



Xero Limited

Modern Slavery and Human Trafficking Statement

1. Introduction

At Xero, our purpose is to make life better for people in small business, their advisers and communities around the world and our vision is to be the most insightful and trusted small business platform. Our purpose is underpinned by the five values described in Xero's Code of Conduct (**Code**) and these are fundamental to everything we do.

In staying true to our purpose, vision and values, we're fully committed to preventing slavery and human trafficking in our operations and supply chains. We understand our key modern slavery risks, have policies and processes in place to help us address them, and regularly assess the effectiveness of our actions.

This is our second modern slavery statement and it sets out the actions that we've taken across the Xero Group during the financial year ended 31 March 2020 (**FY20**) to understand and address our modern slavery risks.

2. Our actions and progress during FY20

During FY20 our progress, including our due diligence and remediation processes, included:

Supplier Code:

We implemented a Supplier Code of Conduct (**Supplier Code**) and, using a risk-based approach, we're integrating it in our ongoing supplier due diligence process.

New Whistleblower Policy and updated Code:

We introduced a global Whistleblower Policy as a key way for our employees and suppliers anywhere in the world to anonymously raise concerns about improper conduct at Xero, including conduct relating to modern slavery. We've also updated our Code, which sets out how we do business at Xero.

Training:

Our Procurement Team completed ethical procurement certification provided by the Chartered Institute of Procurement & Supply (CIPS) so that they can better recognise situations where we need

to consider modern slavery risks and safeguard against unethical behaviours in our supply chain.

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 has a total of 14 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 FY20¹.

All companies in the Xero Group operate in the same sector, follow policies and processes set by Xero Limited and share centralised social and environmental impact, procurement, finance, legal and company secretarial functions.

Our operations:

At its core, Xero is an easy-to-use and powerful online accounting system that was born in the cloud. Xero provides a growing family 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. We have over 2 million subscribers worldwide.

As at 31 March 2020, Xero had 3,055 employees globally and annualised monthly recurring revenue of NZ\$820.6 million.

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

¹ <https://www.xero.com/content/dam/xero/pdf/about-us/xero-limited-annual-report-fy20.pdf>

spend (advertising, marketing and public relations), events (Xerocon, regional roadshows and event sponsorships), creative marketing services and public relations related services.

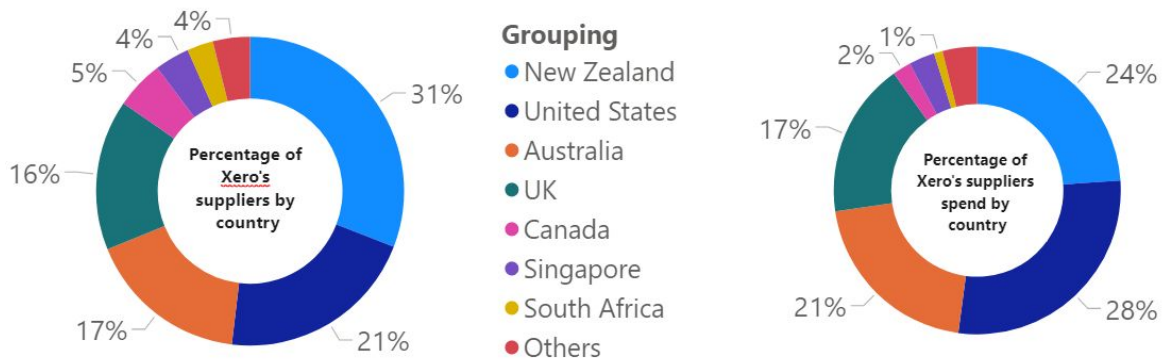
- **Facilities:** We have office premises in 8 different countries and our Procurement and Workplace Experience Teams engage with a range of facilities suppliers, including: project management companies, architects, construction contractors, relocation providers and furniture suppliers. Each office also 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

Where we buy from:

Most of our suppliers are located in NZ, Australia, the US and the UK. These countries have a low prevalence of modern slavery and governments that take strong action against it².



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

² The Walk Free 2018 Global Slavery Index, available from <https://www.globalslaveryindex.org/resources/downloads/>

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 FY20, we directly engaged with more than 2,000 suppliers across 30 countries and we've continued to work on identifying and assessing the modern slavery risks in our supply chains.

We conducted a scoping exercise to identify modern slavery risks in our supply chain. We based that exercise on key external standards and guidance (such as the Walk Free Foundation's framework and the International Labour Office's Report on Global Estimates of Modern Slavery, Forced Labour and Forced Marriage) and also by reference to industry, country, entity, product and services risk profiles.

We haven't been made aware of any human trafficking or modern slavery allegations against any of our suppliers. If we're made aware of an allegation, we'll ensure that appropriate action is taken and that it's reported 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	Garments - Apparel and clothing accessories
Event service	Merchandise
Extractives*	Office furniture
Fishing*	Offshore / outsourced programming, IT services
Food service	Stationery
Forestry*	Textiles*
Textiles*	Timber*

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

We try to minimise the risk not only that we'll directly cause modern slavery but also that we'll contribute 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.

We don'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. We manage the modern slavery risk in our extended supply chains 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 we have 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

We're 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:

Recruitment Process	We operate a robust recruitment process that includes right to work checks for all of our prospective employees.
Supplier Code of Conduct	<p>We've developed our Supplier Code in line with global principles, including the UN's Guiding Principles on Business & 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've introduced it to our supply base and informed our suppliers that we expect compliance with its principles and standards. We've also asked major suppliers and high-risk suppliers to commit to comply with it.</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.

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.

As at 4 August 2020, 46% of the suppliers identified for closer investigation in our initial scoping exercise have signed and committed to the Supplier Code. We're working towards having the remainder completed.

Supplier Due Diligence

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 haven't responded to requests to sign and commit to our Supplier Code
2. Existing suppliers who aren't compliant with 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
- The number of whistleblowing alerts raised and related to our procurement activities and modern slavery risks

Our Procurement, Legal and Social and Environmental Impact Teams meet on a quarterly basis to continually assess and monitor our risk assessment processes, our identified modern slavery risks and how we're mitigating them.

7. Our next steps

Looking ahead to the financial year ending 31 March 2021 (**FY21**), we'll focus on:

- enhancing our supplier risk management and due diligence program, including looking to include the Supplier Code as a standard onboarding and contractual requirement across all of our supply chain
- further developing our KPIs and checks and balances to monitor, measure and improve the effectiveness of our actions

Our wider social and environmental impact 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.

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 2019 to 31 March 2020.

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 2020.



Lee Hatton

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