XERO LIMITED – ANNUAL MEETING WEDNESDAY 12 JULY 2017

Chair's Introduction

Welcome

Good morning and welcome to Xero's Annual Meeting for 2017. I'm pleased to be speaking on behalf of the Board, for my third Xero Annual Meeting and first as Chair of the Board.

I'd like to welcome those shareholders who are attending the Meeting in person here in Sydney, and also those shareholders joining us online.

It has been a year full of milestones for Xero, including surpassing one million subscribers and completing our move to Amazon Web Services (AWS). Xero has extended our market-leading position in Australia, New Zealand, and the United Kingdom, and continued to grow our presence in North America, South East Asia, and South Africa.

With more than one million subscribers, over 100,000 business advisors and 500+ connected apps, Xero has established a global ecosystem to help millions of small businesses around the world as we forge ahead with our global growth strategy.

To begin, I'll introduce those up on stage.

On my right is Rod Drury, Xero's Chief Executive and Co-founder. Rod will present to us shortly. Next to Rod, are Xero's Chief Operating and Financial Officer, Sankar Narayan, Xero's Chief Partner Officer, Anna Curzon, who will also be presenting today, and Xero's General Counsel and Company Secretary, Chaman Sidhu.

On my left, are Non-Executive Directors Bill Veghte, Lee Hatton, Craig Winkler, Craig Elliott and Susan Peterson.

Before we start with the formal business of the Meeting, I have a couple of quick housekeeping points. I'd be grateful if you could please make sure your phone is switched off or on silent. In the event of an emergency, please follow the emergency exit signs and instructions of the venue staff.

We'll begin today with the formal business and resolutions of the Meeting, which will be followed by presentations from Sankar, Anna and Rod.

There will be opportunities for shareholders to ask specific questions as we address each resolution in the formal part of the Meeting, and there will be opportunities for shareholders to ask general questions following Rod's presentation. With that said, as Chair of the Meeting, I declare Xero's 2017 Annual Meeting formally open.

Before we move to the resolutions to be considered today, I'd like to acknowledge Craig Elliott. Craig will be retiring as a director of Xero Limited by rotation, and will not be standing for re-election.

Craig joined Xero's Board in September 2012. Craig has played a significant role in Xero's global growth over nearly 5 years, and his contribution to Xero over those years has been immense.

On behalf of the Board, we are extremely grateful for Craig's contribution and wish him all the best in his future endeavours.

I'd now like to invite Craig to say a few words.

[Craig Elliott addresses Meeting]

Thank you, Craig.

I will now move to the formal business of the Meeting.

The Company Secretary has confirmed to me that the Notice of Meeting has been sent to all shareholders and other persons entitled to receive it, and that the quorum requirements for the Meeting have been met.

Xero's financial statements for the 2017 financial year, together with the Auditor's report, are set out in the Company's Annual Report, which is available on our website and from the registration desk.

The matters requiring consideration today are outlined in detail in the Notice of Meeting that has been provided to shareholders.

Voting

Because we have shareholders attending this Meeting today both in person and virtually, we will be conducting the vote by way of poll.

For those here in Sydney, you will be able to cast your vote by filling out the form that you would have received at the registration desk on your way in, which will be collected at the end of the formal part of the Meeting.

For those attending the Meeting online, you will be able to cast your vote by clicking "Get Voting Card". You can find further instructions in the Virtual Annual Meeting Online Portal Guide that is available on Xero's website.

Shareholders can also vote using a mobile phone, through the LinkVote App. If you plan to use a mobile phone to vote you should have already downloaded the LinkVote App and received the pin to check-in to the Meeting from the registration desk on your way in. You can find further

instructions in the Mobile App Guide that is available on Xero's website and from the registration desk.

Once we have tallied the votes, the results will be posted on the market announcement platforms of the NZX and ASX following the end of this meeting.

Proxies

The proxy votes that have been submitted for each resolution will be set out on the slides that will be shown for each resolution. To give some context to these numbers, the current number of shares on issue in Xero is around 137.8 million.

I have been appointed proxy in respect of approximately 62 million shares voting either for, against, or with discretion, for resolutions 1-4. As indicated on the proxy form, I intend to vote all discretionary proxies where I am appointed as proxy in favour of resolutions 1-3. I will not vote any discretionary proxies where I am appointed proxy for resolution 4 as this resolution relates to a proposal to increase the maximum aggregate annual remuneration that can be paid to the Non-Executive Directors.

Questions

There will be the opportunity for shareholders here in Sydney to ask questions on each resolution before it is considered. If you are attending the Meeting online, you are also able to ask questions by clicking on "Ask a Question". Further information on this is set out in the Online Portal Guide. To ensure that questions on the resolutions that are asked online reach me as we go through each resolution, I ask that shareholders that are attending the Meeting online submit those questions now.

We ask that general questions from shareholders here in person be put to the Board following the presentations from Sankar, Anna and Rod. General questions received online during the Meeting will also be addressed after the presentations from Sankar, Anna and Rod. If we are unable to get through all questions today, we will respond individually after the meeting.

Resolution 1: Auditor Remuneration

Now, turning to the first resolution, which relates to the authorisation of the Board to fix the remuneration of Xero's auditors.

Are there any questions or comments regarding this resolution?

[Questions]

I propose the resolution and put the motion to vote. Please now cast your vote.

Resolution 2: Election of Susan Peterson as a Director

We now turn to the election and re-election of Directors.

Susan Peterson was appointed by the Board on 22 February 2017, and is now required to stand for election under applicable listing rules. The Board recommends Susan to you as a Xero Director and unanimously supports her election.

I will now ask Susan to say a few words about herself.

[Susan Peterson addresses Meeting]

Thank you, Susan.

Are there any questions or comments regarding this resolution?

[Questions]

I propose the resolution and put the motion to vote. Please now cast your vote.

Resolution 3: Re-election of Lee Hatton as a Director

The next resolution concerns the re-election of Lee Hatton as a Director of Xero, who retires at this Meeting by rotation and offers herself for re-election.

The Board recommends Lee to you as a Xero Director and unanimously supports her re-election.

I will now ask Lee to say a few words about herself and her continued role on the Board.

[Lee Hatton addresses Meeting]

Thank you, Lee.

Are there any questions or comments regarding this resolution?

[Questions]

I propose the resolution and put the motion to vote. Please now cast your vote.

Resolution 4: Non-Executive Director Remuneration

We now move to the resolution concerning the remuneration of Non-Executive Directors. For the purposes of this resolution, any reference to dollars is a reference to New Zealand dollars.

Resolution 4(a) proposes that the maximum annual remuneration able to be paid to all of the Non-Executive Directors taken together be increased from NZ\$850,000 to NZ\$1,400,000 (i.e., a NZ\$550,000 increase), with immediate effect.

The unique nature of Xero as a New Zealand based high-growth platform operating in a global market means that it's critical to the success of the company that there is strong oversight of the company's operations as it scales on its journey to NZ\$1 billion in revenue. The Board believes the proposed increase to be in the interests of Xero in that it will enable Xero to attract and retain directors of the highest calibre in different countries. The Board's intention is to use the additional pool to recruit approximately two to three additional Non-Executive Directors in key markets, such as the U.K. or the U.S.. There are no current plans to materially increase the remuneration of the current Directors. Without this increase, no additional directors could be recruited to the Xero Board.

As noted in the Notice of Meeting, the current maximum aggregate annual remuneration was approved in 2014. At that time, the aggregate annual remuneration represented 1.2% of total operating revenue for the year ended 31 March 2014. Xero is now a significantly larger, more complex, and more global company, as evidenced by Xero's financial results for the year ended 31 March 2017. The proposed increased aggregate annual remuneration would represent 0.47% of Xero's total operating revenue for the year ended 31 March 2017.

To support the expansion of the Board's global representation, a comprehensive director remuneration benchmarking process was undertaken, which considered a range of data sources across New Zealand, Australia, the U.S. and the U.K., to allow the setting of director fees at appropriate local rates in those four countries. Due to the number of countries involved, Xero elected to conduct this exercise internally rather than commission an independent report. The methodology used was to consider publicly available and subscription sources, including director remuneration surveys and annual reports of comparable companies. Benchmarks were assessed based on both revenue and market capitalisation.

As a result of the benchmarking process, the Xero Board has set a New Zealand based director's fee at NZ\$90,000 and New Zealand based Chair's fee at NZ\$180,000. The Board has also set a US based director's fee at NZ\$227,000 (which is USD\$165,000) and a US based Chair's fee at NZ\$310,000 (which is USD\$225,000). After this Annual Meeting, the total directors' fees on an annual basis would amount to NZ\$840,000, which means that additional room is needed in the total remuneration cap to recruit new directors. The U.S. based director fee of NZ\$227,000 is the basis for requesting the total increase of NZ\$550,000.

Moving to the next part of Resolution 4, Resolution 4(b) would give the Board the discretion to remunerate Non-Executive Directors either in part or in whole by way of an issue of Equity Securities. This particular resolution relates to the general ability to pay director remuneration with shares in Xero. Xero shareholders have previously approved such a resolution in 2014, and it has been included here as part of resolution 4 due to the requirements of the NZX Listing Rules.

Xero does not intend to grant any options to acquire shares to any Non-Executive Director as remuneration for their role as Non-Executive Director.

The Board considers it to be in Xero's interests to give the Board the discretion to remunerate Non-Executive Directors in part or in whole by way of the issue of shares rather than solely by cash. It more effectively aligns the interests of the Non-Executive Directors with those of shareholders, and motivates and rewards long-term decision-making with the aim of creating and maximising shareholder value.

I note that any votes from Non-Executive Directors (myself included) or their associated persons on this resolution will be disregarded.

Are there any questions or comments regarding this resolution?

[Questions]

I propose the resolution and put the motion to vote. Please now cast your vote.

Conclusion

That concludes the resolutions to be presented to the Meeting. If you hold a white voting card, please make sure you have marked your votes on that card now and hold it up for collection by a representative from our share registrar. For those attending the Meeting online, voting will close following the presentations from Sankar, Anna and Rod.

As mentioned earlier, the votes will be tallied and the results available on the market announcement platforms of the NZX and ASX following this Meeting.

We will now move to the presentations from Sankar, Anna and Rod. Following these presentations and shareholder questions, the Meeting will be formally closed and you will be invited to join the Directors and the Xero Management Team for some refreshments.

Over to you, Sankar.

[Sankar Narayan (Chief Operating and Financial Officer), Anna Curzon (Chief Partner Officer) and Rod Drury (Chief Executive) address Meeting]

Thank you all for attendin	xero's Annual Meeting	I now declare the Meeting closed.

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