

Modern Slavery Statement FY24



xero

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1.1 The reporting entity

This is Xero's sixth Modern Slavery Statement (MSS). It addresses the reporting requirements under both the [Australian Modern Slavery Act 2018](#) and [UK Modern Slavery Act 2015](#).

Refer to [Appendix 1](#) for an overview of where each of the mandatory criteria have been addressed.

This MSS sets out the steps taken by Xero Limited and its controlled entities during the year ended 31 March 2024 (FY24) to identify and reduce the risks of Modern Slavery (MS) and human trafficking in its business and supply chains. It also illustrates our roadmap to achieving our priorities, and actions we are taking to effectively manage the risk to people and to our business.

1.2 About Xero

Xero was founded in 2006, leading the charge to bring cloud accounting tools to small businesses globally. The launch of Xero meant accountants and bookkeepers could collaborate with their small business clients in real time through an open platform to monitor their financials, simplify core compliance and run their business.

Xero has evolved into a global small business platform that services accountants and bookkeepers and small business customers directly. In addition to our core accounting solution, our platform extends to payroll, payments, workforce management, expenses, projects and other solutions.

Xero's extensive ecosystem of connected apps and connections to banks and other financial institutions helps small businesses access a range of solutions from within our platform.

1.3 Purpose, vision and values

At Xero, our purpose is to make life better for people in small business, their advisers and communities around the world.

Our purpose is underpinned by the four values described in Xero's [Code of Conduct \(Code\)](#) and these are fundamental to everything we do.

Together with our purpose, our vision is to be the most insightful and trusted small business platform.

In staying true to our purpose, vision and values, we are committed to working to prevent modern slavery and human trafficking in our operations and supply chains.

We understand and remain vigilant on our key modern slavery risks, have policies and processes in place to help us manage and mitigate them, and we regularly assess the effectiveness of our controls.

Our values reflect how our people work with each other and our aspirations to better serve our customers and communities.

Our structure and operations are outlined in [Section 3](#). Section 2 sets out the actions that we have taken across Xero during the financial year to further mature our risk assessment and management approach.

XERO VALUES



We make it beautiful

Create experiences that customers love

We challenge ourselves to dream big, innovate, and inspire our customers, our communities, and each other with our best work.



We make it happen

Move fast on the right things to deliver value

We value progress over perfection, we drive clarity, decisiveness and accountability, and we continuously learn and refine.



We make it human

Care personally and challenge respectfully

We exchange ideas in a way that is specific, direct and kind, while demonstrating empathy, inclusivity and prioritising wellbeing.



We make it together

Collaborate to create a positive impact

We build trust through transparency, work as a coordinated team, seek diverse perspectives, and nurture positive relationships.



2. Our actions and progress during FY24









2.1 Committed actions

In our FY22 statement we set ourselves five goals to improve our management of modern slavery and human trafficking risks in our operations and supply chain to be delivered during FY23 and FY24. Out of the five goals set in FY22, three were completed in FY23 and two were carried over to FY24.

In our FY23 statement, we introduced two new goals, which have been completed in FY24. The following table provides an overview of these goals, key deliverables and status. For our FY25 and FY26 goals and deliverables, refer to [Section 7 - 'Our Next Steps'](#).

Goal	Key deliverables	Duration	Initiatives undertaken in FY24	Status
 <p>1. Improve supply chain visibility</p> <p>Deepen our visibility and understanding of modern slavery and human trafficking risks in our supply chain</p>	<ol style="list-style-type: none"> Select and implement a supply chain sustainability assessment application, to support enhanced due diligence for higher-risk suppliers Assess suppliers' modern slavery risk at the time of onboarding and undertake risk-based due diligence Ask existing suppliers to sign Xero's Supplier Code of Conduct Run in-depth due diligence campaigns on two higher risk categories (FY23) 	FY23 & FY24	<ol style="list-style-type: none"> EcoVadis supplier assessment platform. To elevate our existing due diligence controls and provide us with more comprehensive Environmental Social and Governance (ESG) supplier performance assessments, we have partnered with EcoVadis – a globally recognised assessment platform that rates businesses' sustainability performance. In FY24, we developed an implementation and supplier engagement plan. The implementation phase will occur in FY25 and FY26. We will discontinue the in-depth internal due diligence process we previously employed. Revised supplier modern slavery due diligence process. As part of our standard procurement process, we now assess suppliers' management of modern slavery risk during the onboarding phase by taking into consideration the supplier's location and type of service or product sourced. In addition, all new suppliers going through Xero's formal sourcing process are required to complete our internal due diligence assessment, regardless of their risk profile. Supplier Code of Conduct In FY24, approximately 90% of our existing supplier base (measured based on total spend value) has now signed our Supplier Code of Conduct or has an acceptable equivalent in place. We also require all our new suppliers to review and adhere to our Supplier Code of Conduct. 	 <p>Goal met and completed</p>

Goal	Key deliverables	Duration	Initiatives undertaken in FY24	Status
 <p>2. Modern slavery in third-party relationships (non-supplier)</p> <p>Undertake a risk analysis to understand modern slavery exposure through our API partnership arrangements and identify appropriate controls</p>	<ol style="list-style-type: none"> 1. Conduct an assessment of our modern slavery risk exposure in third-party API relationships 2. Identify existing controls and/or additional controls that need to be developed 	<p>FY23 & FY24</p>	<ol style="list-style-type: none"> 1. Risk assessment of our API partners to gauge modern slavery risk in their direct operations. Selected partners were prioritised for the assessment based on their risk profile including criticality, location, industry, size and Xero’s leverage. Partners with a higher perceived risk rating underwent a desktop audit and questionnaire-based assessment. They have also been assessed using a third-party adverse media screening tool we adopted in FY24 2. Reviewed our control environment and included modern slavery provisions in our standard Developer’s Terms <p>For more detail on how we manage risk at Xero refer to section Xero’s risk framework.</p>	 <p>Goal met and completed</p>
 <p>3. Detect and address non-compliance</p> <p>Develop, document and communicate a formal process for investigating and remediating instances of modern slavery, suspected modern slavery, or modern slavery-like behaviour in our operations and supply chain</p>	<ol style="list-style-type: none"> 1. Detect modern slavery incidents through new and existing mechanisms 2. Integrate modern slavery consideration into existing incident management processes 	<p>FY23 & FY24</p>	<ol style="list-style-type: none"> 1. Documented Sustainability Incident Management Plan (SIMP), which is aligned to our Group Incident Management Plan. It provides a detailed overview and guidance of how to manage sustainability related incidents (including modern slavery) 2. SIMP integrated into our incident management process. Consequently, ESG incidents are managed in accordance with other types of business incidents. 	 <p>Goal met and completed</p>
 <p>4. Enhance modern slavery governance</p>	<ol style="list-style-type: none"> 1. Review our Modern Slavery Statement consultation approach for owned and controlled entities 	<p>FY24</p>	<ol style="list-style-type: none"> 1. Reviewed and formalised internal consultation process with owned and controlled entities. ‘Section 8 - Consultation and Approval’ provides more detailed insight into our consultation and approval process 	 <p>Goal met and completed</p>

2.2 Other actions

In addition to our committed actions, throughout the course of the year we identified several additional opportunities.

In FY24, we renewed our membership with the United Nations Global Compact (UNGC) as a corporate member.

Through the UNGC Network Australia 'Modern Slavery Community of Practice' committee, we stay abreast of reporting requirements, best practice, and work collaboratively with peers to exchange information in relation to managing modern slavery risk, and evaluating different management approaches.

This, in turn, enables us to mature existing measures and controls we have in place to prevent modern slavery in our operations and supply chain.

In FY24, we completed Xero's third materiality assessment in accordance with the International Sustainability Standards Board S1 standard. This allowed us to identify and respond to the sustainability issues, risks and opportunities that are most material to our stakeholders to create long-term value at Xero.

The assessment considered a range of inputs, including peer and competitor benchmarking, a review of the Sustainability Accounting Standards Board (SASB) software and IT services sector standard, and Xero's internal policy documents. We reviewed a range of thought leadership documents from leading institutions such as the World Bank, World Economic Forum, and Organisation for Economic Development (OECD) to integrate global macroeconomic and geopolitical trends in the analysis.

Given that the results from the desktop review were consistent with last year's assessment, it was not deemed necessary to conduct stakeholder surveys and interviews this year.

The initial findings were reviewed by our Environmental, Social and Governance (ESG) Steering Committee, and validated by the Xero leadership team and board of directors (Board).

Responsible sourcing and modern slavery risk continues to be a priority for Xero and we are continuing to take action to improve the performance of our supply chain management, including to appropriately manage this risk.



3. Our structure, operations and supply chains



3. Our structure, operations and supply chains

3.1 Our structure

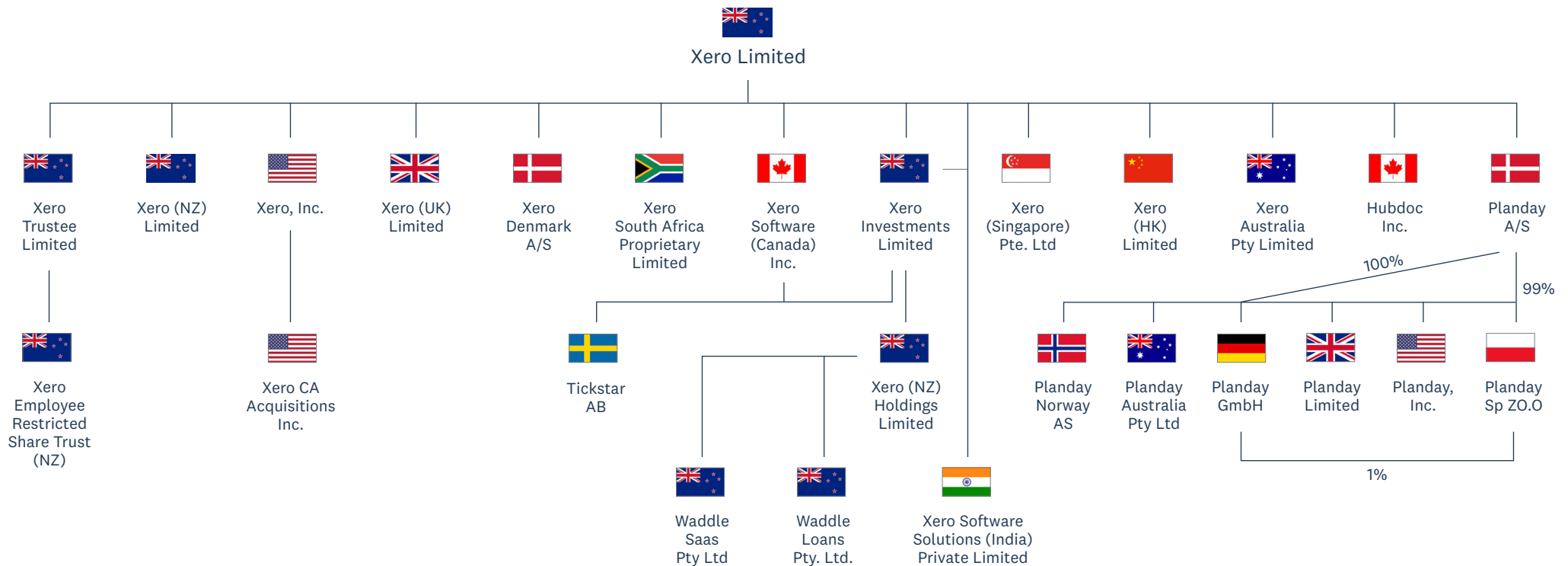
Xero Limited ('the Company') is registered under the New Zealand Companies Act 1993 and is listed on the Australian Securities Exchange (ASX).

It is the parent company of the Xero Group which, as at 31 March 2024, included a total of 27 entities across Australia, New Zealand, the United Kingdom, Germany, Poland, Denmark, Sweden, Norway, the United States of America, Canada, Hong Kong, Singapore, South Africa and India (Xero Group).

Xero Limited is a New Zealand incorporated company and is listed on the Australian Securities Exchange. It is the parent company of the Xero Group which, as at 31 March 2023, included a total of 30 entities across Australia, New Zealand, the United Kingdom, Germany, Poland, Denmark, Sweden, Norway, the United States of America, Canada, Hong Kong, Singapore, South Africa and India (Xero Group).

This statement covers the following entities:

XERO GROUP - ORGANISATION STRUCTURE



As at 31 March 2024, companies in the Xero Group operated in the information technology sector and/or the financial services sector. Policies and processes are set by Xero Limited and share centralised sustainability, procurement, finance, legal, risk, and company secretarial functions.

3.2 Our operations

Xero is a global small business platform, providing cloud-based business management solutions. In addition to accounting, our product offering extends to payroll, payments and other solutions. Xero’s ecosystem of connected apps and connections to banks and other financial institutions helps small businesses access a range of solutions within our platform.

Xero is focused on helping customers in our primary segments — small businesses with 1-20 employees — to complete their most important jobs to be done (JTBD): accounting, payroll and payments. We design primarily for these segments, but customers outside these segments — self-employed businesses with higher revenues and medium (21-100 employees) businesses who have multiple JTBD — also value our product. We continue to support these secondary segments.

As at 31 March 2024, Xero had 4.2 million subscribers worldwide, over 4,300 employees globally and generated total operating revenue of \$1.7 billion.

3.3 Our brands

In Australia and the United Kingdom, Xero Limited provides information technology products and services under the brand names Xero, Hubdoc, Planday, WorkflowMax¹ and Tickstar.

In Australia, Waddle previously provided cloud-based invoice financing services under the brand names Waddle from Xero and Waddle Services from Xero. Waddle was sold to Commonwealth Bank of Australia in October 2023.



¹On 23 March 2023, Xero announced that WorkflowMax will be retired on 26 June 2024, and that BlueRock has acquired the WorkflowMax brand

XERO IN NUMBERS



27 entities across 14 countries

make up Xero Limited

4,300

Xero employees

4.2 million

global customers

1.7 billion NZD

in operating venue

1,800

direct (tier 1) suppliers



600 million NZD

in procurement spend

3.4 Our supply chains

At Xero, our total procurement spend is NZD 600 million per annum, we have relationships with 1,800 suppliers, and this number is increasing as we continue to grow and expand across the globe.

Our supplier arrangements range from one-off purchases with non-contracted suppliers through to multi-year contract agreements.

We have a mix of short and long-term relationships with our suppliers but, in general, our preferred approach is to build long-term relationships with our suppliers.

Our suppliers are critical to the success of our operations at Xero. They vary in criticality, and risks that may arise with our suppliers are proactively managed.






3.4.1 Roles and responsibilities

Our supplier Business Owners play an essential role in this process. They have the responsibility of owning the business relationship Xero has with the supplier, and therefore the associated risk(s) during the entire supplier relationship lifecycle.

Our centralised global procurement team focuses on the procurement of information and communications technology (ICT), marketing and sales, financial, professional and workplace facilities-related goods and services for the Xero Group.

Contracts and supplier engagements that are of low value (under \$100,000 NZD) and considered low risk can be initiated by employees directly through a 'self-serve' process. This process identifies risks and directs employees to procurement or other internal teams as required.

3.4.2 What we procure

Category	Description
 <p>Marketing & Sales</p>	<p>This was our largest category of spend in FY24, comprising around 40% of our total procurement spend by value. It's made up of advertising and media spend (including digital), agency spend (advertising, marketing and public relations), events (e.g. Xerocon conferences and regional roadshows), sponsorships, creative marketing services, sales, and public relations related services and merchandise</p>
 <p>Information and communications technology (ICT)</p>	<p>This was our second largest category of spend in FY24, representing more than one quarter of our total procurement spend by value. This category includes software, hosting and cloud platform services, IT hardware, telecommunications and network technology and services</p>
 <p>Professional Services</p>	<p>Our spend in this category is mainly made up of software engineering and development, consulting, legal and other professional services. It represented more than 10 percent of our total spend by value in FY24</p>
 <p>Workplace and Facilities</p>	<p>This category of spend represented approximately eight percent of total spend in FY24, and includes office leasing costs and the range of suppliers Xero engages with to develop and maintain our offices premises in more than 10 locations, including: project management companies, architects, construction contractors, relocation providers and furniture suppliers. Each office also requires goods and services such as cleaning services, electricity, office maintenance, consumables and stationery</p>
 <p>Other notable procurement categories for the Xero Group</p>	<ul style="list-style-type: none"> • Banking and payments • Recruitment, healthcare, contractor and training services • Financial and insurance services • Travel and entertainment

3. Our structure, operations and supply chains

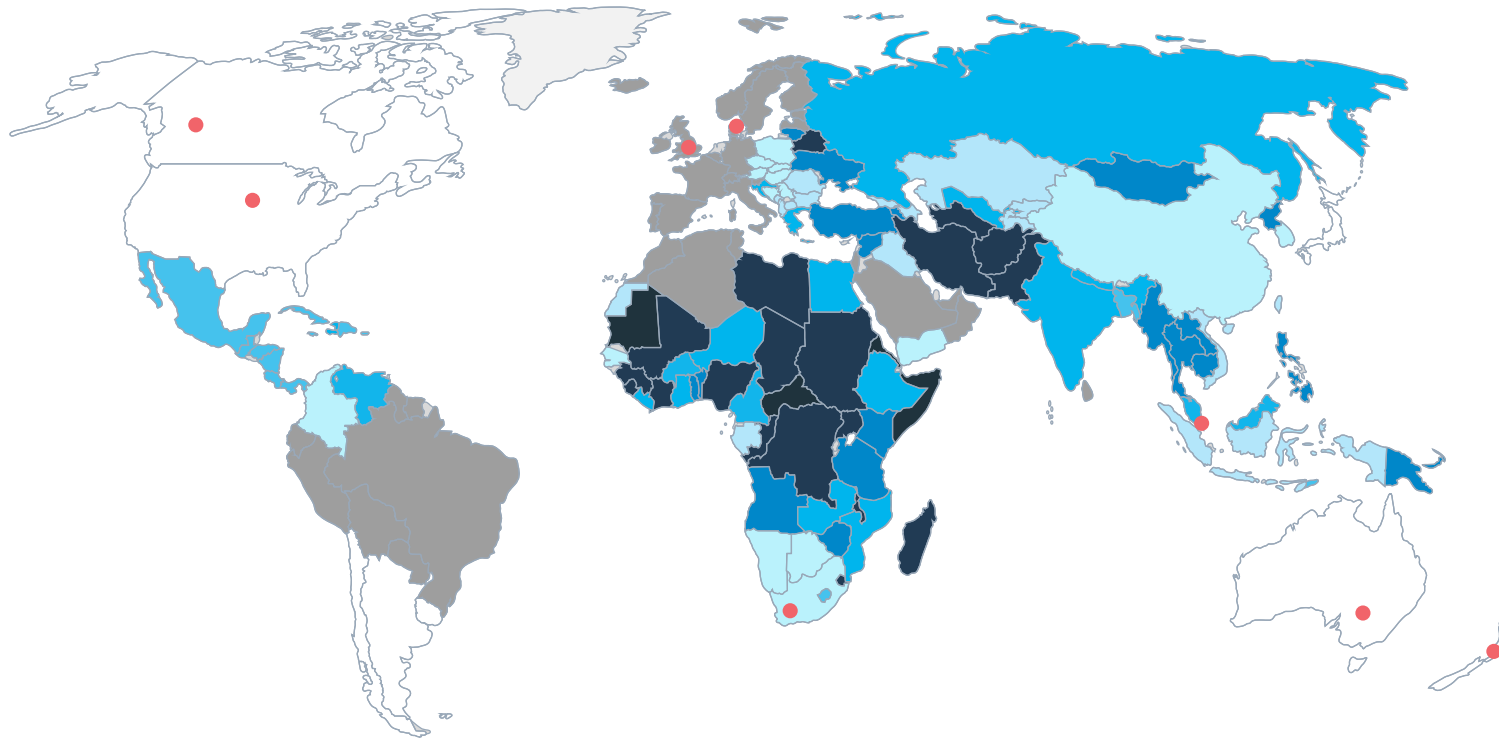
3.4.3 Where we procure from









During FY24, we were directly invoiced by 1,800 suppliers across 28 countries. Around three quarters of our direct suppliers are located in New Zealand, Australia, the US and the UK.

These countries have a low prevalence of modern slavery and governments that take strong action against it.

The following diagram is a visual representation of human rights risks across different geographies, based on data extracted from the Global Slavery Index (2023). An overview of the key markets that we procure from is provided on the right hand side of the diagram.

XERO'S SUPPLY CHAIN MAP



	Australia 19% of total spend 19% of supplier count
	Canada 2% of total spend 5% of supplier count
	Denmark 2% of total spend 7% of supplier count
	New Zealand 35% of total spend 18% of supplier count
	Singapore 1% of total spend 3% of supplier count
	South Africa 1% of total spend 3% of supplier count
	United Kingdom 16% of total spend 16% of supplier count
	United States 19% of total spend 18% of supplier count
	Other 5% of total spend 11% of supplier count

Reference: Country risk rating taken from 2023 Global Slavery Index (Minderoo Foundation's Walk Free Initiative)



4. Modern slavery risks in our operations and supply chains

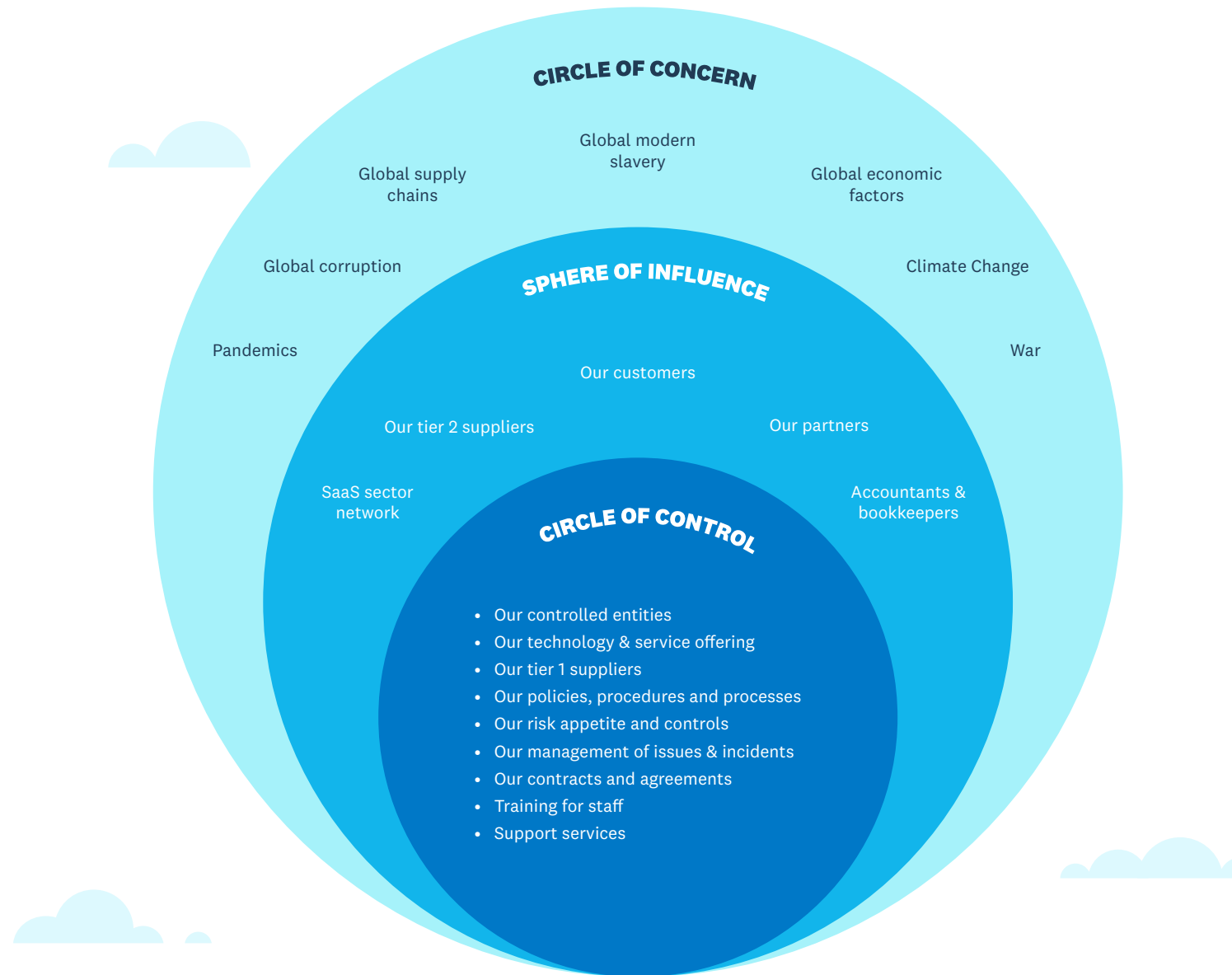
4. Modern slavery risks in our operations and supply chains

Xero is a member of the United Nations Global Compact. The United Nations Guidelines on Business and Human Rights (UNGPs) inform how Xero understands the risks of modern slavery in our operations and supply chains.

As explained in the UNGPs, a business' operations and its supply chains are at risk of creating adverse human rights impacts and being involved in modern slavery. This is defined in three ways:

- causing modern slavery or impacting human rights through their operational activities,
- contributing to modern slavery or human rights impacts through their operational activities, or
- being linked to modern slavery or human rights impacts through the supply chain sourcing of goods and services used in its operations.

We recognise that modern slavery is a global and complex problem. Many of the risks and factors contributing to modern slavery extend far beyond the control and reach of any one entity, and Xero recognises that it has a role to play as a large company with a global supply chain and workforce. We take meaningful action using the legal, policy, operational and management settings we control, and leveraging our influence to effect change where we don't have direct control.

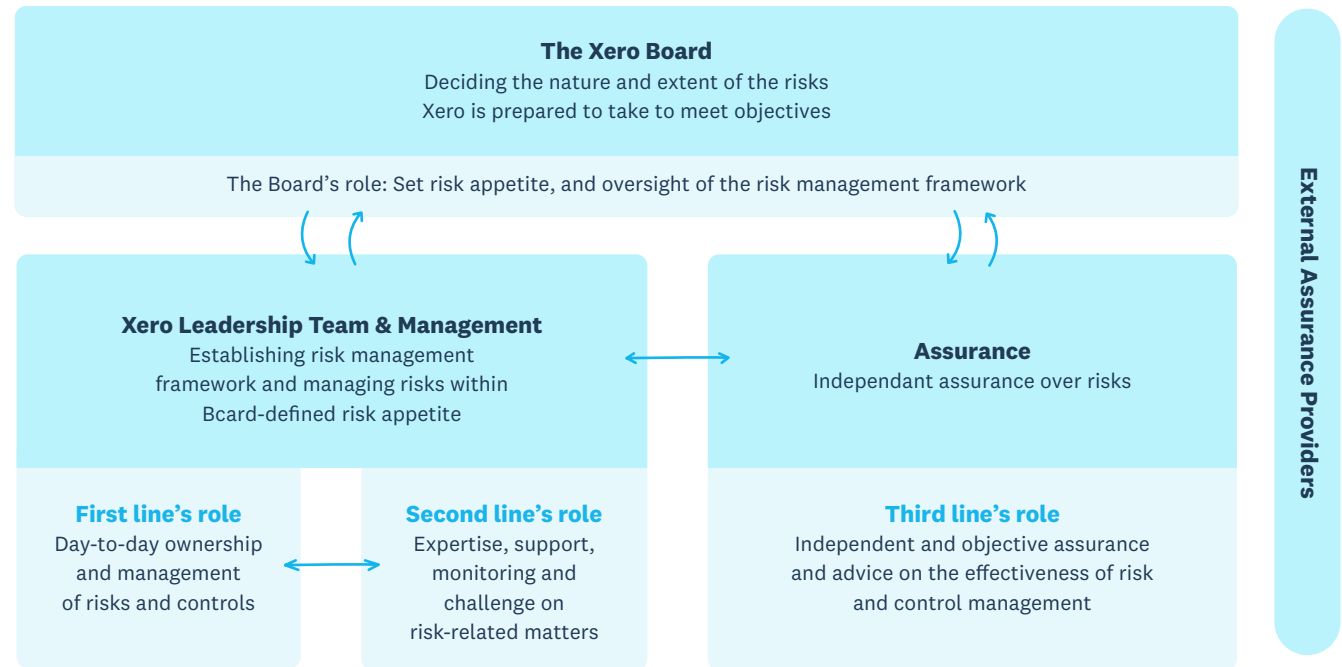


4.1 Our risk framework




At a strategic level modern slavery risks are managed in accordance with Xero’s existing risk management framework, which is designed to identify material financial and non-financial risks that may impact our ability to achieve our strategic priorities.

The Board is ultimately responsible for the risk management framework, which includes the systems, structures, policies and processes to support the business to identify and manage current and emerging risks and implement effective monitoring and reporting mechanisms. The ARM Committee assists the Board with its oversight of risk management, audit, and compliance with legal and regulatory requirements within the Committee’s area of responsibility.

XERO’S RISK MANAGEMENT ACCOUNTABILITY - THREE LINES MODEL



Key

-  Accountability, reporting
-  Delegation, direction, resources, oversight
-  Alignment, communication, coordination, collaboration

4.2 Modern slavery risks in our operations

4.2.1 Direct labour

Xero has physical office locations in more than 10 countries.

Almost all (more than 99 percent) of our global workforce is located in countries considered to be at low risk of modern slavery and with governments who take strong action against it².

We have a very small number of employees in countries where local laws and regulations to counter modern slavery are not as strong, but these employees are employed by the Xero Group directly and subject to the same robust hiring processes as all other Xero employees globally.

As a software company, our workforce predominantly comprises skilled labour. As part of our standard recruitment processes, we undertake a range of checks to satisfy ourselves that our employees are legally allowed to work and have valid identity documents and/or visas for the location where they will be working. We do not employ children in any capacity within the Xero Group.

As part of our standard due diligence process, we verify that employees have their salary paid into an account in their name or a joint bank account of which they are a signatory. This is to verify that salary payments are not directed to an account that belongs to someone else³.

As such, we consider the risk of modern slavery and human trafficking in our directly-employed workforce to be low, and managed appropriately within Xero's existing risk management framework.

4.2.2 Indirect labour

From time to time we may call upon external providers to supply us with workers to meet temporary peaks in demand. We may also engage workers on short-term or temporary contracts³.

The majority of these workers are skilled workers. This represents a very small part of our overall operating workforce: 93 percent of our people are direct employees of Xero, meaning fewer than 10 percent of our people are contingent workers.

Where we use agencies to provide contingent workers in New Zealand, these companies are part of a panel of providers who are pre-screened, and have signed our [Supplier Code of Conduct \(Supplier Code\)](#) They are contractually bound to satisfy that the workers they supply to Xero are paid fairly in accordance with the law in the jurisdiction where they are working, and are not victims of modern slavery or human trafficking.

In all other locations, agencies supplying workers or contractors are governed by supplier agreements and must also agree to comply with our Supplier Code. Of the contingent workforce Xero used in FY23, more than 80 percent were located in countries considered to be at low risk of modern slavery and with governments who take strong action against it².

The Xero Group also has a range of contracts with specialist providers of contract consulting services, notably in the information technology sector, who may supply workers to work partly or exclusively on a scope of work agreed with Xero. These providers are treated as suppliers and the risk associated with their workforce is managed in accordance with the supply chain risk management process outlined below.

In FY24, we conducted an in-house desktop audit and a third-party certified onsite audit of our principal contingent labour provider based in India to verify that worker conditions meet Xero's standard recruitment and labour rights conditions.

This entailed a review of policies, HR-related documentation, worker interviews and workplace inspections. Our supplier achieved a 100% rating in all categories with no red flags or issues identified. We will continue to undertake periodic reviews to satisfy ourselves that these conditions continue to be met.

²As defined in the United Nations Guiding Principles on Business and Human Rights, 2011

³Some exceptions may apply

4. Modern slavery risks in our operations and supply chains

4.2.3 Other third parties

We also work with third parties who form part of our broader ecosystem and contribute to generating operating revenue. These third parties are treated differently from suppliers and fall into three main groups:

- Accounting and bookkeeping partners, who may recommend and on-sell Xero products to their clients
- Developers and strategic partners who create software that connects to the Xero platform, including apps available for purchase in the Xero App Store
- Banks and financial institutions who provide direct data feeds into our platform and products

Since we do not have direct visibility of the supply chains of these third parties, there is a higher risk of modern slavery and human trafficking linked to this part of our operations.

In FY24, we undertook a risk assessment of our developers and strategic partners to understand our indirect modern slavery risk exposure and the current controls we have in place. Refer to [Section 2 - Our actions and progress during FY24](#), Goal 3 for more detail.

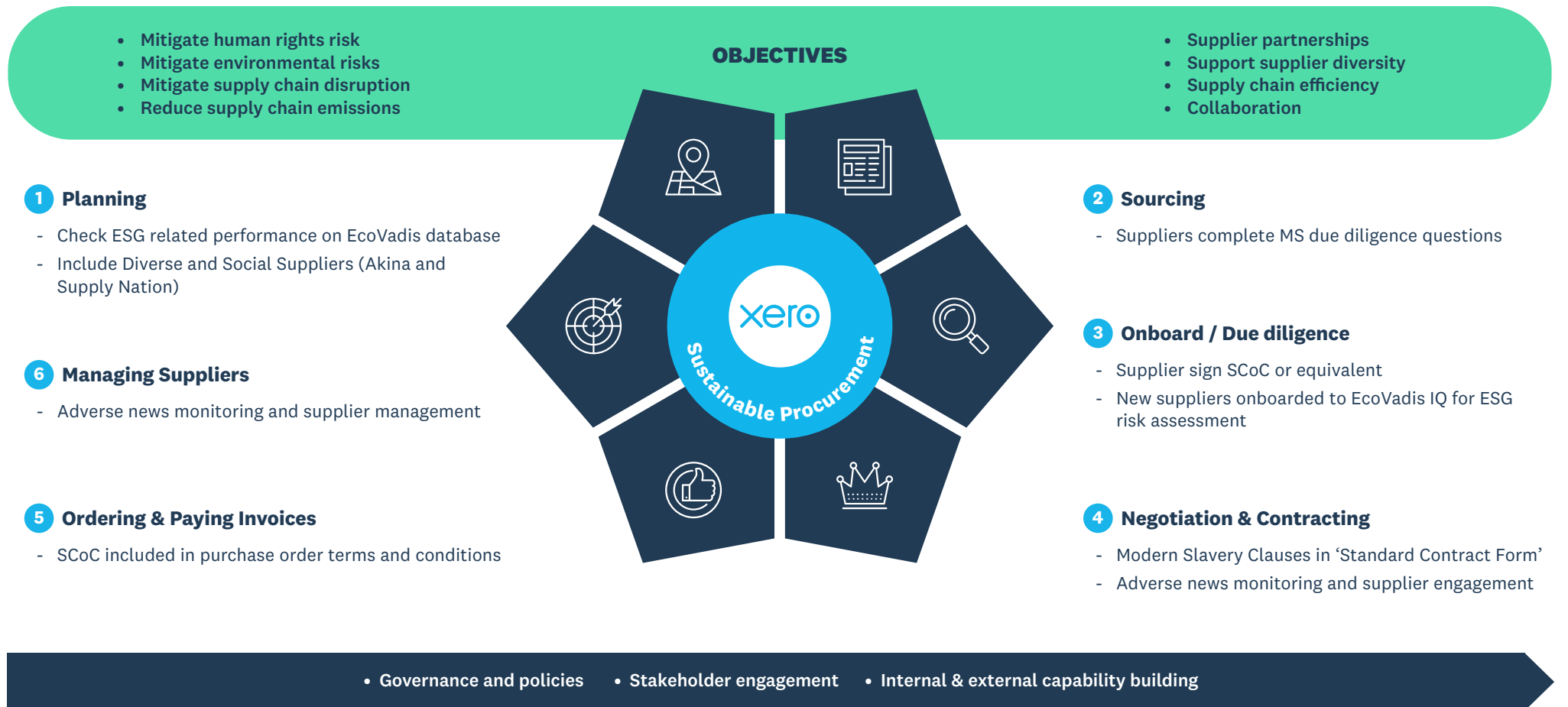


4.3 Modern slavery risks in our supply chain

4.3.1 Our procurement process

Modern slavery and broader sustainability controls are embedded in different stages of Xero's procurement process. Refer to the diagram below for an overview of the different measures.

Many of the measures that are currently in place focus on broader sustainability but modern slavery consideration is very much a focus as it is part of our 'Supplier Code of Conduct', risk assessments, due diligence measures, detailed supplier performance assessments and physical audits.



4. Modern slavery risks in our operations and supply chains

4.3.2 Our modern slavery risk assessment model

In previous years we have undertaken modern slavery risk assessments in-house using a range of public and internal risk assessment indicators and intelligence.

At the core of our risk assessment methodology was the geographic location and industry sectors our suppliers operated in, and the risk was calculated accordingly.

In FY24, we reviewed and amended our supplier MS and broader ESG risk assessment model.

We have commenced the transition process to evaluate new and existing suppliers using EcoVadis' Risk IQ Solution.

We now assess supplier risk based on social, ethical, environmental and supply chain management factors. Using a combination of data sources, including company-provided information, third-party databases, and stakeholder feedback, to assess supplier performance. These ratings allow Xero to identify strengths, weaknesses, and potential risks (including modern slavery risk) in our supply chains.

To determine which supplier should be prioritised for the assessment, we have segmented our suppliers based on a number of criteria including: MS and broader ESG risk, criticality to our business and our supplier spend (to take into account our leverage).

Using our new approach in FY24, we have assessed 280 of our suppliers; they span across 50 industries and 17 countries.

Based on the detailed risk assessments of our 280 prioritised suppliers, our labour and human rights supply chain risk exposure is predominantly in the very low, low and medium-low spectrum. Only a handful of suppliers are considered medium-high or high risk. We will prioritise these and other medium-high or high risk suppliers for the detailed ESG assessment.

One of our actions for FY25 is to assess the ESG risk profile for all our recurring suppliers (Refer to [Section - 'Our Next Steps'](#) for a more detailed overview of future actions).

This will enable the segmentation of our suppliers based on ethical, social, and environmental risk factors and help us further prioritise which suppliers should undergo a detailed ESG performance assessment.

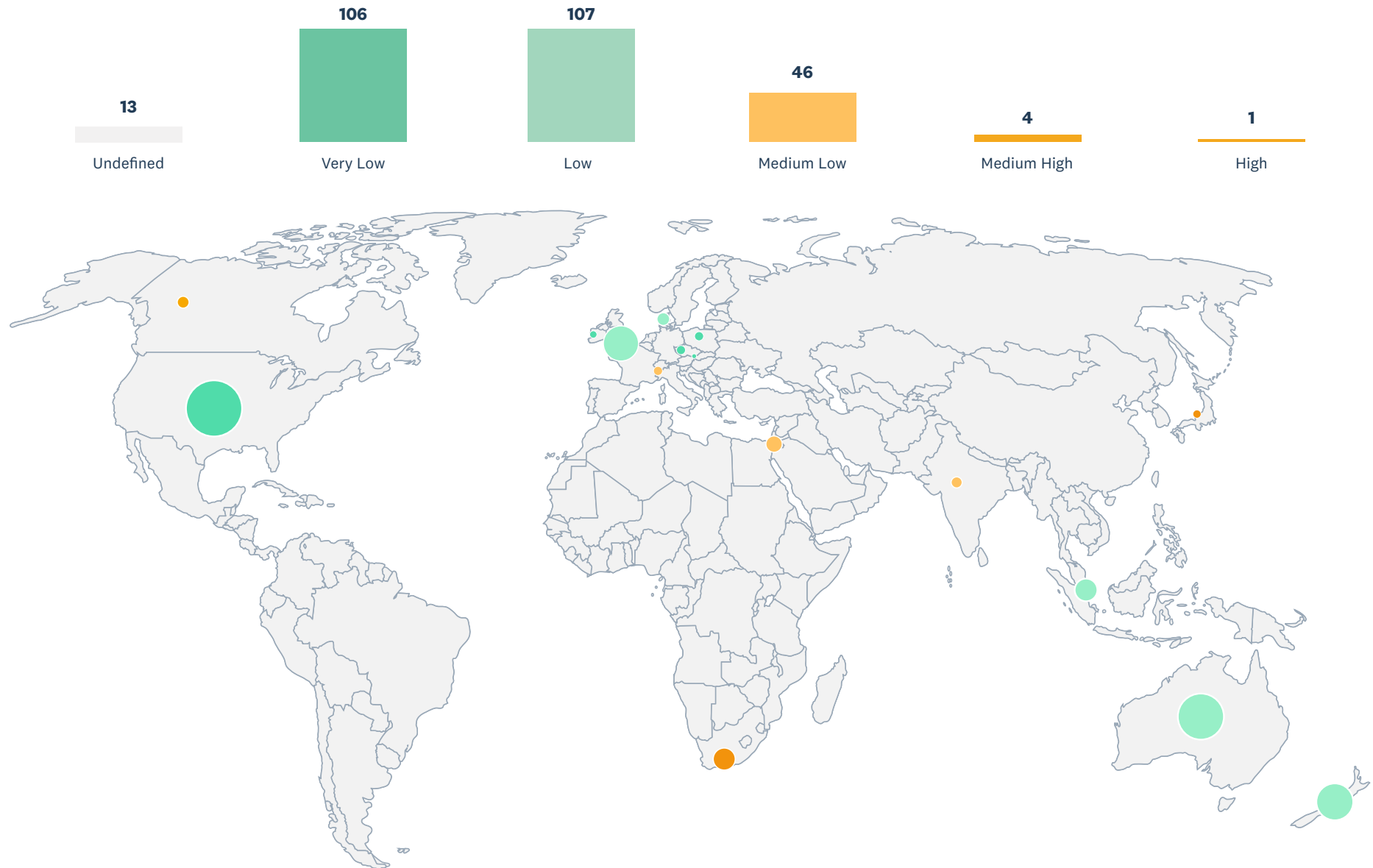
Approximately two thirds of purchases undertaken by Xero are channelled through our central procurement process, allowing us to centrally assess the risk of modern slavery and human trafficking in the majority of our purchases.

We recognise that where employees are able to make smaller purchases directly, there is an increased risk related to suppliers who are not part of our formal procurement process. As a result, we decided to make our Modern Slavery Awareness training mandatory for all Xero employees.



4. Modern slavery risks in our operations and supply chains

LABOR AND HUMAN RIGHTS RISK DISTRIBUTION



The size of the bubble represents the concentration of supplier by region

4. Modern slavery risks in our operations and supply chains

4.3.3 Specific sector, product and service-related risks

Xero is committed to minimising the risk of directly causing modern slavery and/or contributing to it. Our procurement team is trained in modern slavery issues, including the potential effect that unrealistic cost and timing expectations may have on encouraging modern slavery. Our people are also required by our Code of Conduct to report any suspected breaches of the law, including instances of modern slavery.

We recognise that some sectors, products and services in our supply chains, in particular when sourced from higher risk regions, may create an amplified modern slavery risk^{4,5}. The following two tables outline the nature of these risks within our business and how we managed these in FY24.

Total number of direct suppliers

1,800



Total spend



600 million NZD



Suppliers are situated across

28 countries








Sector	Key geographies	Main types of modern slavery risk	Type of potential impact ⁴	Xero's risk exposure and management	Risk level ⁵
 Accommodation	<ul style="list-style-type: none"> Australia Canada New Zealand United Kingdom United States 	<ul style="list-style-type: none"> Debt bondage Slavery Human trafficking 	Direct link	Executive and employee travel. In FY24 we will work to engage our corporate travel provider to prioritise accommodation providers who manage their modern slavery risk proactively.	Lower
 Cleaning	All countries where Xero has physical offices	<ul style="list-style-type: none"> Forced labour Debt bondage Slavery Human trafficking 	Direct link, Contribute	A 'category deep dive' was undertaken in FY22, suppliers have been assessed and improvement recommendations have been provided. Moving forward, our cleaning suppliers will be assessed using the third-party verified ESG assessment we have started to implement in FY24.	Medium

⁴ As defined in the United Nations Guiding Principles on Business and Human Rights, 2011

⁵ As defined in our 2020 broad-based supplier risk assessment




4. Modern slavery risks in our operations and supply chains

Sector	Key geographies	Main types of modern slavery risk	Type of potential impact ⁴	Xero's risk exposure and management	Risk level ⁵
 Construction	All countries where Xero has physical offices	<ul style="list-style-type: none"> Forced labour Child labour Slavery Human trafficking 	Direct link	Office fit-out and construction of physical premises for Xero offices is managed through rigorous tender processes to select providers who are willing to agree to comply with our Supplier Code.	Medium
 Electronics	<ul style="list-style-type: none"> China Malaysia Hong Kong Japan 	<ul style="list-style-type: none"> Forced labour Child labour Debt bondage Human trafficking 	Direct link, Contribute	Purchase of electronic equipment (IT hardware, audio visual equipment and mobile phones) is managed through preferring established suppliers with a commitment to working to prevent modern slavery.	Medium
 Event management and food services	All countries where Xero has physical offices	<ul style="list-style-type: none"> Forced labour Child labour Slavery Human trafficking 	Direct link	Purchase of event management services, including catering, at Xero events is managed through supplier screening at the point of tendering.	Medium
 Digital and technology advisory and delivery services	<ul style="list-style-type: none"> Australia Canada India New Zealand United States 	<ul style="list-style-type: none"> Debt bondage Slavery Forced labour 	Contribute	Using professional services firms to provide advisory, delivery and resource augmentation services in the digital and technology space is managed through a panel of approved digital providers, due diligence at the point of contact and through our Supplier Code.	Medium
 Office fittings	<ul style="list-style-type: none"> Australia China New Zealand 	<ul style="list-style-type: none"> Forced labour Debt bondage Slavery Human trafficking 	Direct link	A 'category deep dive' was undertaken in FY23, suppliers have been assessed and improvement recommendations have been provided. Purchase of items to fit out Xero offices is managed through preferring established suppliers that have committed to working to prevent modern slavery and agreed to our Supplier Code.	Higher

⁴ As defined in the United Nations Guiding Principles on Business and Human Rights, 2011

⁵ As defined in our 2020 broad-based supplier risk assessment

4. Modern slavery risks in our operations and supply chains

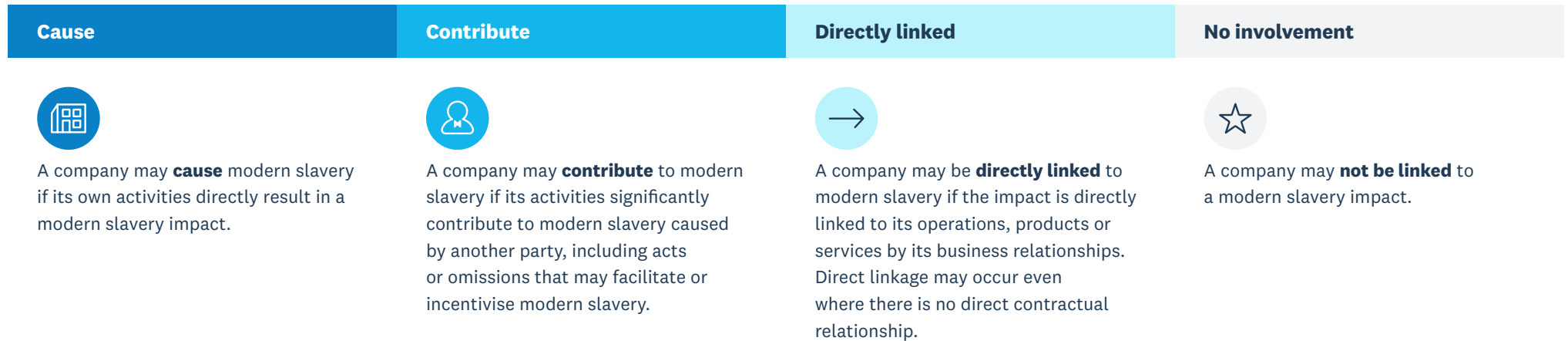
Sector	Key geographies	Main types of modern slavery risk	Type of potential impact ⁴	Xero's risk exposure and management	Risk level ⁵
 <p>Apparel and merchandise</p>	<ul style="list-style-type: none"> Australia Bangladesh China New Zealand United States 	<ul style="list-style-type: none"> Forced labour Debt bondage Child labour Slavery Human trafficking 	Contribute	A 'category deep dive' was undertaken in FY23, suppliers have been assessed and improvement recommendations have been provided. Purchase of employee t-shirts and promotional merchandise for use in Xero offices and at Xero events is managed through preferring established suppliers that have committed to working to prevent modern slavery and agreed to our Supplier Code.	Higher
 <p>Food and beverage</p>	All countries where Xero has physical offices	<ul style="list-style-type: none"> Debt bondage Slavery Forced labour 	Contribute	Catering at Xero events is managed through rules and policies set for the event management company by Xero. Catering at Xero offices represents a small amount of our catering spend and is managed by individual offices.	Higher
 <p>Stationery</p>	<ul style="list-style-type: none"> Various countries 	<ul style="list-style-type: none"> Forced labour Debt bondage Slavery Human trafficking 	Direct link	Purchase of items of stationery for use in Xero offices and at Xero events is managed through preferring established suppliers that have committed to working to prevent modern slavery and agreed to our Supplier Code.	Higher

* Xero also has some modern slavery risks deep in its supply chain, including child labour, forced labour, debt bondage and human trafficking in agriculture, extractives, fisheries, forestry, timber and textiles.

⁴ As defined in the United Nations Guiding Principles on Business and Human Rights, 2011

⁵ As defined in our 2020 broad-based supplier risk assessment

Our understanding of the UNEP’s (United Nations Environment Programme) continuum of involvement



Responding to impact

Take action where possible to improve human rights outcomes

Seek to prevent or stop the impact; provide for or cooperate in remediation.

Seek to prevent or stop contribution; use leverage to mitigate any remaining impact, as far as possible; provide for or cooperate in remediation.

Seek to build or use leverage to prevent and mitigate the impact and consider whether to stay in relationship if there is no leverage; show ongoing efforts to mitigate the impact; potentially take a role in remediation.

4. Modern slavery risks in our operations and supply chains

4.3.4 Location-specific risks

Around eight percent of our direct suppliers are located in countries that have a medium modern slavery risk. The large majority of those are in South Africa and Singapore, where Xero has a physical presence. Refer to [Section 3](#) for a more detailed overview.

Marketing and event services, office fit-out services, information technology, data migration and professional services are the main categories of goods and services that we procure from our suppliers in these countries.

As a result of their country of origin and/or delivery, suppliers of these goods and services are considered higher risk and are managed in accordance with our enhanced due diligence process.

Our country's risk profiles are informed by international indices, including the [Walk Free 2018 Global Slavery Index](#), [The UNESCO Worldwide Governance Indicators \(WGI\)](#) project, and the US State Department's [Trafficking in Persons Report 2022](#).

As is the case for most reporting entities, country/location for our supply chain is based on the supplier's address in our accounts payable system and may not reflect the location from which products and/or services are delivered.

At present, our key mechanism for managing modern slavery risks in our extended supply chains is the requirement that our suppliers comply with our Supplier Code and notify us of any actual or potential breaches of it (see [Section 5](#)).

In addition, through our risk-based supplier due diligence process we also ask our direct suppliers questions on their supply chain to understand what controls they have in place.

Due to the nature of our spend profile and supplier arrangements, we deem our modern slavery risk exposure to be relatively low and therefore current controls to manage our extended supply chain to be adequate.

However, should a specific procurement arrangement be deemed higher risk, we would evaluate whether the current measures are sufficient or whether additional controls are warranted, for instance the more detailed supplier ESG assessment.



5. Our governance processes and controls to manage modern slavery risks



5. Our governance processes and controls to manage modern slavery risks

Xero is committed to high standards of corporate governance and our Board is responsible for ensuring that we have an appropriate corporate governance framework. For a detailed overview, how modern slavery risk is managed at Xero, refer to [Section 4 - Xero's risk framework](#).

The sustainability team at Xero oversees the implementation and coordination of our modern slavery work program on an operational and strategic level to satisfy legislative requirements, in close cooperation with key functions.

Several first Line of Defence (LoD) managers across key functions (Procurement, Human Resources and Partnerships) are directly responsible for managing modern slavery risk and performance on a day-to-day basis. For instance, modern slavery incidents are escalated by these functions in accordance with Xero's incident management process and the risk is managed through a number of controls we have implemented (refer to ['Our controls'](#) for more detail).

We also have second LoD managers who provide expertise, advice and oversight to challenge current management (refer to the [Expertise subsection - under 'Our key control'](#) for more details on roles and responsibilities).

Forming part of and underpinning our risk framework are a number of policies and processes that assist us in addressing our modern slavery risks, including our due diligence and remediation processes.



We have an established cross-functional modern slavery working group at managerial level which meets on a regular basis to review reporting requirements, advance our modern slavery commitments and oversee the delivery of our work plan.


The ESG Steering Committee is made up of Executive General Managers with representatives from across the business.

Both these forums provide governance at an operational level before reporting and escalating any 'material' modern slavery and broader ESG matters to Executives and the ARM Committee (a committee of Xero's Board).





In FY24, we developed a 'Sustainability Incident Management Plan' (SIMP) which has now been implemented in our Group's Incident Management Process.




This will also provide an avenue to escalate material modern slavery and broader ESG incidents to the executive team and the ARM Committee on a quarterly basis.

5.1 Our key controls

Control type	Description	Scope of control
 <p>Expertise and resourcing</p>	<p>One of our key controls to managing modern slavery risk is ensuring that this work is adequately resourced, and we have the right level of expertise and systems in place.</p> <p>At Xero, several teams are directly or indirectly responsible to make certain that modern slavery risk is adequately managed, aligned to legislative requirements and consistent with good practice:</p> <p>Modern Slavery Working Group: Key representatives from various business functions that are responsible for day-to-day management of modern slavery risk collaborate to implement consistent practices to address modern slavery and contribute to the production of the Modern Slavery Statement.</p> <p>Sustainability team: Coordinates the Modern Slavery Working Group, is responsible for the production of the Modern Slavery Statement, stays abreast of current and emerging modern slavery legislation. Provides advice to the business and key functions on actions that must be undertaken to manage the risk to a satisfactory standard, develop and implement staff training, and compiles the quarterly modern slavery risk report for the ARM Committee.</p> <p>Enterprise risk team: Responsible for developing and maintaining the enterprise risk framework, risk radar and tools to support the identification and reporting of enterprise-wide risks and issues including the ESG-related risks that are reported to the ARM Committee/Board.</p> <p>Procurement team: Responsible for identifying modern slavery risks in our supply chain implementing developed controls (due diligence, Supplier Code of Conduct etc.), identifying opportunities for improvement, and point of contact for supplier engagement.</p> <p>People experience (human resources) team: Responsible for maintaining employee codes and standards and ensuring these are consistent across the markets Xero operates in.</p> <p>Legal team: Responsible for advising Xero on its legislative modern slavery requirements.</p>	<p>Resources and skills</p>

5. Our governance processes and controls to manage modern slavery risks

Control type	Description	Scope of control
 <p>Recruitment due diligence</p>	<p>We operate a robust recruitment process that includes right to work checks for prospective employees (see Section 4 above).</p>	<p>Employees</p>
 <p>Modern slavery awareness training</p>	<p>We require everyone at Xero, including our senior leaders, to complete training to help them identify the warning signs of modern slavery and understand how to raise concerns.</p> <p>In addition, our procurement specialists undertake more comprehensive and third-party certified training. See the 'Procurement team training' control for more detail.</p> <p>Xero's Board has been provided with the same content in an appropriate format, with additional information to facilitate their oversight of the risk of modern slavery in our operations and value chain.</p>	<p>All employees</p>
 <p>Procurement team training</p>	<p>The Procurement team is required to undertake an annual Ethical Procurement and Supply Chain Certification training provided by the Chartered Institute of Procurement and Supply (CIPS), in order to better recognise situations that constitute a heightened risk for modern slavery and help safeguard against unethical behaviours in our supply chain⁸.</p>	<p>Procurement team</p>
 <p>Standard contractual terms modern slavery</p>	<p>Our standard form contracts include language requiring our suppliers to comply with all laws applicable to their business including federal, local, and international (including modern slavery and human trafficking laws) that apply wherever they do business.</p> <p>Our Developer's Terms were amended in FY24 to include modern slavery considerations.</p>	<p>Suppliers and API Partnerships</p>

Control type	Description	Scope of control
 <p>Supplier Code of Conduct (SCoC)</p>	<p>We've developed our Supplier Code in line with global principles, including the UN's Guiding Principles on Business and Human Rights. It sets out the minimum standards that we expect of our suppliers in areas such as modern slavery, labour and human rights, bribery and corruption.</p> <p>We inform our existing and new suppliers that we expect compliance with its principles and standards. Our Supplier Code makes it clear that we expect our suppliers to assess their compliance with the Supplier Code and inform us if they don't meet its requirements. We also require suppliers to notify us if they become aware of a breach or possible breach of the Supplier Code. We expect our suppliers to manage their own suppliers to make certain they also meet the Supplier Code's standards.</p> <p>If a supplier can't meet or breaches our Supplier Code, it is our preference to work with them to resolve the issue in order to provide the best outcome for the workers we are seeking to protect. Where a supplier is unwilling or unable to bring conditions in line with our Supplier Code, we may also consider terminating the contract and seeking an alternative supplier.</p>	<p>Suppliers</p>
 <p>Supplier due diligence</p>	<p>Aligned with the international standard on sustainable procurement (ISO 20400), relevant legislation, and best practice recommendations, our approach to supplier due diligence is determined by the level of risk the relationship and procurement engagement is subject to, based on the following criteria: category, industry, geography and engagement model.</p> <p>Our supplier due diligence approach involves a mixture of desktop-based surveys, physical audits, interviews with existing and new suppliers to understand current practices and mitigate potential modern slavery issues and incidents.</p>	<p>Suppliers</p>
 <p>Comprehensive supplier assessments</p>	<p>Detailed supplier assessments are a new control we have started to implement in FY24 to better understand suppliers' performance and management of ESG issues, including modern slavery.</p> <p>Unlike the supplier due diligence process, which is undertaken as part of the onboarding process and includes all our suppliers, the comprehensive supplier assessment is undertaken when the supplier has already been engaged and is only applicable to suppliers we have prioritised based on predetermined criteria.</p> <p>Refer to our Modern slavery risk assessment model for further detail.</p>	<p>Suppliers and other third parties</p>



5.2 Incidents and remediation processes

In FY24, Xero implemented the EcoVadis platform to assist with supplier ESG Assessments. One of its key attributes is its adverse media screening tool. Once implemented this tool will notify us of any controversial activity our supplier base may be implicated in. It will complement the Whistleblowing Policy and process we already have in place.

As outlined in [Section 5 - Our governance processes and controls to manage modern slavery risks](#), we have developed and implemented a Sustainability Incident Management Plan (SIMP), which provides a detailed overview of how sustainability incidents arise, their characteristics, and how they are to be managed. The Plan’s process is fully aligned to our existing Incident Management Plan and Processes.

This will support a more standardised remediation process should incidents arise in the future.

We have a number of mechanisms that allow our employees and third parties to report concerns about suspected or actual improper conduct, including modern slavery. These include:

Reporting Mechanism	Description	Scope of mechanism
 <p>Raising concerns directly</p>	<p>Our modern slavery awareness training encourages our people to be alert to any situation that doesn’t feel right to them and could possibly involve modern slavery, and to raise their concerns directly with the procurement or legal team.</p> <p>Our people are also required by our Code of Conduct to report any suspected breaches of the law, including instances of modern slavery. We also have internal Slack channels devoted to sustainability and ethics, where our people ask questions about things that might not seem right to them. We refer their concerns to the procurement, people experience or legal team depending on the nature of the concern.</p>	<p>All Xero employees</p>
 <p>Raising concerns anonymously</p>	<p>Our Whistleblower Policy covers whistleblowing concerns raised by anyone who currently works or formerly worked at any entity in the Xero Group (including contractors and consultants, associates of Xero, secondees, volunteers, interns, casual workers and agency workers) as well as any current or former supplier of goods or services (paid or unpaid) to any entity in the Xero Group, and their relatives, dependants or spouses.</p> <p>Our Whistleblowing Policy supports the reporting (including anonymously) of concerns about illegal or unethical conduct.</p> <p>The policy is available on Xero’s website and to employees via Xero’s intranet.</p>	<p>All Xero employees, contractors and consultants, associates of Xero, secondees, volunteers, interns, casual workers and agency workers</p>

6. Assessing the effectiveness of our actions





One of the most effective actions to address modern slavery is to leverage Xero's buying power to generate change. This is done by clearly communicating Xero's expectations to its suppliers. This is particularly important for suppliers who operate in countries without effective modern slavery legislation and where consideration of human rights risks is not common in commercial dealings.

As noted in section 'Our Next Steps' Goals 1 and 2, work is underway to assess a broader cohort of suppliers on ESG including modern slavery, through a third-party assessment process and provide them with the tools and training to focus on continuous improvement.

We have implemented a number of measures to improve modern slavery governance at Xero. The working group that has been established this financial year brings together leaders from procurement, risk, legal, human resources, and sustainability to discuss modern slavery issues and any other material matter.

The sustainability team is also part of the Risk Steering Committee to embed sustainability (including climate change, human rights and modern slavery) in Xero's risk management approach.

In FY24, Xero reviewed and updated its approach to supply chain due diligence by including a range of new controls, systems and considerations. We are confident that the visibility, maturity and effectiveness of new and enhanced measures of supplier assessments will continue to improve substantially.

Our procurement team has key performance indicators (KPIs) to manage and report on the quantitative impact of our actions in response to modern day slavery risks.

7. Our next steps

Looking ahead to the financial year ending 31 March 2025 (FY25), Xero will focus on five action areas and report quarterly to the ARM Committee on our progress towards achieving these:

ACTION 1



Supply chain risk assessment:

Refresh our supply chain MS assessment based on the more advanced risk methodology we have adopted in FY24 - our target is to assess 100% of our recurring suppliers (FY25)

ACTION 2



Supplier performance assessment:

Undertake detailed assessments of priority suppliers to understand their MS management performance (FY 25-26)

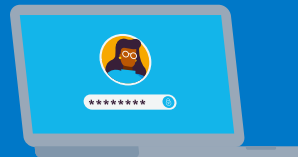
ACTION 3



Supplier Code of Conduct:

Review and update our Supplier Code of Conduct (FY25)

ACTION 4



Modern slavery training:

Review and update the content of our mandatory Modern Slavery Training (FY25)

ACTION 5



Modern slavery obligations:

Undertake a review and gap analysis of our current and emerging global disclosure obligations against current practices (FY25)

8. Consultation and approval

This is a joint statement of Xero Limited (NZ company number 1830488, ARBN 160 661 183) and Xero Australia Pty Limited (ACN 124 215 247), as reporting entities under Australia's Modern Slavery Act 2018 (Cth) and of Xero Limited and Xero (UK) Limited (UK company number 06071722), as reporting entities under the United Kingdom's Modern Slavery Act 2015. It covers the period from 1 April 2023 to 31 March 2024.

Xero's owned and controlled entities (including Xero Australia Pty Limited and Xero (UK) Limited) are subject to centrally managed procedures and policies owned by Group functions including risk, procurement, finance, legal, compliance, human resources, and sustainability. Our modern slavery risk management processes and controls are embedded at the Group level for our global operations. Consultation with relevant core functions occurs on a continuous basis through formal and informal measures (refer to [Section 6](#) for further detail). Feedback was sought on the Statement from all owned and controlled entities as part of the consultation process prior to the Statement being reviewed and approved by the Boards of Xero Australia Pty Limited on 23 May 2024, Xero (UK) Limited on 23 May 2024 and Xero Limited on 21 May 2024.



Mark Cross

Non-Executive Director and Chair of the Audit and Risk Management Committee

9. Appendix

9.1 Coverage of Australian and UK Modern Slavery Acts

The table below provides an overview where in our FY24 Statement the mandatory criteria are covered.

Australian MSA mandatory reporting criterion	UK MSA recommended reporting criterion	Reference in this statement
Identify the reporting entity	Identify the reporting entity	Section 1 - Introduction
Describe the reporting entity's structure, operations and supply chains	Organisation's structure, its business and its supply chains	Section 3: Our structure, operations and supply chains
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	Parts of the organisation's business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk	Section 4: Modern slavery risks in our operations and supply chains Section 5: Our governance processes and controls to manage modern slavery risks
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes	Organisation's policies in relation to slavery and human trafficking; its due diligence processes in relation to slavery and human trafficking in its business and supply chains; the training about slavery and human trafficking available to its staff	Section 5: Our governance processes and controls to manage modern slavery risks
Describe how the reporting entity assesses the effectiveness of such actions	Organisation's effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate	Section 6: Assessing the effectiveness of our actions
Describe the process of consultation with (i) any entities the reporting entity owns or controls; and (ii) for a reporting entity covered by a joint statement, the entity giving the statement	N/A	Section 8: Consultation and approval
Include any other information that the reporting entity, or the entity giving the statement, considers relevant	N/A	See Sections 1-8



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