



Xero Limited

Securities Trading Policy

1. Why does this policy exist and who does it apply to?

Xero Limited (**Xero**) is a public company whose shares are traded on a stock exchange. In many countries including Australia and New Zealand, “insider trading” laws exist to protect all participants in stock markets and provide a level playing field. These laws are strict and apply to Xero directors and employees. This policy is formulated in the context of relevant insider trading laws to assist with compliance with those laws, and as part of Xero’s commitment to good governance.

This policy applies to these people and entities (called **you** in this policy):

- directors and employees of Xero and its subsidiaries; and
- a company or trust controlled by a Xero director or employee (controlled is not to be construed in a technical way but by looking at how decisions are made in practice).

In this policy, **trade** includes buying or selling Xero Securities, or agreeing to do so, whether as principal or agent.

This policy applies to **Xero Securities**, which means:

- Xero’s listed ordinary shares; and
- any other securities of Xero or its subsidiaries, such as debentures, notes, options or rights.

If you have a question, are unsure about whether this policy applies to you, or don’t understand something in this policy, then before trading in Xero Securities please contact Xero’s Company Secretary at tradingclearance@xero.com.

2. What is the prohibition on insider trading?

The fundamental rule is that insider trading is prohibited at all times

If you have **Inside Information** (explained below), you must not:

- trade Xero Securities;
- advise, encourage or procure others to trade or hold Xero Securities - you cannot do this yourself or by encouraging or procuring another person to do so;

- pass on that Inside Information to others – including colleagues, family or friends – if you know (or ought to know) that the other person will use that information to trade, hold, or advise, encourage or procure someone else to trade or hold, Xero Securities.

The prohibitions apply regardless of how you learn of the Inside Information, and regardless of why you are trading.

The prohibitions on insider trading apply to all listed securities of any company, not only to Xero Securities. If you have inside information about listed securities of any company, you must not trade in those securities.

What is Inside Information?

Inside Information is information that:

- is not generally available to the public (where a person knows, or ought reasonably to know, that the information is not generally available to the public);
- and if the information were to be generally available to the public, a reasonable person would expect it to have a material effect on the price of Xero's Securities.

Information is generally available to the public if it has been released as a stock exchange announcement, or if investors that commonly invest in Xero's Securities can readily obtain the information (e.g. by observation, using their expertise, or purchasing the information).

It does not matter how you come to know the Inside Information (e.g. whether you learn it while carrying out your responsibilities, or in passing, or at a social function).

What are some examples of Inside Information?

Examples of Inside Information could include:

- Xero's financial performance;
- a change in Xero's strategic direction, or a fundamental change in Xero's product strategy;
- a purchase or sale of assets or a company by Xero;
- entry into or termination of material contracts or other business arrangements;
- a change in Xero's capital structure;
- senior executive changes;
- a change in dividend policy;
- a material legal claim by or against Xero; or
- an unexpected liability.

Something can be Inside Information even if it's not definite. Inside Information can include things that are only possible or likely, rumours, matters of supposition, the intentions of Xero or another person, and information which is not yet certain enough to be disclosed to the public.

What is the consequence if insider trading happens?

Insider trading is an offence; it is illegal to engage in it. People who commit insider trading can be subject to criminal liability (including large fines and imprisonment) and civil liability (being sued by someone for the loss they have suffered as a result of the insider trading).

3. What are the Xero Closed Periods?

Like other listed companies, Xero has **Closed Periods** for share trading. The prohibitions on insider trading apply at all times, all year round; but the Xero share trading Closed Periods help you manage your obligations during specific periods when Xero's financial information is being finalised for release to the public.

During Xero Closed Periods, you must not trade in Xero Securities. The Xero Closed Periods are:

- from the close of trade on 31 August until 10.00am on the next trading day after Xero's half-year financial results are released to the ASX (usually early November);
- from the close of trade on the last day of February until 10.00am on the next trading day after Xero's full-year financial results are released to the ASX (usual early May); and
- any other period that the Board sets.

If you need to trade Xero Securities during a Closed Period due to **Exceptional Circumstances**, you may only do so if you have prior written clearance (see section 6). Exceptional Circumstances are rare, and include severe financial hardship, a requirement to comply with a court order or court enforceable undertaking, and any other circumstance warranted in the individual situation.

Remember: if you have Inside Information, you must not trade Xero Securities, regardless of whether or not it is during a Xero Closed Period.

4. What are the requirements around trading Xero Securities?

A trading clearance process (explained below) applies if you are a **Designated Person**. You are a Designated Person if you:

- are a director or the CEO;
- report directly to the CEO or report to a person who reports directly to the CEO; or
- have a role that is on this **list**.

Requirements before and after trading

If you are a Designated Person, before trading in Xero Securities, you must:

- notify Xero of your intention to trade, and seek written clearance to trade, using this **link**;
- confirm that you do not hold Inside Information; and
- confirm that you don't know of a reason to prohibit your trade.

The clearance process is explained in section 6. Clearance is only valid for up to 5 trading days after notification and for up to the number of Xero Securities you've requested to trade. The clearance is automatically deemed to be withdrawn if you become aware of Inside Information prior to trading.

If you are a Designated Person, you must advise the Company Secretary immediately after completing a trade by emailing tradingclearance@xero.com.

5. What are the exceptions to the Closed Periods?

If you do not have Inside Information, then you may at any time (including during Closed Periods):

- transfer securities you already hold into a superannuation fund, savings scheme or like fund in which you are a beneficiary;
- trade in a publicly offered fund or scheme (but not a scheme of which Xero Securities are a significant portion) where the assets of the fund or other scheme are invested at the discretion of a third party (e.g. an index fund);
- dispose of Xero Securities arising from the acceptance of a takeover offer, scheme of arrangement or equal access buy-back;
- deal under an offer or invitation made to all or most Xero shareholders, where the plan that determines the timing and structure of the offer has been approved by Xero's Board. Examples of this are a rights issue, a security purchase plan, or a bonus issue made to all holders of Xero Securities in the same class.

6. What else should I be aware of?

This policy doesn't replace insider trading laws

The rules in this policy do not replace your legal obligations; they are separate from, and apply in addition to, the laws prohibiting insider trading in Australia and New Zealand, and any other relevant place (e.g. where you live).

If in doubt, don't!

The boundary between what is and is not in breach of the law or this policy is not always clear. Sometimes behaviour that you consider to be ethical actually may be insider trading. If in doubt, don't!

No short term trading

Short term trading is the buying and selling of listed securities within a 6 month period and this can be a key indicator of insider trading, particularly if undertaken on a regular basis or in large amounts. To reduce the risk of an allegation of insider trading, you must not trade Xero Securities on a short term basis, except in Exceptional Circumstances and with prior written clearance (see below).

An exception to this rule is the sale of Xero shares immediately after they have been acquired through the conversion (e.g. vesting or exercise) of a Xero Security granted under an employee equity plan, as long as you do not have Inside Information and it is not a Closed Period. This is not regarded as short term trading.

No speculative trading

You must not engage in transactions in the derivative markets involving products based on Xero Securities, except in Exceptional Circumstances and with prior written clearance (see below). This includes OTC products, depository receipts, contracts for difference, forward contracts, swaps, futures, warrants, exchange-traded options, caps and collars and any other financial product that operates to limit the economic risk associated with Xero Securities or which are otherwise speculative.

No protection arrangements

You must not enter into an arrangement or transaction that:

- is designed or intended to hedge (or otherwise limit) your economic exposure to unvested or restricted Xero Securities (e.g. unvested employee share plan shares);
- amounts to “short selling” of Xero Securities; or
- otherwise enables you to profit from a decrease in the market price of Xero Securities.

If you intend to enter into an arrangement or transaction to hedge your vested and unrestricted Xero Securities, you need prior written clearance (see below).

No granting of security over Xero Securities or entering into margin lending arrangements

- If you hold unvested or restricted Xero Securities you may not, either directly or indirectly, enter into a margin loan or grant any form of security or rights over those Xero Securities.
- If you intend to enter into a margin loan or grant a security or rights over your vested and unrestricted Xero Securities, you need prior written clearance (see below).

Written Clearance

If you need to seek a general trading clearance, please use **this link**. If you need other written clearance under this policy, please email tradingclearance@xero.com.

The person to consider your request for clearance will depend on your role:

- If you are the Chair: the Chair of the Audit and Risk Management Committee and the Company Secretary
- If you are a Director or the CEO: the Chair and the Company Secretary
- If you are a direct report of the CEO: the CEO and the Company Secretary
- If you are the Company Secretary: the Chair and the CEO
- All other Xero employees: the Company Secretary

Monitoring of trading

Xero may monitor your trading as part of the administration of this policy.

Breaches of policy

Strict compliance with this policy is a condition of employment. Breaches of this policy will be subject to disciplinary action, which may include termination of your employment or engagement.

Examples in this policy are not definitive

This policy uses examples to explain concepts. Where examples are given – look for words like “includes”, “e.g.” or “such as” – these are not definitive or exhaustive.

Last reviewed: December 2017