announces that the Board has revised its CEO Sukhinder Singh Cassidy's remuneration to recognise her strong performance, ensure it is appropriately aligned to market benchmarks for globally comparable technology companies, and that it continues to focus on incentivising long-term value creation.

Xero Chair David Thodey said: "The Board is committed to linking pay with performance, and attracting and retaining global talent to achieve our global strategy and aspirations for Xero. Sukhinder has made an exceptional contribution towards these ambitions since joining Xero two years ago. Under Sukhinder's leadership, Xero has focused the team on delivering growth and profitability, attracted leading global expertise, set out a clear strategic vision to position Xero strongly for the future, and delivered consecutive greater than Rule of 40 outcomes."

"Xero aspires to be a world-class global SaaS business. Recruiting and retaining global SaaS leaders — a concentration of whom are US-based — in a competitive international market is essential to delivering the high performance we need to drive long-term shareholder value."

Sukhinder joined Xero in November 2022, commencing as CEO in February 2023. Since then, Xero has consistently delivered revenue growth above 20%, increased free cash flow margin to 21%, and delivered a Rule of 40 of 41.0% and 43.9% in FY24 and H1 FY25 respectively. Total Shareholder Return (TSR) over this period has been 161%¹.

The Board review of Sukhinder's package applied Xero's enterprise-wide remuneration principles of: performance, scope and criticality of role, and location. The Board also took into account: the strong performance delivered by Xero during Sukhinder's first two years, the commitment made to Sukhinder that her remuneration would be reviewed in line with her performance, extensive global benchmarking data, and feedback from consultation with a range of stakeholders on the construction of the package including institutional investors and proxy firms.

The outcome of the Board review brings Sukhinder's compensation in line with a benchmark group by moving future Total Target Remuneration (TTR) (base salary, STI, LTE and LTI) from the 10th percentile to the median, and granting a top-up allocation of options to bring her total equity exposure to the median of the group (excluding founder CEOs). The benchmark group comprises US-based CEOs of globally comparable companies in the technology sector (outlined in Appendix 2). A summary of her revised remuneration is as follows (for further details refer Appendix 1):

- A reduction in base salary and associated target STI from USD\$735,000 to USD\$540,000 each with effect from 1 April 2025 (noting that target STI continues to remain at 100% of base salary)
- An increase in the total Long Term Incentive (LTI) and Long Term Equity (LTE) target opportunity for FY26 to USD\$14,120,000, provided with RSUs to be granted in July 2025. Consequently, her annual total target remuneration will increase to USD\$15,200,000
- A one-off grant of 575,000 'at-the-money' options with an exercise price of AUD\$171.11, equal to a fair value of USD\$26.49m. It should be noted that in order to align CEO and shareholder interests, the options will vest in three equal tranches annually following the grant date. Each vested tranche will be subject to a further holding restriction post vest such that 33% of the

¹ Calculated from 10 November 2022 to 13 December 2024



grant will be restricted until December 2027 and 67% until December 2028² as per the below schedule;

- First tranche (vesting December 2025): 2 year post vest restriction ending December 2027
- Second tranche (vesting December 2026): 2 year post vest restriction ending December 2028
- Third tranche (vesting December 2027): 1 year post vest restriction ending December 2028
- The one-off option allocation brings the CEO's total equity exposure to the median of the benchmark group. The Board does not anticipate any further supplementary one-off option grants of this nature will be made to the CEO

The package retains several existing ASX typical terms to align with shareholder interests, including; STI deferral (50:50 cash / equity split), Board discretion in relation to plan outcomes, the application of malus and clawback provisions, and a heavier weighting towards variable performance pay. It also applies a holding restriction post vest on each tranche of the options grant, which is not typical in the US. The CEO will only realise value from these options as incremental shareholder value is created; i.e. proportional to Xero's share price above the exercise price of AUD\$171.11.

Chair of Xero's People and Remuneration Committee Susan Peterson said: "Xero is one of only a few technology companies listed on the ASX of both its size and reach globally, and under Sukhinder's leadership, there has been a step change in the business' performance."

"Sukhinder's remuneration is guided by our remuneration principles and has been benchmarked against packages paid to US-based CEOs of globally comparable companies in the technology sector. Lifting Sukhinder's remuneration to the median of this peer group comes after Xero has delivered strong results over the past two years under her leadership, including delivering TSR at the 87th percentile³ when compared with the EMCloud Index. In contrast, Sukhinder's package has been below benchmark, with Total Target Remuneration at the 10th percentile when compared to the peer group. With at least 96% of Sukhinder's new package comprising variable performance pay or linked to share price performance, the value that Sukhinder realises will depend on her ability to deliver against ambitious performance targets set by the Board."

"Sukhinder is a career US-based executive and this package is location specific, reflecting Xero's remuneration principle of paying in line with the domestic market where the executive is based. The Board believes revising Sukhinder's remuneration is in the best interests of shareholders."

Xero has included additional disclosure in Appendix 1 and 2 to support understanding of the construction of the new package and the benchmarking process that was undertaken. Xero is committed to continuing to evolve its remuneration reporting and will provide further detail in its Remuneration Report, alongside retrospective disclosure of outcomes.

Authorised for release to the ASX by the Chair of the Board & Chair of the People and Remuneration Committee

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² Shares may be sold to cover tax obligations on the exercise of options, for further details refer Appendix 1

³ Calculated from 10 November 2022 to 13 December 2024



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About Xero

[Xero](#) is a global small business platform with 4.2 million subscribers. Xero's smart tools help small businesses and their advisors to manage core accounting functions like tax and bank reconciliation, and complete other important small business tasks like payroll and payments. Xero's extensive ecosystem of connected apps and connections to banks and other financial institutions provide a range of solutions from within Xero's open platform to help small businesses run their business and manage their finances more efficiently.

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Appendix 1 - Material terms of Sukhinder Singh Cassidy's updated employment agreement as CEO of Xero Group

Key Terms	Details
Effective date for base salary and STI and LTI / LTE changes	Base salary: 1 April 2025 FY26 STI: based on base salary in effect on 1 April 2025 FY26 LTI/LTE: 1 April 2025
Base salary	Base salary of USD\$540,000 per annum (base salary), excluding superannuation
Long Term Equity (LTE)	LTE maximum opportunity for FY26 of USD\$7.06m as Restricted Stock Units (RSUs) under the Xero Limited USA Incentive Scheme, which vests in three equal tranches annually over three years. In line with the existing LTE scheme, LTE continues to be contingent on service in alignment with the global pay practices of technology companies. This component of remuneration is presented separately from LTI to reflect the service-based nature of the award. The equity-based nature of this grant means that the value realised by the CEO will be reflective of Xero's long term share price performance through the annual vesting of RSUs.
Short Term Incentive (STI)	In line with the existing STI scheme, the STI target opportunity for each financial year will be 100% of base salary, subject to satisfaction of performance targets set by the Board and delivered 50% in cash and 50% as deferred RSUs. Maximum STI opportunity is 180% of base salary.
Long Term Incentive (LTI)	LTI maximum opportunity for FY26 of USD\$10.59m provided as RSUs under the Xero Limited USA Incentive Scheme. In line with the existing LTI scheme, this reflects 60% of total RSUs granted at the maximum opportunity (the remainder are LTE, see above). The target opportunity is based on USD\$7.06m per annum. In line with the existing LTI scheme, RSUs issued under the LTI plan will be granted with performance conditions assessed over a three year performance period (1 April 2025 to 31 March 2028). Targets and performance measures for the FY26 LTI plan will be determined by the Board as part of Xero's FY26 operating plan and aligned to the longer-term strategy and sustained shareholder value creation. The performance measures for FY25 (assessed over the FY25-FY27 period) are: - Compound Annual Revenue Growth over the three year period (37.5% weight) - Average Free Cash Flow margin over the three year period (37.5% weight) - Relative Total Shareholder Return (rTSR) compared to the EMCloud index⁴ (25% weight)
One-off Equity Option Grant	Options to be granted in December 2024 under the Xero Limited USA Incentive scheme. Terms: 575,000 options to be granted with a total fair value of USD\$26.49m⁵. The options vest in three equal tranches on or around December 2026, December 2027 and December 2028. All options will be granted at-the-money with an exercise price based on Xero's

⁴ Nasdaq Emerging Cloud Index as at the start of the performance period

⁵ This represents the fair value of Options using Black Scholes Option pricing methodology. Further detail on the inputs and assumptions that underpin the calculation will be disclosed in the FY25 Remuneration Report. The CEO will only realise value from these options if incremental shareholder value is created i.e proportional to Xero's share price above the the grant exercise price



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	closing share price the trading day prior to the grant being made⁶. These options will be granted with a 10 year expiry date. Each option granted entitles the CEO, on vesting and subsequent exercise, to be allocated one Xero share. Following vesting, each tranche will be subject to a post-vest minimum holding period; • The first two tranches (vesting December 2025 and December 2026) are subject to a two year hold period and resulting shares become unrestricted in December 2027 and December 2028 respectively • The third tranche (vesting December 2027) is subject to a 1 year hold period and resulting shares will become unrestricted in December 2028 Shares resulting from exercise of these options may be sold during the restriction period only to settle tax obligations that arise upon exercise. This award is designed to be a top up grant, given the CEO's current package is below benchmark. In light of the top up nature of the grant, the Board does not expect that any further one-off awards of this nature would be granted to Ms Sukhinder Singh Cassidy.
Cessation of employment	Either party may terminate the employment by giving twelve months' notice. Xero may require Ms Singh Cassidy to serve out the notice period or may elect to pay Ms Singh Cassidy in lieu of notice. Xero may summarily terminate the employment without notice in certain circumstances (including serious misconduct). Ms Singh Cassidy may terminate the employment without notice for good reason if her role is changed without consent, there is a substantial diminution in her duties, responsibilities or authority, there is a material diminution of base salary or total annual compensation, or a significant relocation of primary place of employment. In this case, Ms Singh Cassidy is entitled to be treated as if Xero had given 12 months' notice. If Xero gives 12 months' notice or the CEO terminates the employment for good reason, and Xero elects to pay Ms Singh Cassidy in lieu of notice, a payment equivalent to 12 months' total package is to be paid/equity entitlements are to remain on foot and any incentives will be treated in accordance with the terms of the relevant incentive arrangements. All of the One-Off Equity Option grant will remain on foot in accordance with the terms of grant (subject to the provisions noted below under Board Discretion/Malus). In addition, if the CEO terminates the employment for good reason and Xero elects to pay Ms Singh Cassidy in lieu of notice, 12 months' worth of health insurance will be provided. In the case of genuine retirement, a pro rata portion of the One-Off Equity Option grant will remain on foot in accordance with the terms of grant (calculated based on the portion of the relevant Vesting Period served). Vested options granted in the One-Off Option Equity Grant described above will be able to be exercised up to 2 years and 30 days after cessation of employment (up to a maximum of 10 years after grant).

⁶ The exercise price has been determined by reference to Xero's closing share price the day prior to the grant, in accordance with section 409A of the U.S. Internal Revenue Code



Board Discretion / Malus	The Board will retain discretion in relation to vesting of equity awards under the Plan rules and as summarised in the FY24 Remuneration Report. As set out in the report the Board may adjust, delay or withhold an award in, but not limited to, circumstances: • where an executive has acted fraudulently or dishonestly or is in material breach of their obligations • where Xero becomes aware of a material misstatement or omission in the financial statements of the Xero Group • where an executive has failed to act consistently with Xero's risk appetite and risk management priorities • in any other circumstances where the Board determines in good faith there is an unfair benefit to the employee, e.g. relating to behaviour or conduct, such as risk management
Other terms	Ms Singh Cassidy's employment will be primarily based in the United States of America and the employment agreement is governed by the law in force in the State of California. The agreement contains general provisions relating to compliance with Xero's policies, reimbursement of expenses (including an annual allowance of USD\$25,000 for certain legal, tax and coaching services), travel and leave entitlements, confidentiality and intellectual property. Xero's standard US employee benefits apply, including medical and insurance benefits.

**Appendix 2 - Details of benchmarking used to inform new CEO remuneration package**

The following table lists the companies that form part of the US peer group used as the primary comparator for benchmarking US-based executives, including the CEO. This is largely identical to the US peer group published in Xero's FY24 Remuneration Report, with two adjustments to reflect replacements for companies which transitioned from public to private ownership. Coupa and Zendesk delisted, replaced with MongoDB and Qualys.

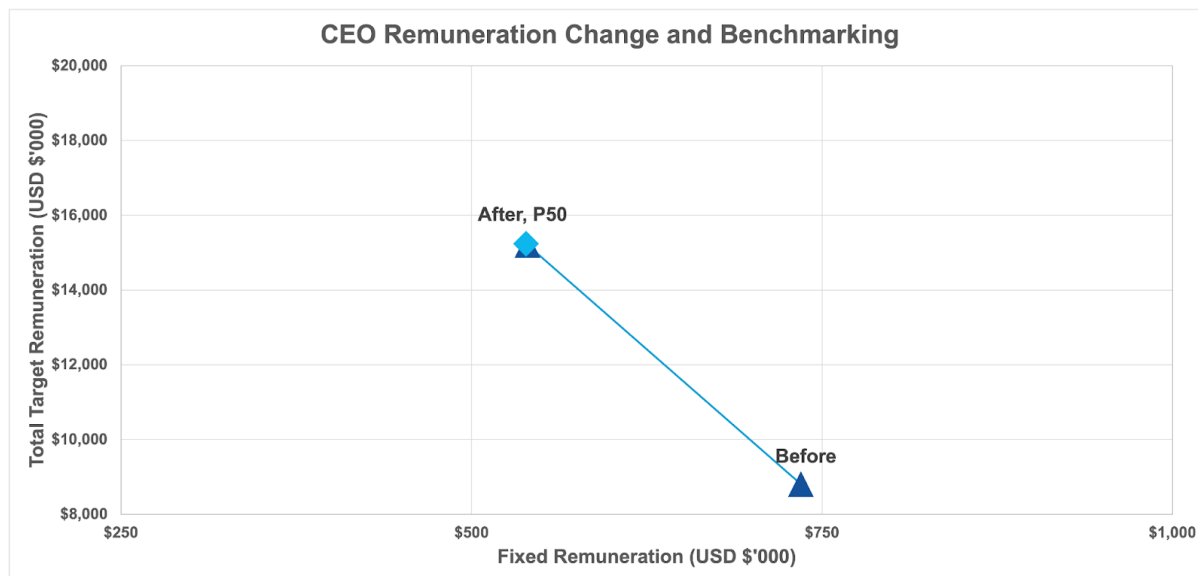
US Peer Group			
Ticker	Org name	Ticker	Org name
AYX	Alteryx	OKTA	Okta
APPF	AppFolio	PAYC	Paycom Software
APPN	Appian	QLYS	Qualys
ASAN	Asana	SMAR	Smartsheet
TEAM	Atlassian	SPLK	Splunk
BILL	BILL Holdings	TWLO	Twilio
DOCU	DocuSign	VEEV	Veeva Systems
HUBS	HubSpot	WIX	Wix.com
LPSD	Lightspeed Commerce	XWDAY	Workday
MDB	MongoDB	ZS	Zscaler

The following table includes the CEO's previous and new remuneration package, compared against the median of the US peer group used for benchmarking the CEO's new remuneration package.

US CEO Pay Benchmarking					
All figures USD '000	Xero CEO				US Peer Group
	Previous		New		Quantum
Element	Quantum	Positioning	Quantum	Positioning	50th
Base Salary	\$735	~75th	\$540	~50th	\$539
Target Bonus (% of Base)	100%	~50th	100%	~50th	100%
Target Total Cash	\$1,470	~75th	\$1,080	~50th	\$1,100
Target LTI ⁷	\$7,333	<25th	\$14,120	~50th	\$14,438
Total Target Rem	\$8,803	<25th	\$15,200	~50th	\$15,232

The change in the CEO's package and market data for annual Total Target Remuneration is illustrated below. This change will position the CEO's base and annual Total Target Remuneration to P50 (i.e. 50th percentile) of the US peer group.

⁷ Inclusive of LTE component



This package will deliver fairness and equity by moving to the median of the benchmark group through adjusting annual total target remuneration, and granting a top up allocation of options (noting that current equity exposure is 0.4% of shares on issue (through existing RSUs & options granted) versus a median for the US peer group of 1.1%, this excludes founder CEOs). The CEO will only realise value from the one-off equity option grant if incremental shareholder value is created i.e. proportional to Xero's share price above the exercise price of AUD\$171.11.