



# Xero Limited

## Modern Slavery and Human Trafficking Statement - FY21

### 1. Introduction

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 five 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're committed to preventing 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 monitor and mitigate them, and we regularly assess the effectiveness of our actions.

This is our third modern slavery statement and it sets out the actions that we've taken across the Xero Group during the financial year ended 31 March 2021 (**FY21**) to understand and address our modern slavery risks.

### 2. Our actions and progress during FY21

During FY21 our actions and progress, including on our due diligence and remediation processes, included:

#### **Enhancing our supplier risk management and due diligence program:**

Xero's Supplier Code of Conduct (**Supplier Code**) has been integrated into all of the Xero Procurement team's sourcing events and existing and potential new suppliers engaged by the Procurement team are required to commit to meeting the principles and standards outlined in the Supplier Code. The Supplier Code has been included in our general purchase terms and conditions which are referenced in all purchase orders submitted to suppliers. Xero's standard professional services agreement now includes an express obligation on our suppliers to comply with the Supplier Code.

Xero has also invested in new technology to support and streamline the process to obtain our suppliers' commitment to adhere to the Supplier Code and to assess their compliance.

### **Further developing our KPIs and checks and balances to monitor, measure and improve the effectiveness of our actions:**

- We've followed up with all our incumbent suppliers that pose higher risks of modern slavery and human trafficking activities to make sure they have signed and committed to the Supplier Code: as at 22 July 2021, 94% of those higher risk suppliers have signed and committed to it.
- We've added in a review process for our Social and Environmental Impact (SEI) team to directly scorecard our major suppliers against our Supplier Code, including against modern slavery and human trafficking requirements.
- To date, our SEI team has completed scorecards against our Supplier Code for a portion of our strategically important incumbent suppliers with a total spend of approximately NZ\$40m.

### **Whistleblower training:**

During FY21, we launched a global training program for all Xero employees on how whistleblowing works at Xero and how to safely raise a concern under Xero's global Whistleblower Policy.

### **Procurement team training:**

Xero's Procurement team completed the annual ethical procurement and supply certification training provided by the Chartered Institute of Procurement & Supply (CIPS)<sup>1</sup> in 2021 so that they can better recognise situations where we need to consider modern slavery risks and safeguard against unethical behaviours in our supply chain.

### **Impact of COVID-19:**

During COVID-19 we have acted to help our customers and employees adapt to new ways of working in a number of ways. During FY21, we:

- formed a COVID-19 Xero Crisis Management Team to ensure the safety of our people and our business.
- where appropriate, moved Xero employees to remote working and closed our offices.
- established a Customer Response Team to provide our small business customers with dedicated 24/7 guidance including on how to access support from governments and Xero.

During FY21, COVID-19 did not materially impact our ability to assess and address our modern slavery risks. We took steps to check-in with our critical suppliers in order to better understand the impacts of COVID-19 on them. For particular suppliers, such as providers of events services, our approach

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<sup>1</sup> CIPS is the professional body for the procurement and supply profession.

where possible was to avoid cancelling contracts and defer any monies paid to future contracts in the hope this would support our ongoing relationship.

### **Advocacy for modern slavery reporting in New Zealand**

In March 2021, Xero was one of 80 New Zealand companies who joined Walk Free, Trade Aid and World Vision in signing an open letter calling on the New Zealand Government to commence a Government inquiry into a Modern Slavery Act for New Zealand businesses and public sector supply chains.

## **3. Our structure, operations and supply chains**

### **Our structure:**

Xero Limited is a New Zealand incorporated company and is listed on the Australian Securities Exchange. It's the parent company of the Xero Group and, as at 31 March 2021, had a total of 21 subsidiaries across Australia, the United Kingdom, New Zealand, Canada, the United States, Hong Kong, Singapore and South Africa. More information about the principal activity and country of incorporation of the entities in the Xero Group can be found in Xero Limited's Annual Report for FY21<sup>2</sup>.

As at 31 March 2021, all companies in the Xero Group operated in the same sector, followed policies and processes set by Xero Limited and shared centralised SEI, procurement, finance, legal and company secretarial functions.

### **Our operations:**

Xero provides an easy to use cloud-based online accounting platform, including a growing suite of connected software solutions:

- client accounting for small business available anywhere, anytime, and on mobile devices
- accountant tools for management reporting and final accounts production

Our subscription based software-as-a-service business model allows Xero to address the large and fragmented small business market. As at 31 March 2021, Xero had over 2.7 million subscribers worldwide, over 3,600 employees globally and annualised monthly recurring revenue of NZ\$963.6 million.

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<sup>2</sup> <https://www.xero.com/content/dam/xero/pdf/about-us/xero-limited-annual-report-fy21.pdf>

## Our supply chains:

### *What we buy:*

Our centralised global Procurement team focuses on the procurement of information and communications technology (ICT), marketing and facilities-related goods and services for the Xero Group:

- **ICT:** This is our main area of spend and includes software, cloud platform services, computer systems and peripheral devices, telecommunications devices, video technology and network technology.
- **Marketing:** Our spend here is made up of advertising spend (including digital), agency spend (advertising, marketing and public relations), events (Xerocon, regional roadshows and event sponsorships), creative marketing services and public relations related services.
- **Facilities:** As at 31 March 2021, Xero has office premises in eight countries and our Procurement and Workplace Experience teams engage with a range of facilities suppliers, including: project management companies, architects, construction contractors, relocation providers and furniture suppliers. Each office also requires goods and services such as cleaning services, office maintenance, consumables and stationery.

Other notable procurement categories for the Xero Group include:

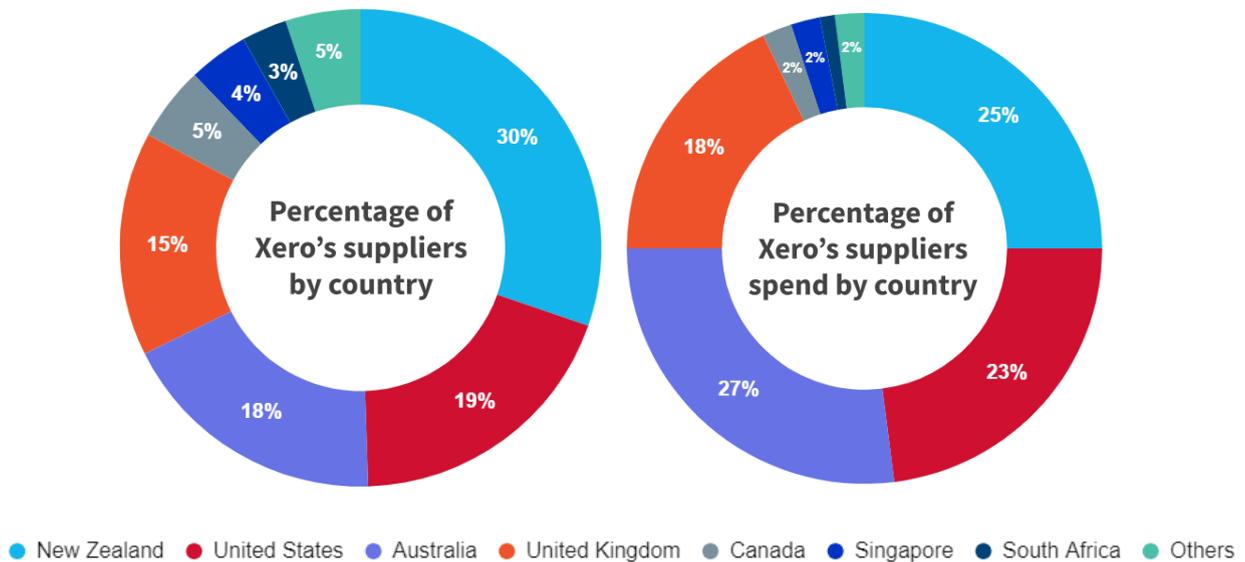
- Professional services (e.g. consulting, advisory, software development and legal services)
- Business travel
- Banking and payments
- Recruitment services

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.

### *Where we buy from:*

Most 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<sup>3</sup>.



## 4. Modern slavery risks in our operations and supply chains

### Modern slavery risks in our operations

Given the visibility we have over our operations, we consider our modern slavery and human trafficking risk to be low. The recruitment and remuneration processes for our directly employed workforce are subject to Xero's risk management systems and, as a software company, our workforce tends to be skilled labour.

We don't:

- engage in financing or lending activities that might support modern slavery
- have non-operated joint ventures over which we might have less visibility in relation to the management of modern slavery risks

### Modern slavery risks in our supply chains

During FY21, we were directly invoiced by more than 1,900 suppliers across more than 30 countries. We've continued to work on identifying and assessing the modern slavery risks in our supply chains.

Xero hasn't been made aware of any human trafficking or modern slavery allegations against any of our suppliers during FY21 nor has it had grounds to suspect such activity. If we have reasonable grounds to suspect human trafficking or modern slavery by our suppliers, we'll ensure that

<sup>3</sup> The Walk Free 2018 Global Slavery Index, available from <https://www.globallslaveryindex.org/resources/downloads/>

appropriate action is taken including, where appropriate, reporting it to the relevant authorities.

**The risks in what we buy:**

The sectors, products and services in our supply chains that may involve higher risks of modern slavery include:

Sector and industry risks	Product and services risks
Accommodation	Carpets
Agriculture*	Cleaning
Cleaning	Coffee
Construction	Electronics - Laptops, computers & mobile phones
Electronics	Fruit
Event service	Garments - Apparel and clothing accessories
Extractives*	Merchandise
Fishing*	Office furniture
Food service	Offshore / outsourced programming, IT services
Forestry*	Stationery
Textiles*	Textiles*
	Timber*

Note: Items marked with \* may be present deep in our supply chains.

Xero makes every effort to minimise the risk of Xero directly causing modern slavery but also of Xero 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 to report any suspected breaches of the law, including instances of modern slavery.

Xero doesn't maintain a central record of our suppliers' suppliers and subcontractors and we recognise that we don't have full visibility over our extended supply chains. Modern slavery risks in our extended supply chains are managed by requiring our suppliers to comply with our Supplier Code and notify us of any actual or potential breaches of it (see [Section 5](#)).

**The risks in where our suppliers are located:**

Less than 5% of our direct suppliers are located in countries that have a medium-high modern slavery risk. The large majority of those are in South Africa, where Xero has an office.

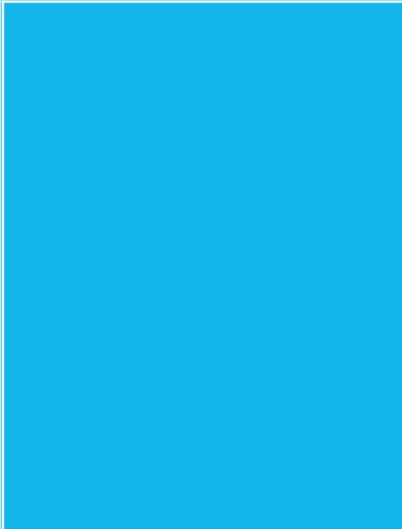
Marketing and event services, information technology, data migration and professional services are the most prevalent categories of goods and services that we procure from our suppliers in these countries.

## 5. Our processes and governance to address our modern slavery risks

Xero is committed to high standards of corporate governance and Xero Limited’s Board of Directors (**Board**) is responsible for ensuring that we have an appropriate corporate governance framework. Forming part of and underpinning that framework are a number of policies and processes that assist us in addressing our modern slavery risks, including our due diligence and remediation processes:

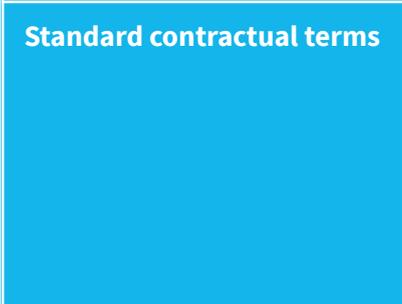
### Our due diligence processes:

<b>Recruitment process</b>	We operate a robust recruitment process that includes right to work checks for all of our prospective employees.
<b>Supplier Code of Conduct</b>	<p>We’ve developed our Supplier Code in line with global principles, including the <a href="#">UN's Guiding Principles on Business &amp; Human Rights</a>. 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.</p> <p>We expect our suppliers to assess their compliance with our 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 ensure they also meet the Supplier Code’s standards.</p> <p>If a supplier can’t meet or breaches our Supplier Code, we may work with them to resolve the issue. We may also consider using any termination powers we have.</p> <p>As at 22 July 2021, 94% of our higher risk suppliers have signed and committed to the Supplier Code. We’re working towards having the remainder completed.</p>
<b>Supplier due diligence</b>	The first part of our supplier due diligence process is to identify our high risk suppliers and prioritise them as follows (high to low):



1. Existing suppliers who aren't compliant with our Supplier Code (we are not currently aware of any)
2. Existing suppliers who haven't responded to requests to sign and commit to our Supplier Code
3. New suppliers (noting that all new suppliers need to agree to our Supplier Code)

Our due diligence approach involves a mixture of surveys and interviews with existing and new suppliers to identify and, where possible, resolve problem areas.



**Standard contractual terms**

Our standard form contracts include language requiring our suppliers to comply with all applicable federal, local, and international laws and regulations (including modern slavery and human trafficking laws) that apply wherever they do business.

**Our remediation processes:**

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



**Code of Conduct**

Our [Code](#) applies to all directors, officers, employees, contractors and consultants of the Xero Group. It sets out the ground rules for the way we work, including our zero-tolerance approach to bribery and corruption. The Code is available on Xero's website and to employees via Xero's intranet.



**Whistleblowing Policy**

Our [Whistleblower Policy](#) applies to everyone who currently works or formerly worked at any entity in the Xero Group as well as to any current or former supplier of goods or services to any entity in the Xero Group. It helps our people report (including anonymously) their concerns about illegal or unethical conduct. The policy is available on Xero's website and to employees via Xero's intranet.

## 6. Assessing the effectiveness of our actions

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.

The KPIs include:

- Percentage of procurement staff who have completed training on modern day slavery
- Number of suppliers that have committed to our Supplier Code

Our Procurement, Legal, Risk and SEI teams meet on a regular basis to continually assess and monitor our risk assessment processes, our identified modern slavery risks and how we're mitigating them and to continue increasing our proactive, positive impact across our supply chain.

In addition, Xero regularly reviews our overall Environmental, Social and Governance progress and risk areas with our Audit and Risk Management Committee, executive team, and cross-functional leaders to ensure we are operating responsibly.

## 7. Our next steps

Looking ahead to the financial year ending 31 March 2022 (**FY22**), Xero will look to focus on:

- raising awareness and offering training on modern slavery and human trafficking risks across Xero
- conducting ongoing due diligence on our suppliers that pose higher risks of modern slavery and assessing whether the standards set by Xero have been met by those suppliers
- investigating a process for surveying and/or auditing suppliers
- investigating the use of specialised analytical assessment tools to help us identify modern slavery risks that may exist deeper in our supply chain.

Our wider SEI work includes initiatives focusing on respecting the planet's resources, helping to build thriving communities and cultivating an engaged workforce. For more information about these initiatives, visit [www.xero.com/socialimpact](http://www.xero.com/socialimpact).

## 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 2020 to 31 March 2021.

It was circulated to the directors of each of Xero Australia Pty Limited and Xero (UK) Limited for comment prior to being reviewed and approved by the Board on 11 August 2021.

A handwritten signature in black ink, appearing to read 'Mark Cross', written in a cursive style.

**Mark Cross**

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