



## MARKET RELEASE

### **FY25 Sustainability Report**

**WELLINGTON, 15 May 2025** — Xero Limited (ASX: XRO), in accordance with the ASX Listing Rules, attaches its FY25 Sustainability Report.

*Authorised for release to the ASX by the Chair of the Board & Chair of the Audit and Risk Management Committee*

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#### **About Xero**

[Xero](#) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world. For further information, please visit [xero.com](http://xero.com)

XERO LIMITED

# Sustainability Report 2025



*your business  
supercharged*





**We're committed to building a socially responsible and sustainable business. This reflects our aspiration to create sustainable long-term value for our stakeholders**

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# ABOUT THIS REPORT

**At Xero, we understand the deep connection between executing our strategy as a business, our social and environmental impact, and enriching our organisational culture.**

## MATERIALITY

Xero’s Sustainability Report for the Financial Year 2025 (FY25) covers sustainability matters material to Xero as identified through stakeholder consultation and a materiality assessment conducted with reference to International Financial Reporting Standards (IFRS) S1.

The report is structured around our four sustainability pillars:

- **People and Culture** — World-class leadership and talent supported by an inclusive culture and working environment to serve our diverse customer base
- **Responsible Digital Citizenship** — The responsible use of data in Xero’s systems, processes, knowledge and intellectual property
- **Social and Community Impact** — Delivering on our purpose of making life better for people in small businesses, their advisors, and communities around the world
- **Environment and Climate** — Reducing and reporting our environmental impact as we continue to grow our business

For information about the material matters identified and our stakeholder engagement process, see **Material Matters on page 6**

## REPORTING SUITE

Xero’s FY25 Sustainability Report should be read in conjunction with the other materials that comprise our FY25 annual reporting suite:

- Xero’s FY25 Annual Report at: [www.xero.com/investors](http://www.xero.com/investors)
- FY25 Investor presentation at: [www.xero.com/investors](http://www.xero.com/investors)
- Xero’s FY25 Corporate Governance Statement at: [www.xero.com/investors/governance](http://www.xero.com/investors/governance)
- Xero’s FY25 Databook, summarising progress on a range of financial, environmental, social and governance metrics, at: [www.xero.com/sustainability](http://www.xero.com/sustainability)

Throughout this report, we have hyperlinked other websites and documents that may be useful, including the following materials:

- Governance and leadership information, including our charters at: [www.xero.com/investors/governance](http://www.xero.com/investors/governance)
- Information about Xero’s sustainability activities and performance can be found at [www.xero.com/sustainability](http://www.xero.com/sustainability), and our Investor Centre at: [www.xero.com/investors](http://www.xero.com/investors)

Such websites and documents do not form part of this report or our FY25 annual reporting suite.

To download a hyperlinked copy of this report, visit our Investor Centre [www.xero.com/investors](http://www.xero.com/investors)

## COMPANY AND REPORTING INFORMATION

This report covers the activities of Xero Limited and its subsidiaries’ (Xero or Xero Group) global operations. Except where otherwise specified, statements should be read as pertaining to the activities of the Xero Group.

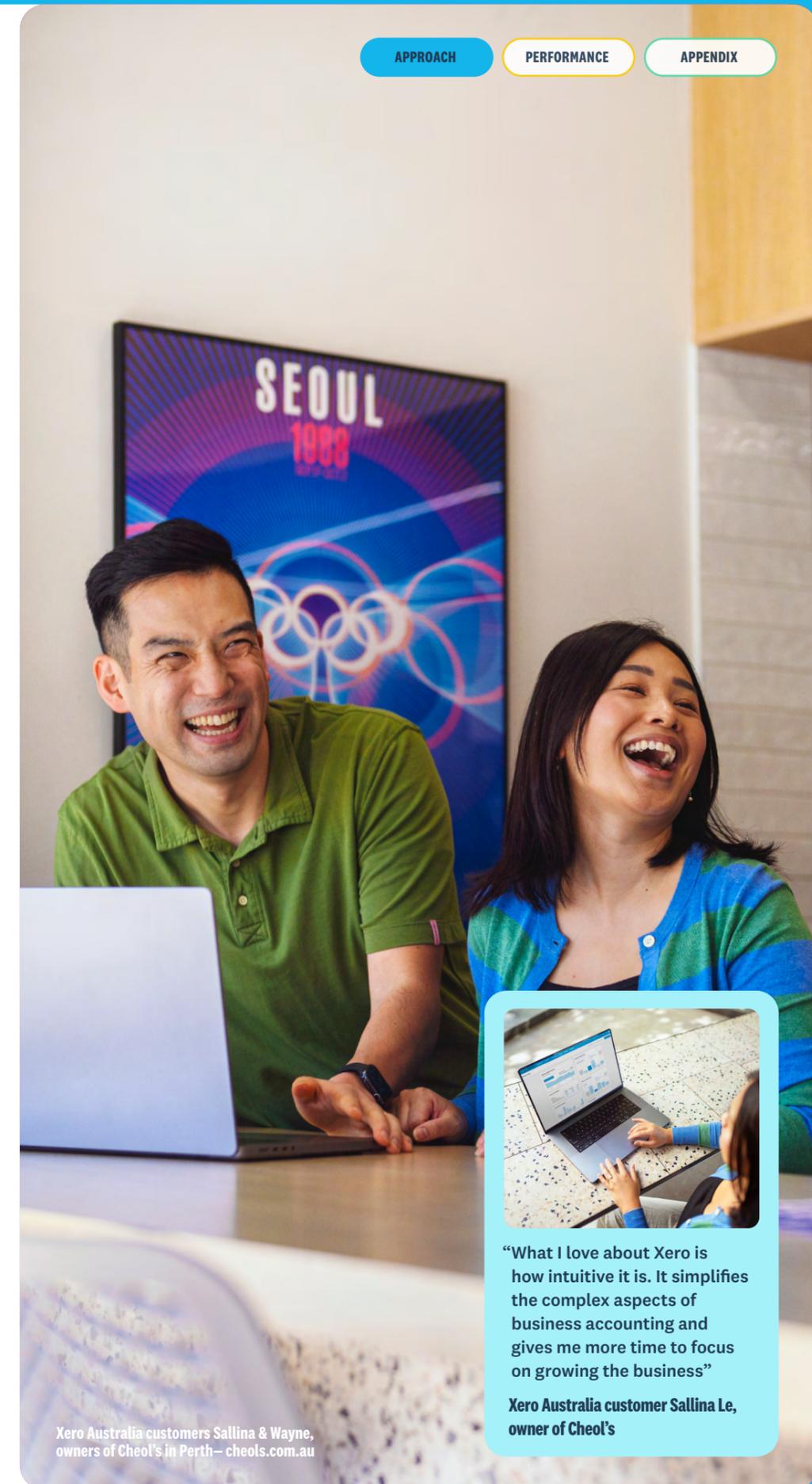
In line with the global shift towards standardised climate disclosures, we continue to evolve Xero’s climate disclosures to provide comparable, consistent and transparent information about the impacts of the changing climate on our business, and how we are responding to these impacts. The climate-related financial disclosures included within this report are not intended to fully replicate the disclosure requirements of any specific jurisdiction in which Xero operates, as none of these apply to Xero Limited.

Some parts of this report include information regarding Xero’s plans and strategy, and include forward-looking statements, metrics and estimates about Xero and the environment in which it operates that involve risk and uncertainties. Actual results and the timing of certain events may differ materially from future results expressed or implied by the forward-looking statements contained in this report. While Xero has prepared its disclosures in good faith based on current assumptions, knowledge and understanding, it reserves the right to change its view in the future, and does not undertake to publicly update or revise any forward-looking statements to reflect any change in expectations, contingencies or assumptions.

## ASSURANCE

Ernst & Young (EY) has provided independent limited assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000 and ISAE 3410 over Xero’s FY25 greenhouse gas (GHG) emissions and associated disclosures on methodology and assumptions.

For a copy of our FY25 auditor’s independent limited assurance report, see **pages 22-23**



“What I love about Xero is how intuitive it is. It simplifies the complex aspects of business accounting and gives me more time to focus on growing the business”

Xero Australia customer Sallina Le, owner of Cheol’s

Xero Australia customers Sallina & Wayne, owners of Cheol’s in Perth – [cheols.com.au](http://cheols.com.au)

# CHAIR AND CEO REVIEW

🕒 3 mins

## Dear shareholder,

We're committed to building a socially responsible and sustainable business. This reflects our aspiration to create sustainable long-term value for our stakeholders. We're pleased with the progress Xero has made against our sustainability strategy in FY25.

This year, we've chosen to publish a separate Sustainability Report, making it easier to find relevant information on our sustainability performance as we continue to evolve our non-financial disclosures. Sustainability is important to Xero, our people, customers, partners and shareholders, and we're committed to playing our part in making a meaningful difference.

## OUR PEOPLE

Our aim is to create a workplace where top talent can do the best work of their lives. We believe a representative workforce, upheld by a culture where all feel included, is critical to successfully achieving our strategy, enhancing our purpose and driving high performance. In support of this aspiration, we actively attract, develop and retain exceptional talent for a high-performance culture.

As a result of our efforts, Xero has consistently been recognised for its workforce practices. In FY25, our US offices were ranked in the 100 best places to work by Built In, and Xero was also included in the top 100 listed companies in global markets for gender equality by Equileap.

We continue to work to meet our ambition of achieving and maintaining a gender-balanced workforce. We've made meaningful progress, with women representing 46.2% of our new starters in FY25. While we fell short of our overall gender goals this year, we remain committed to reaching them and have renewed and extended these goals to FY27.

We've also made progress against our goal to have 10% of our workforce identify within underrepresented racial/ethnic groups globally by the end of FY27, with representation at 5.6% in FY25.

For more information, see [People and Culture on pages 7-10](#)

## OUR RESPONSIBILITY

Our vision is to be the most insightful and trusted small business platform. Xero processes a significant amount of personal and customer data, and we understand we must be vigilant about protecting it and treating it responsibly. We take a rigorous approach to managing security, through multiple layers of data protection, a robust cybersecurity management process, and education for our people to understand that security is everyone's responsibility.

In FY25, we maintained our compliance with the International Organization for Standardization (ISO) 27001 and System and Organization Controls 2 (SOC 2) security frameworks. We also updated our publicly available Responsible Data Use Commitments as we adapt to evolving technologies like artificial intelligence, with an explicit commitment to use these technologies thoughtfully.

For more information, see [Responsible Digital Citizenship on page 11](#)

## OUR COMMUNITIES

Xero's purpose is to make life better for people in small businesses, their advisors, and communities around the world.

In FY25, we established Xero For Good — the social impact program under which we put our various initiatives to help contribute positively to the communities in which we participate. Xero For Good efforts in FY25 included:

- The Xero Beautiful Business Fund (XBBF), which aims to foster innovation and positive change for small businesses by providing more than \$750,000 in funding to 28 Xero customers globally across four categories. This was Xero's second year of supporting XBBF following a successful launch in FY24
- The launch of our Regional Giving Circles, where we empower our regional teams to make a difference in their local communities with designated local funds
- The launch of a global Xeros Connect event as part of our volunteering program, where over 1,100 Xero employees took the opportunity to take one paid day off to volunteer in their local communities

In April 2025 in New Zealand, we also launched our newest Xero For Good initiative: "Know Your Numbers" — a free program designed to empower small businesses and entrepreneurs with the financial knowledge they need to succeed, and the opportunity for free mentorship with our accounting and bookkeeping partners who have opted to donate their time and expertise.

For more information, see [Social and Community impact on pages 12-14](#)

## OUR ENVIRONMENT

We're committed to providing comparable, consistent and transparent information about the measures we are taking to reduce our environmental footprint and future-proof our business as the climate changes.

Following the rebaselining of our emissions and adopting a new base year of FY24, in FY25 we set ambitious new climate targets based on the Science Based Targets initiative (SBTi) pathway to reduce emissions to well below 2°C above pre-industrial levels. These refreshed targets set from a FY24 baseline are:

- Scope 1 and 2: 60% reduction by 2034
- Scope 3: 70% of suppliers (by emissions) to have a science-based target and 35% absolute reduction by 2034

In FY25, we submitted our targets to SBTi for approval, with their review expected in the first half of FY26.

In the long term, our ambition remains to reach net zero by 2050. However, we acknowledge the nature of our business means this relies on many factors outside our direct control.

More than 99% of our emissions are Scope 3, which we can't reduce alone. We'll be working with our key suppliers to drive down our marketing and advertising emissions footprint and investing in Sustainable Aviation Fuel (SAF) production to help accelerate the pace of decarbonisation of the aviation sector. As a first step, we joined the Qantas SAF Coalition in FY25, purchasing SAF to reduce the associated fossil fuel emissions of our air travel.

As part of our focus on decarbonising our operations, we've chosen to prioritise science-aligned emissions reductions, rather than carbon offsets, and therefore have not sought Climate Active certification for FY24 or FY25, as we had previously.

We maintained our United Nations Global Compact Network Australia membership in FY25, and are committed to supporting the principles underpinning the United Nations Sustainable Development Goals, advancing them in areas where Xero can make a positive impact.

We also recognise we have a responsibility to help small businesses become more sustainable themselves. Through third-party applications in the Xero App Store, education, and other tools, we're helping small businesses play a role in supporting the transition to a net-zero economy.

In recognition of the progress we've made in our sustainability initiatives, Xero was included in the Dow Jones Sustainability Indices (DJSI) for the fourth consecutive year.

For more information, see [Environment and Climate on pages 15-19](#) or visit our website [www.xero.com/sustainability](http://www.xero.com/sustainability)

We're proud of the advances we've made as part of our sustainability strategy and our commitment to create sustainable long-term value for our stakeholders. On behalf of Xero's Board, leadership team, and everyone at Xero, thank you for your ongoing partnership and support.




**David Thodey, AO**  
Chair



**Sukhinder Singh Cassidy**  
Chief Executive Officer

# OUR SUSTAINABILITY APPROACH

🕒 5 mins

## SUSTAINABILITY STRATEGY

Our sustainability strategy supports our overall FY25-27 business strategy, *Winning on Purpose*.<sup>1</sup> It aims to build stakeholder trust through responsible management of our community and environmental impact, and through policies and practices that enable our people to thrive.

### Sustainability strategy objectives

**Our responsibility**

Be a trusted business wherever we operate

**Our people**

Create a workplace where top talent can do the best work of their lives

**Our communities**

Support small businesses and communities to operate sustainably and responsibly

**Our environment**

Reduce our environmental footprint and future-proof our business as the climate changes

In FY25, we began refreshing our sustainability strategy for FY26-27 as part of our commitment to regularly revisiting our approach. From FY26, we intend to report our performance against our refreshed strategy.

## SUSTAINABILITY GOVERNANCE

### Board oversight

The Board of Xero (Board) is responsible for overseeing our governance, strategy and performance in relation to environmental, social and governance (ESG) issues, and approves our externally published targets and disclosures.

The Audit and Risk Management (ARM) Committee and the People and Remuneration (PR) Committee review and make recommendations to the Board regarding our governance, strategies, performance and reporting in relation to sustainability-related issues.<sup>2,3</sup>

The Board’s oversight of sustainability-related matters is supported by Xero’s Risk Management Framework, including our three lines of defence model. Sustainability-related risks are included in our Enterprise Risk Radar, which is reviewed by the ARM Committee quarterly, and by the Board annually.

### Management approach

At a management level, senior representatives from across the business are designated as sustainability-related risk owners, and are responsible for overseeing the implementation of controls, and maintaining these on an ongoing basis.

Each sustainability pillar has a sponsor within our Executive Leadership Team (XLT). They are supported by the ESG Steering Committee, which is composed of senior leaders from across the business including finance, investor relations, strategy, people and workplace experience, communications, legal, risk and compliance, and product and technology. The Committee meets at least quarterly to review progress on sustainability-related initiatives.

Our sustainability and impact team manages the day-to-day implementation of our sustainability strategy, alongside our workplace experience (WX), people experience (PX), security and legal teams.



For an overview of our risks, including sustainability-related risks, see Key Risks in our FY25 Annual Report at: [www.xero.com/investors](http://www.xero.com/investors)

For more information on our climate-related risks specifically, see Environment and Climate on pages 15-19

1. For more information on our FY25-27 business strategy, see Strategy in Action in our FY25 Annual Report at: [www.xero.com/investors](http://www.xero.com/investors)  
 2. The ARM Committee oversees and makes recommendations to the Board on our climate-related risks and opportunities, strategies, governance, performance and reporting. It annually reviews and makes recommendations to the Board in relation to Xero’s modern slavery statement and risk disclosures (including whether Xero has material exposure to environmental or social risks), and oversees and reviews the adequacy and effectiveness of our internal control framework  
 3. The PR Committee assists the Board to oversee strategies and policies relating to people and culture, remuneration and benefits, and other matters as requested

## MATERIAL MATTERS

We completed our fourth annual materiality assessment in FY25, in alignment with the International Sustainability Standards Board (ISSB) framework, to determine the matters that are material for Xero.

As in previous years, we reviewed a range of thought leadership documents from leading institutions to reflect global macroeconomic and geopolitical trends in the analysis. We also engaged directly with our internal and external stakeholders. Our ESG Steering Committee reviewed the findings of our materiality assessment and provided an investor and employee perspective. The material matters were then validated by Xero's XLT and Board.

In FY25, our identified material matters remained the same as in FY24. They are grouped under seven pillars, four of which are addressed in this report. Financial planning, governance, and our customers also form critical components of our business and are covered in detail in our FY25 Annual Report at: [www.xero.com/investors](http://www.xero.com/investors)

PILLARS	MATERIAL MATTERS	PAGES
 <b>People and Culture</b>	<ul style="list-style-type: none"> <li>A representative and inclusive workforce</li> <li>Employee health, safety and wellbeing</li> <li>Talent attraction, training, development and retention</li> <li>Remuneration, incentives and pay transparency</li> </ul>	See pages 7-10 and the Remuneration Report in our FY25 Annual Report on pages 93-125
 <b>Responsible Digital Citizenship</b>	<ul style="list-style-type: none"> <li>Customer privacy</li> <li>Cybersecurity and data protection</li> <li>Innovation, artificial intelligence and digitisation</li> <li>Stability, reliability and accessibility of information</li> </ul>	See page 11 and Strategy in Action and Our Performance in our FY25 Annual Report on pages 16-19 and 28-43
 <b>Social and Community Impact</b>	<ul style="list-style-type: none"> <li>Community support and engagement</li> <li>Responsible supply chain and modern slavery</li> </ul>	See pages 12-14
 <b>Environment and Climate</b>	<ul style="list-style-type: none"> <li>Climate change and energy management</li> <li>Waste management and responsible use of resources</li> </ul>	See pages 15-19
 <b>Customers, Partners and Ecosystems</b>	<ul style="list-style-type: none"> <li>Customer growth, support, loyalty and engagement</li> </ul>	For further detail, see Strategy in Action in our FY25 Annual Report on pages 16-19
 <b>Financial</b>	<ul style="list-style-type: none"> <li>Annual planning, budgeting and capital allocation processes</li> </ul>	For further detail, see Our Performance in our FY25 Annual Report on pages 28-43
 <b>Governance</b>	<ul style="list-style-type: none"> <li>Corporate governance, compliance and risk management</li> </ul>	For further detail, see Key Risks and Governance in our FY25 Annual Report on pages 20-27 and our FY25 Corporate Governance Statement

## STAKEHOLDER ENGAGEMENT

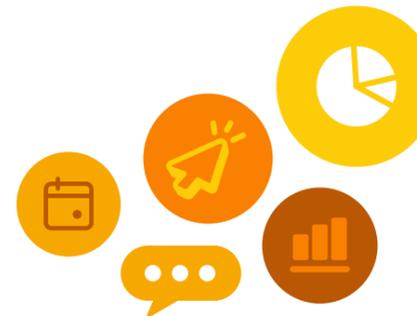
We engage with our stakeholders across a number of channels. The output of this engagement impacts our approach to sustainability and our reporting as highlighted below.

### 1. STAKEHOLDERS



- Our customers
- Our people
- Our suppliers
- Our investors
- Our communities
- Media
- Governments and regulators

### 2. CHANNELS



- Internal communications, including monthly town hall meetings and regular employee engagement surveys
- Investor and customer roadshows (eg, Investor Day, Xerocon)
- Xero's Partner Advisory Council
- Supplier risk and sustainability assessments
- Full-year and half-year results
- Annual Meeting

### 3. IMPACT ON SUSTAINABILITY APPROACH



- Annual reporting
- Material matters
- Sustainability-related products in Xero App Store
- Sustainability strategy and governance

# PEOPLE AND CULTURE

🕒 7 mins

We measure our performance through the key performance indicators (KPIs) below. These help us monitor our efforts to bring together world-class leadership and talent, supported by an inclusive culture and working environment, and drive evidence-based decisions in support of our strategy.

KPIs	PERFORMANCE VS TARGET	FY25 PERFORMANCE	FY24 PERFORMANCE
Employee engagement score <sup>4</sup> (year ended 31 March)	●	7.5	7.5
Annual voluntary employee turnover (year ended 31 March)	●	10.3%	12.3%
At least 45% representation of women among senior leaders <sup>5</sup> , people leaders and all employees by the end of FY25 <sup>6</sup> (as at 31 March)	●	CEO and direct reports 62.5% women	CEO and direct reports 62.5% women
	●	Senior leaders 46.0% women	Senior leaders 40.0% women
	●	People leaders 43.7% women	People leaders 44.7% women
	●	Employees 43.6% women	Employees 43.4% women
Xero maintains a gender balance on its Board with no less than 30% women and no less than 30% men. By the end of FY25, the Board aspires to have at least 40% women and 40% men as directors (as at 31 March)	●	Three women (42.9%) and four men (57.1%) directors	Three women (42.9%) and four men (57.1%) directors
Median gender pay equity gap (like for like basis) <sup>7</sup> (year ended 31 March)	●	-0.2%, in favour of women <sup>8</sup>	-0.8%, in favour of women
Median gender pay gap (year ended 31 March)	●	7.4% <sup>9</sup>	9.7%
Global underrepresented racial/ethnic representation (URRE) groups – 10% by FY27 (as at 31 March)	●	5.6%	5.5%

For more information on our underrepresented racial/ethnic representation and gender representation performance, see our Databook and website [www.xero.com/sustainability](http://www.xero.com/sustainability)

4. Xero uses engagement scores to measure employee satisfaction within the organisation. Engagement is a score out of 10 based on questions that cover key metrics designed to understand how an employee is feeling about Xero  
 5. Xero's senior leaders include the CEO, senior executives with global roles who report directly to the CEO, and their direct reports whose roles meet a minimum role size as determined by a job evaluation methodology  
 6. Refer to page 9 for further details on our gender representation reporting  
 7. Refer to page 10 for an explanation of the difference between median gender pay equity gap and median gender pay gap  
 8,9. Excludes Syft employees



Xero UK team members in our London office

**OUR VALUES – WE MAKE IT XERO**

Embodying our values is essential to cultivating a culture that supports the successful delivery of our People and Culture KPIs. These values are reflected in how we show up, both in the workplace and with our customers, and how we continue to grow and deliver the best product and experience for customers. Demonstrating our values is also a core component of how we assess performance across all of Xero.



**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.

**EMPLOYEE ENGAGEMENT AND ANNUAL VOLUNTARY EMPLOYEE TURNOVER**

Measuring employee sentiment is a key business metric against our *Winning on Purpose* strategy. This year, we changed our employee sentiment measure from employee net promoter score to employee engagement score, which better enables us to track engagement over a range of metrics.

Our employee engagement score has remained stable year-on-year at 7.5 out of 10. At the same time, our voluntary employee turnover decreased from 12.3% in FY24 to 10.3% in FY25.

During FY25, we introduced a number of initiatives to help drive improvements to employee engagement, maintain voluntary employee turnover at a reasonable level, and empower our people to grow and shape their careers:

- Launched a new performance and capability framework across Xero, helping our people understand how their role drives value within the organisation, and giving our people valuable feedback so they can do the best work of their lives
- Initiated the rollout of a new employee listening tool, enabling real-time data and improved insights to help us design more focused employee engagement action plans
- Expanded our employee wellbeing services to include access to free coaching and counselling sessions with certified mental health, professional, and financial wellbeing professionals
- Released guides for understanding neurodiversity, offering advice and strategies to support a neuroinclusive workplace
- Enhanced our programs and processes to proactively prevent sexual harassment, sex discrimination, harassment and victimisation in the workplace, including mandatory training rolled out across all of Xero



Xero Australia team members in our Melbourne office  
Xero UK team members in our London office

# OVER 1700 XERO ERG MEMBERS

## BUILDING A REPRESENTATIVE AND INCLUSIVE WORKFORCE<sup>10,11</sup>

Xero serves customers in more than 180 countries around the world. Our customers represent many different cultures, walks of life, and personal circumstances. We consider building an open and inclusive workforce that is reflective of the customers and communities we serve to be critical to delivering our purpose and strategy.

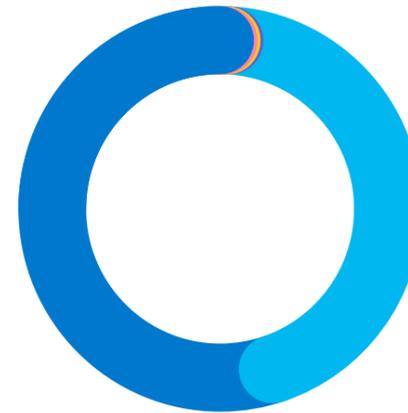
Cultivating a representative and inclusive culture also allows Xero to attract and retain top talent, and to benefit from a range of perspectives as we seek to innovate and better serve all our stakeholders. We believe creating an organisation where all can thrive is key to fostering a high-performance culture.

We provide opportunity based on merit, which means we make talent decisions based on experience and capability for all roles. We do not discriminate on aspects of identity. Instead, we focus on accessibility through creating fair systems and an inclusive culture.

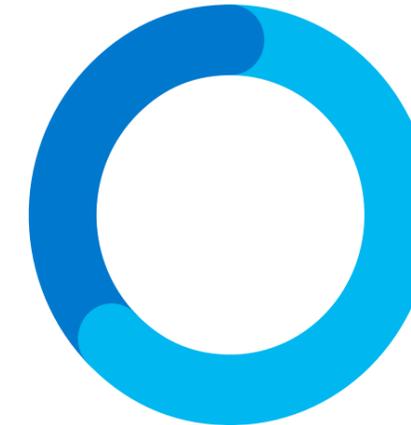
Xero has one of the higher gender representation goals across ASX-listed companies and select global technology peers. While we fell just short of achieving our ambitious FY25 goal to achieve and maintain 45% representation of women among people leaders and all employees, we continue to strive to be a gender-balanced organisation, and have extended our aspirations to FY27.

In FY25, we launched a refreshed action plan to create a workforce more reflective of the communities where we operate. This includes introducing surveys and focus groups to deepen insights into our employee experience, and establishing a cross-functional leadership team to set and track plans to improve outcomes. We have made progress in FY25, with women representing 46.2% of new starters across Xero, through efforts focused on accessibility.

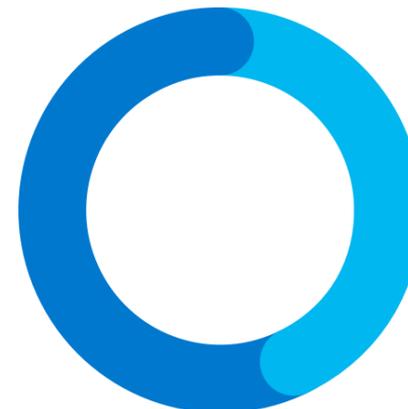
In FY25, we also continued to drive an inclusive workplace by growing our voluntary Employee Resource Groups (ERGs). ERGs provide communities with a voice in shaping our culture, programs and policies. Our ERGs membership grew to over 1,700 in FY25, representing over 35% of our workforce.



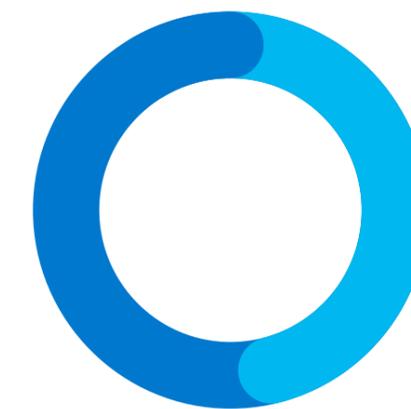
- Female (44%)
- Male (55%)
- Gender diverse (<1%)
- Non-binary (<1%)
- Prefer not to say (<1%)



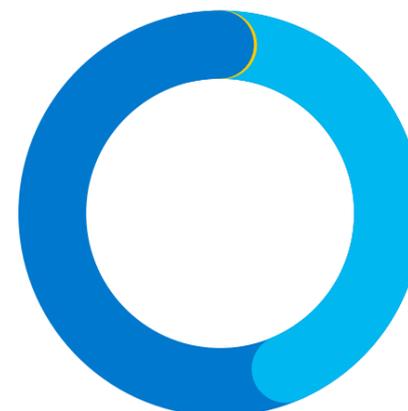
- Female (63%)
- Male (37%)



- Female (43%)
- Male (57%)



- Female (46%)
- Male (54%)



- Female (44%)
- Male (56%)
- Non-binary (<1%)

10. Gender data covers Xero's global workforce, excluding contingent workers. All data is self-reported as at 31 March 2025

11. Xero has an optional gender identification question that allows employees to choose from the following options: female, male, gender diverse, non-binary, none of the options offered, and prefer not to say

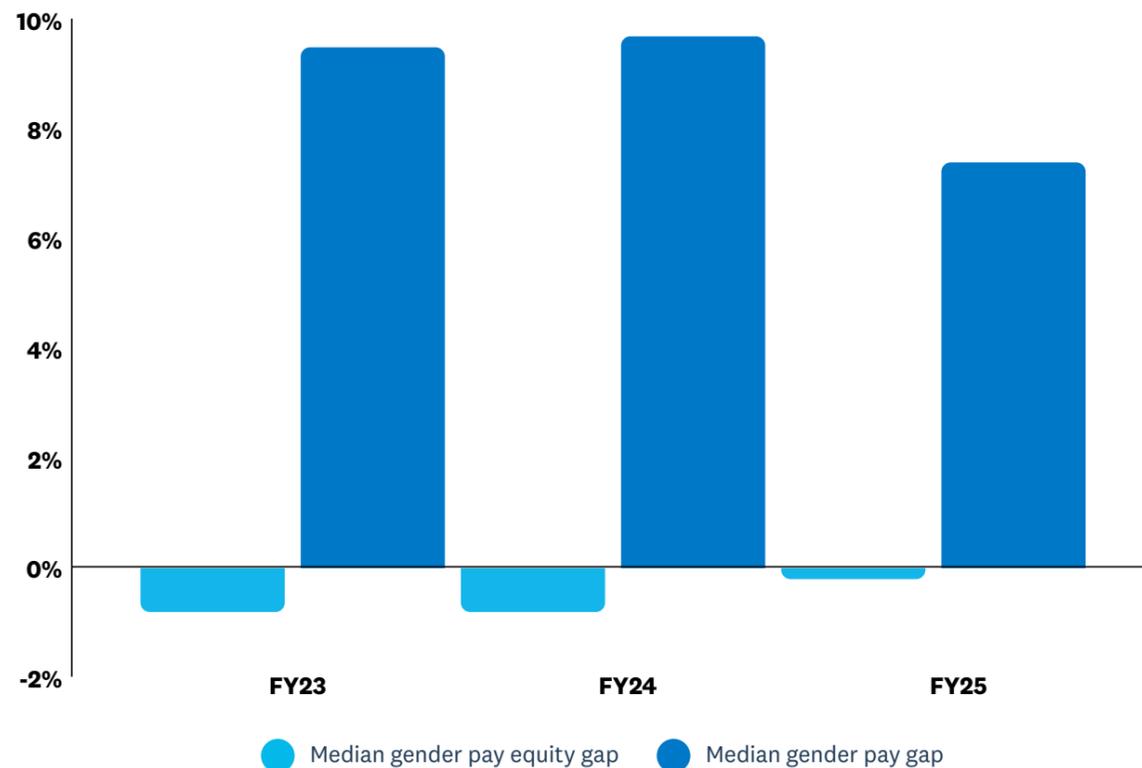
### GENDER PAY EQUITY

At Xero, we are committed to equal pay for equal work. In FY25, we continued programs to help address gender pay equity, including inclusive leadership and unconscious bias education to foster inclusive habits and behaviours across Xero.

For more information about our people practices, see our website [www.xero.com/sustainability/people](http://www.xero.com/sustainability/people)

Gender pay equity<sup>12</sup> is a measure of whether women and men are paid the same for the same work. It considers how women’s and men’s pay compares to external remuneration benchmark data for the specific role they are in (taking into account seniority and function). We have a rigorous program in place to measure and promote gender pay equity. Our median<sup>13</sup> gender pay equity is less than 1% in favour of women.

A gender pay gap<sup>14</sup> is a comparison of women’s and men’s pay in aggregate, without consideration of employees’ roles. Xero’s median gender pay gap is 7.4%, down from 9.7% in FY24, with women promoted at a slightly higher rate than men into management positions in FY25. Our gender pay gap partly reflects a lower proportion of women in the technology sector than men. To help further improve our gender pay gap, we have an active plan in place that focuses on hiring, retaining and developing women in leadership roles, based on improving accessibility and increasing the proportion of women in our applicant pools.



Xero UK team members in our London office

### GLOBAL UNDERREPRESENTED RACIAL/ETHNIC REPRESENTATION<sup>15,16</sup>

Xero aspires to be reflective of our customers and our communities. A representative workforce strengthens our ability to serve Xero’s global customer base, ensuring we’re delivering the best products and services to the communities we serve. We have made progress against our goal to have 10% of our workforce identify within underrepresented racial/ethnic groups globally by the end of FY27, with representation at 5.6% in FY25.

We have progressed a number of initiatives in FY25, including:

- Continuing to deliver unconscious bias training for talent acquisition teams
- Progressing our Indigenous Affairs program to attract and retain Indigenous talent in Australia and New Zealand through regional education and sustained commitment to reconciliation action planning
- Continuing to roll out an inclusive hiring and selection toolkit for people leaders and others involved in talent selection
- Leveraging refined data reporting to understand equitable outcomes by identity across the talent funnel and recruitment conversion rates
- Fostering external partnerships with global professional network groups to drive representation at the top of our applicant funnel

Through these efforts, we aspire to build teams with a range of different experiences, ideas, skills and perspectives. We believe being a representative organisation, supported by a culture where people feel they belong, enables us to maximise the potential of our people’s differences and foster a high-performance culture.

12. To calculate gender pay equity, we assess how our employees’ remuneration compares to the median remuneration for their equivalent local market role (eg, how much an accountant employed by Xero in New Zealand is paid compared to what the market median is for an accountant in New Zealand). The median position for males is then compared to the median position for females to determine the pay equity gap

13. Median is calculated as the weighted average of regional medians. Therefore, the Xero Group number is not impacted by market differences

14. To calculate our gender pay gap, we review actual total earnings of employees over the past 12 months. We then take the median actual earnings of males, minus the median actual earnings of females, divided by the median actual earnings of males. A weighted average is then used across each region to get to a Xero overall figure

15. All reporting on race data is based on voluntary global self-reporting. It excludes any employees where local legislation does not permit voluntary self-reporting with respect to racial identity. The race categories used by Xero for self-reporting reflect each region’s government reporting standards. However, for the purpose of this report, some race categories have been adapted so they are globally relevant. Contingent workers are not included

16. The identified underrepresented racial/ethnic groups that are represented within this goal were identified through a workforce analysis of each region in which Xero operates, comparing the proportional representation of racial/ethnic groups in Xero employee demographics and regional census data. The groups identified represent the most significantly underrepresented groups in each of the regions in which Xero operates where we collect the racial/ethnic data of Xero employees

# RESPONSIBLE DIGITAL CITIZENSHIP

🕒 2 mins

We measure our performance through the KPIs below. These help us responsibly manage our customers' data, and drive evidence-based decisions in support of our strategy.

KPIs	PERFORMANCE VS TARGET	FY25 PERFORMANCE	FY24 PERFORMANCE
Employee completion of security training (as at 31 March)	●	96.3%	85.8%
ISO 27001 and SOC 2 compliance (as at 31 March)	●	Achieved	Achieved
Number of notifiable privacy incidents (year ended 31 March)	N/A	1	nil

## SECURITY

Xero's security strategy is aligned with our business objectives. Our security roadmap is based on a principle of continuous improvement and uplift in our technical controls.

We have also delivered security enhancements from a people and process perspective. Security is everyone's responsibility at Xero. All our people are required to undertake annual security training. In FY25, we achieved improved rates of security training completion through the implementation of more stringent systems access policies and practices. This included changes to the way employees are reminded of completion deadlines, and increasing people leadership responsibility for completion rates of their teams.

Our Security Champions program provides specialist education to our people. Champions are representative of teams across the business, with over 150 of our people participating in the program as at 31 March 2025. Champions are instrumental in helping drive improvements in engagement, promoting security training and awareness of cybersecurity risks in teams across the business.

In FY25, we refined our supplier security assessment as part of our onboarding process for new suppliers. This significantly bolsters our third-party security practices and contributes to a resilient and secure ecosystem that safeguards our customers' valuable information.

## OVER 150 SECURITY CHAMPIONS

### ISO 27001 AND SOC 2 COMPLIANCE

We work to maintain our ISO 27001 (ISO/IEC27001:2022) and SOC 2 compliance certifications, which are crucial to our operations. These industry standards provide assurances for our customers and the wider community about our ability to protect business data and individual privacy. Maintaining certification against these frameworks is a requirement for a large number of our partners and is essential to satisfy certain regulatory requirements where we operate.

Recertification against ISO 27001 was received in November 2024. Our latest SOC 2 Type II report for the period ended 31 October 2024 was also issued in November 2024. These were attained through external audits against these international information security frameworks.

For more information about our security certifications and credentials, see our website [www.xero.com/security](http://www.xero.com/security)

## PRIVACY

At Xero, we process personal data about our customers, their employees, vendors and other parties. Treating personal data fairly and responsibly is important to meet the expectations of those who have entrusted us with it, and to comply with legal requirements. During FY25, a customer experienced an incident, as a result of which Xero was required to make a notification to the Office of the Australian Information Commissioner. This matter remains open, as it was reported recently.

Our Responsible Data Use Commitments were updated in FY25 to make it clearer to our customers what each commitment consists of and how we are meeting each one. Our updated commitments also outline how we continue to safeguard customer data as we adapt to evolving technologies like artificial intelligence.



**PRIORITISING SECURITY & PRIVACY**

We are committed to keeping data secure and protecting individuals' privacy at all times



**EMPOWERING CUSTOMERS**

We are committed to using technology and data to amplify human potential



**INNOVATING RESPONSIBLY**

We are committed to thoughtfully leveraging new technologies to power innovation



**COMMUNICATING TRANSPARENTLY**

We are committed to transparency about how we use AI and our customers' data



**CREATING A THRIVING ECOSYSTEM**

We are committed to helping our customers confidently connect their Xero data to a vibrant and growing ecosystem

For more information on how we approach responsible data use, and our commitments to using data responsibly, see our website [www.xero.com/data/commitments](http://www.xero.com/data/commitments)

# SOCIAL AND COMMUNITY IMPACT

🕒 5 mins

We measure our performance through the KPIs below. These help us monitor the effectiveness of our social impact initiatives, and drive evidence-based decisions in support of our strategy.

KPIs	PERFORMANCE VS TARGET	FY25 PERFORMANCE	FY24 PERFORMANCE
Global community contributions (year ended 31 March)	N/A	More than \$6.6 million	More than \$4.7 million
Employee completion of modern slavery awareness training (as at 31 March)	●	96.2%	92.7%

## GLOBAL COMMUNITY CONTRIBUTIONS

We take a holistic approach to calculating our contribution to communities, which includes cash donations, discounts given to non-profit organisations, and volunteering contributions. Global community contributions were more than \$6.6 million for FY25.



- Cash donations made to non-profit organisations (\$657,738)
- Discounts given to non-profit organisations (\$3,587,653)
- Volunteering – in kind contribution (\$685,070)
- Partnership investments (\$541,600)
- Xero Beautiful Business Fund (\$795,716)
- Programme development and delivery — Xero For Good (\$372,288)

# \$6.6 MILLION

GLOBAL COMMUNITY CONTRIBUTIONS



Xero US customer Scott Goodfriend, founder of Ultimate Food Tours, and his tour group, including Josh, and Diandra and Bridget from Xero, in New York – [ultimatefoodtours.com](https://ultimatefoodtours.com)

**XERO FOR GOOD**

In FY25, we established Xero For Good — our social impact initiative to empower small businesses with tools and support to help with their long-term success and sustainability efforts. Xero For Good delivers impactful programs that strengthen communities through financial education, strategic growth funding, ethical supply chain practices, carbon footprint management and other forms of support — creating positive change where it matters most.

Current initiatives that fall under Xero For Good include Community Connect (our volunteering program), Xero For Purpose (our 25% discount on subscription fees for non-profits), the Xero Beautiful Business Fund, carbon accounting app partnerships and social procurement.

At Xero, we make a conscious effort to purchase goods and services from small businesses, social enterprises, and businesses led by underrepresented groups. Through our social procurement program, we partnered with Supply Nation in Australia and the Ākina Foundation in New Zealand in FY25 to identify and engage Indigenous suppliers and those generating positive social impact. In FY25, our spend with diverse and social suppliers amounted to more than \$18 million.<sup>17</sup>

In FY25, we launched the Regional Giving Circle program. We believe that strong communities are essential for small businesses to succeed. Our Regional Giving Circle, part of Xero For Good, empowers teams across Australia, New Zealand, North America, the UK, Asia and South Africa to make a difference in their local communities.

In December 2024, we held our first global company-wide Community Connect volunteering event with over 1,100 of our people participating in 108 activities across more than 50 charities. In total, our people donated over 9,000 hours of their time.

In FY25, we also developed “Know Your Numbers”, a free program designed to empower small businesses and entrepreneurs with the financial knowledge they need to succeed. We worked with small business owners worldwide to understand their financial literacy needs and how they prefer to learn. The program launched in New Zealand in April 2025, and will include access to digestible educational resources in a variety of formats, and free mentoring from Xero accounting and bookkeeping professionals.

For more information on Xero For Good, see our website [www.xero.com/sustainability/community](http://www.xero.com/sustainability/community)



Top left: Xero NZ customer Marisa Vodanovich, owner-operator of Urban Floral Farmlet, in Auckland – urbanfloralfarmlet.co.nz  
Bottom left: Xero NZ customer Tane Hodgson, head trainer and operator of 100% K9, in Auckland – 100percentk9.co.nz



Top center: Xero New Zealand customers Rosa & Margo, founders of Two Raw Sisters in Christchurch – tworawsisters.com  
Remaining: Xero team members across our offices, participating in Xero Volunteer day



<sup>17</sup> For our calculation of our spend with diverse and social suppliers, we rely on suppliers' self-identification as belonging to a diverse or social business



**XERO BEAUTIFUL BUSINESS FUND**

In FY25, we delivered the Xero Beautiful Business Fund for the second time, providing over \$750,000 in funding to 28 small businesses and nonprofits globally across four categories to support their future aspirations.

**Innovating for Environmental Sustainability**



**GLOBAL WINNER:  
OTHER MATTER (AUSTRALIA)**

Other Matter offers an innovative and environmentally responsible alternative to traditional vinyl decals. Crafted from a sustainable, algae-based polymer, the decals are fully recyclable and enable a circular lifecycle. The Xero funding will help Other Matter move production from being handmade to using automated systems.

**Strengthening Community Connection**



**GLOBAL WINNER:  
THE BOWLING CLUB (NEW ZEALAND)**

The Bowling Club is a community eatery offering \$4 meals, or free meals, to those in need. Originally a food truck, it now serves an average of 900 meals per night with a team of 23 staff members. The Xero funding will go towards a new blast chiller and storage to help meet growing community needs.

**Trailblazing with Technology**



**GLOBAL WINNER:  
PROSTHETIC ART TECHNOLOGY (AUSTRALIA)**

Prosthetic Art Technology uses technology and sculpture to empower and support people by creating life-changing silicone prosthetics. The Xero funding will be used to upgrade key modelling software, purchase a new 3D printer, and research new 3D scanning technology.

**Upskilling for the Future**



**GLOBAL WINNER:  
THE CODE ZONE (UK)**

The Code Zone offers online and local coding clubs for children aged six and upwards. Through the clubs, children learn to code in a fun and inclusive way, while getting equipped with critical thinking and problem-solving skills. The Xero funding will help The Code Zone recruit and train more mentors, and open more clubs to reach more children.

**MODERN SLAVERY AWARENESS**

Xero is committed to preventing any form of slavery and human trafficking in our operations and supply chain. In FY25, we implemented a third-party ESG risk and performance management system, and assessed 98% of our recurring suppliers by spend using an advanced risk assessment methodology. We conducted detailed ESG assessments with priority suppliers, focusing on their management of sustainability-related matters, including modern slavery and improving visibility of incidents, while continuing to assess our exposure to global modern slavery regulations.

For more information about how we manage the risks of modern slavery and human trafficking, see our annual Modern Slavery and Human Trafficking Statement at: [www.xero.com/investors/governance](http://www.xero.com/investors/governance)

# ENVIRONMENT AND CLIMATE

🕒 9 mins

We measure our performance through the KPIs below. These help us monitor and report our environmental and climate impact, and drive evidence-based decisions in support of our strategy.

KPIs	PERFORMANCE VS TARGET	FY25 PERFORMANCE <sup>18</sup>	FY24 PERFORMANCE <sup>19</sup>
Reduce Scope 1 and 2 <sup>20</sup> carbon emissions by 60% by 2034 from FY24 baseline (emissions for year ended 31 March)	●	171 tCO <sub>2</sub> e 72% decrease on FY24 base year	619 tCO <sub>2</sub> e base year
Reduce Scope 3 <sup>21</sup> emissions by 35% by 2034 from FY24 baseline (emissions for year ended 31 March)	●	55,825 tCO <sub>2</sub> e <sup>22</sup> 57% increase on FY24 base year	35,585 tCO <sub>2</sub> e base year
70% of prioritised suppliers by emissions committed to a science-based target (as at 31 March)	N/A	N/A <sup>23</sup>	N/A
Reduce carbon emissions intensity (Scopes 1, 2 and 3) from FY24 baseline (emissions for year ended 31 March) <sup>24</sup>	●	12.15 tCO <sub>2</sub> e/FTE 45% increase on FY24 base year	8.38 tCO <sub>2</sub> e/FTE base year
Increase diversion of waste from landfill (year ended 31 March)	●	55.0%	52.1%



Xero UK customer Rosette Ale, founder of Revival London in London – [revivalldn.com](http://revivalldn.com)

## WATER AND WASTE MANAGEMENT

Direct water consumption is not material within our business operations. However, we recognise that the value chain of our products includes water-intensive activities, such as data hosting. To better understand and manage these impacts and dependencies, in FY26 we will undertake a comprehensive lifecycle assessment, which will focus on the water footprint and other environmental impacts across the entire lifecycle of Xero products.

This assessment will provide valuable insights to inform strategies for reducing both direct and indirect impacts linked to our operations and product offering.

We continuously look for ways to reduce overall waste, including improvements to our recycling and composting methods and, where possible, the sourcing of sustainable materials.

For more information on our recycling and waste management practices, see our website [www.xero.com/sustainability](http://www.xero.com/sustainability)

18. Scope 1, 2 and 3 emissions for FY25 have been calculated using 12 months of data, with extrapolations applied where activity data was unavailable. For more information, see our basis of preparation on pages 20-21. Emissions are measured in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e)

19. FY24 emissions data disclosed has been trued up and calculated based on 12 months of actual data. Therefore, the FY24 emissions disclosed this year differ from the FY24 Annual Report, Databook and Climate Appendix, which were based on an extrapolation of 10 months of data

20. Scope 2 is disclosed as market-based. Refer to our Databook for details on location-based emissions

21. Refer to our Databook for a breakdown of Scope 3 emissions

22. Inclusive of a 750 tCO<sub>2</sub>e reduction in fossil emissions attributed to the use of SAF. There are biogenic emissions associated with SAF that are not included in this total

23. In FY25, we started mapping our suppliers by spend and emissions to decide which suppliers would be included within our target boundary. Performance for FY25 is not reported as the available dataset does not yet capture a full year. For more information, see page 19

24. Based on market-based Scope 2 figures, and inclusive of a 750 tCO<sub>2</sub>e reduction in fossil emissions attributed to the use of SAF

**CLIMATE CHANGE**

We continue to evolve Xero’s climate reporting to provide comparable, consistent and transparent information in line with IFRS S1 and S2. Our disclosures below outline Xero’s approach to climate governance, our climate-related strategy, our management approach to climate-related risks and opportunities, and our climate targets and related metrics.

**CLIMATE-RELATED GOVERNANCE**

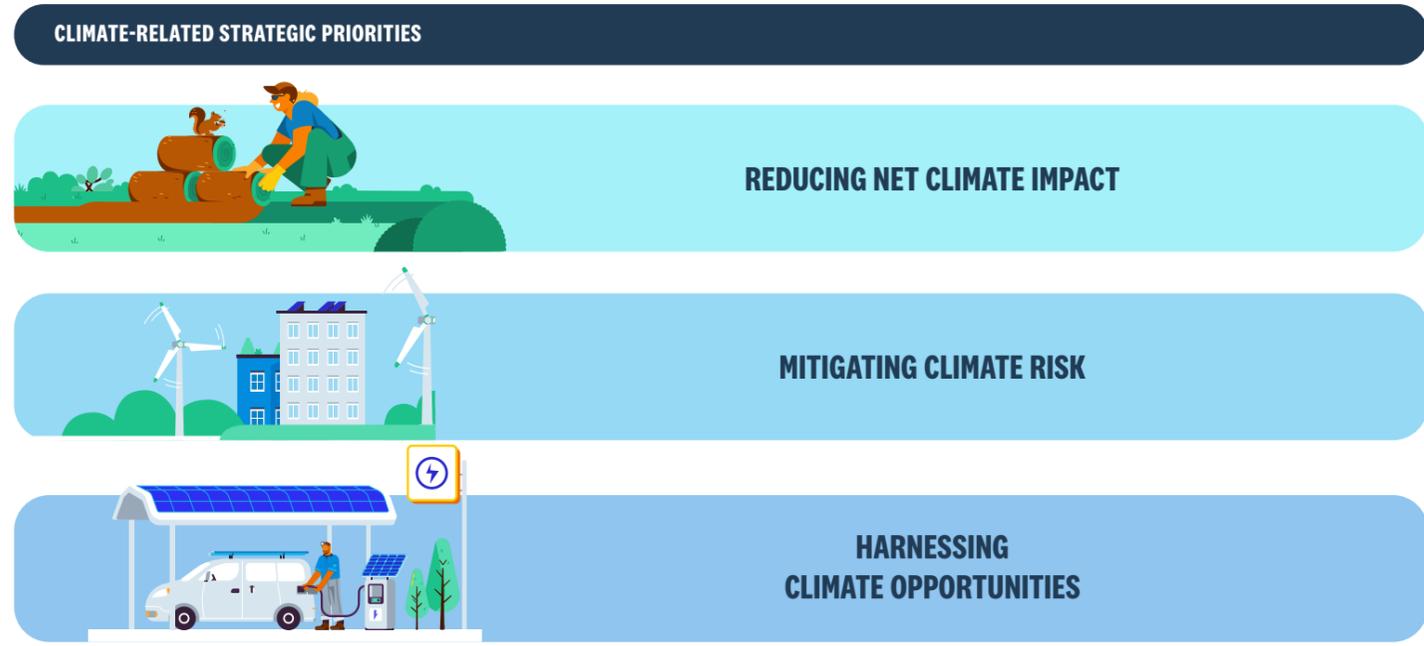
A description of our sustainability governance, which covers our governance approach towards climate-related risks and opportunities, is on page 5. Any additional governance processes specific to climate-related matters are included below.

We manage climate risks in accordance with our Enterprise Risk Management Framework. The sustainability and impact team, in consultation with climate risk representatives, reviews Xero’s Climate Risk Register at least annually to validate the rating and assess the internal and external environment for any key changes in existing and emerging risks.

Climate risk is also included in our Enterprise Risk Radar, which is reviewed by the ARM Committee quarterly. Risk ownership has been assigned, and existing controls and control gaps and/or weaknesses have been identified in consultation with the respective owners.

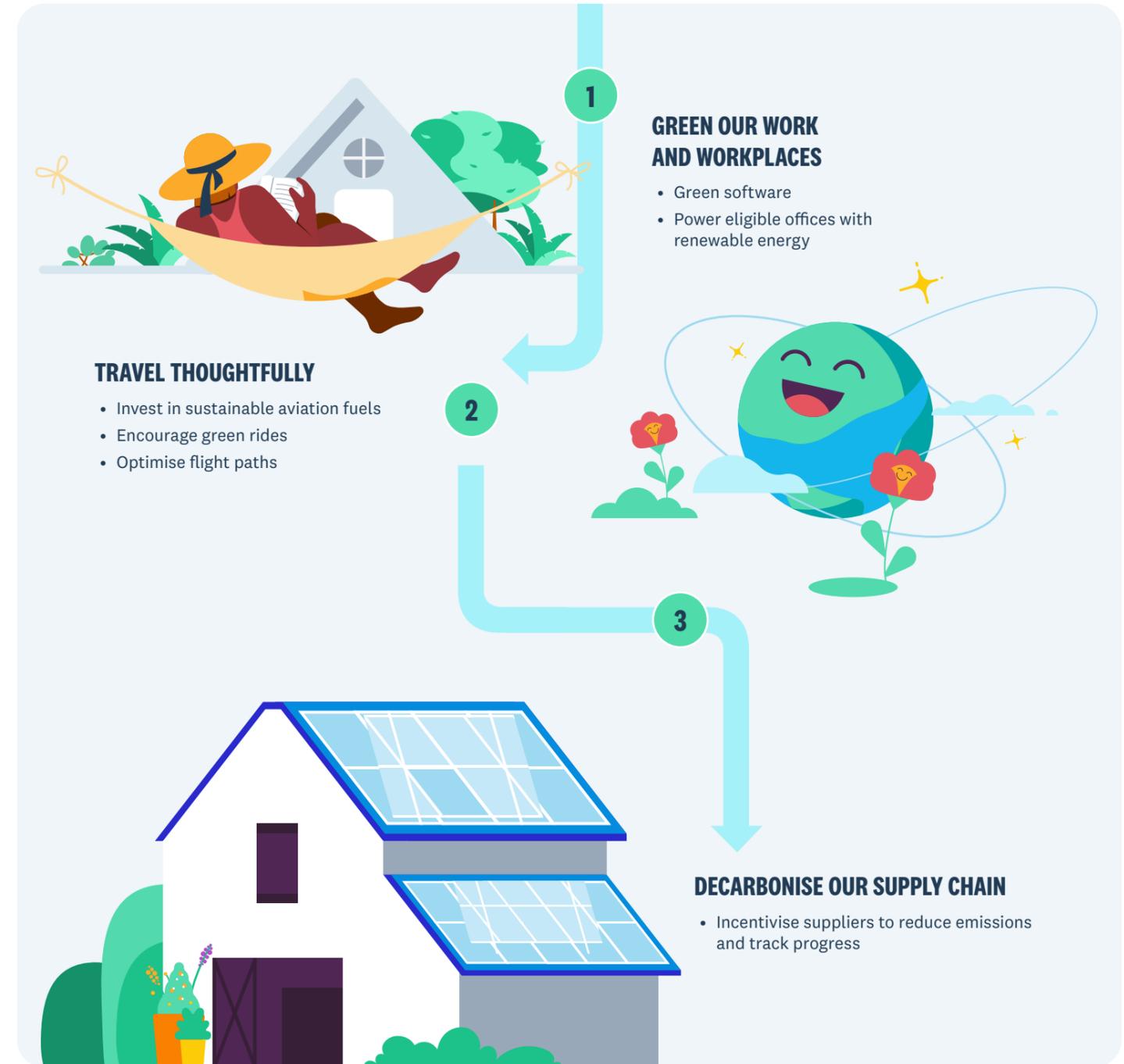
**CLIMATE-RELATED STRATEGY**

Our climate-related goal at Xero is to minimise our net climate impact and to grow our business as the climate changes. We have three climate-related strategic priorities:



**REDUCING NET CLIMATE IMPACT**

Reducing our net climate impact is a strategic priority for us. In FY25, we launched our emissions reduction plan, which includes three broad pillars.



**Green our work and workplaces**

In FY25, we joined the Green Software Foundation, a global initiative focused on making software more energy efficient and sustainable. As part of this membership, we will collaborate with industry leaders to adopt and promote best practices in green software. By adopting the foundation’s key principles, we aim to optimise our software for energy efficiency, reduce carbon emissions, and contribute to a more sustainable digital future.

We transitioned to renewable electricity at our Melbourne and Sydney offices in FY25. We also continued our work redesigning some of our larger workspaces to reduce underutilised space, and allow for more efficient use of our offices and the energy they consume. We moved to new offices in London, New York and San Mateo, in each case selecting workspaces with energy-efficient credentials.

In line with our emissions reduction target to reduce market-based Scope 2 emissions, we purchased Renewable Energy Certificates (RECs) in FY25 to match our electricity consumption with renewable sources, where feasible and available. Under a market-based carbon accounting approach, this enables us to reduce the Scope 2 emissions we report.

We have further enhanced the transparency of our reporting by disclosing our electricity consumption and renewable electricity data.

For more information on our electricity consumption data and management practices, see our Databook and website [www.xero.com/sustainability](http://www.xero.com/sustainability)

**Travel thoughtfully**

As a global company, business travel represents one of our largest sources of emissions and one of the most challenging in which to achieve significant reductions. In FY25, we joined Qantas’ Sustainable Aviation Fuels (SAF) Coalition program in order to support our emissions reduction strategy by reducing our business travel emissions. The SAF Coalition aims to support efforts to reduce the environmental impact of aviation and to support the development of a SAF industry in Oceania.

We also encourage our employees to choose green transportation such as electric or hybrid vehicles where possible for business travel, and have made improvements to data collection within our finance systems to better capture these forms of travel.

**Decarbonise our supply chain**

Given the nature of our industry, our supply chain plays a central role in our efforts to reduce our emissions, with Scope 3 (including business travel) accounting for more than 99% of our carbon footprint.

In FY25, we refined our existing ESG risk assessment for suppliers, engaging with our critical, high-risk and high-emitting suppliers to undertake a comprehensive ESG assessment, based on internal and third-party verified processes. We prioritised suppliers representing the greatest potential for us to reduce our Scope 3 emissions as well as critical suppliers to our business operations in the event of disruptions (including acute physical climate risk).

**MITIGATING CLIMATE RISKS**

In FY24, we completed our first climate risk scenario assessment. This exercise enabled us to understand our transitional and physical risk exposure under different timeframes and diverse warming scenarios. This included a high-warming scenario and a scenario aligned with the Paris Agreement. In line with regulatory guidance, we do not complete a climate scenario analysis every year. We will repeat the assessment in FY26. The scenario horizons chosen do not align with those used in our financial planning, as these are typically much shorter timeframes than for climate considerations. Our overall climate risk exposure remains low, and we do not anticipate material impacts that would require changes to our approach.

For our scenario analysis methodology, see our FY24 Climate Appendix on our website [www.xero.com/sustainability/environment](http://www.xero.com/sustainability/environment)

Key risks that have been identified as material and are being managed proactively through our strategy are presented below.

 <b>Physical</b>	<ul style="list-style-type: none"> <li>• Disruption to critical inputs, such as people, electricity, and communication infrastructure, affecting Xero’s ability to service customers</li> <li>• Impacts to our customers, affecting demand for Xero’s services</li> </ul>
 <b>Transitional</b>	<ul style="list-style-type: none"> <li>• Changes in operating costs due to the pace and timing of the renewable energy transition</li> <li>• Shifts in regulatory requirements and stakeholder expectations in relation to climate change</li> </ul>

**HARNESSING CLIMATE OPPORTUNITIES**

Our scenario analysis and risk assessment show that climate-related opportunities are more material for us than our climate risks. While it’s not yet possible to quantify opportunities in financial terms in the same way we have done internally for climate risks, the top opportunities identified are:

 <b>Climate mitigation and resilience</b>	<ul style="list-style-type: none"> <li>• Implementing climate action, including emissions reduction pathways for our business, and building resilience within our critical inputs (see Reducing Net Climate Impact on page 16)</li> </ul>
 <b>Supporting our customers</b>	<ul style="list-style-type: none"> <li>• Providing climate-related solutions to our customers to support them in their sustainability journey (see below)</li> </ul>

As governments and regulators around the world increasingly mandate large companies to disclose their GHG emissions, many of our customers will likely find themselves needing to quantify and report their own emissions in order to participate in corporate supply chains.

We see significant potential for accountants and bookkeepers to play an important role in this process. In April 2025, we announced a deepening of our global partnership with carbon accounting platform Sumday, which takes an education-led approach to upskilling accountants and bookkeepers, so they can provide carbon accounting services to their clients. Through this partnership, for a limited time eligible Xero customers have 12 months free access to Sumday, including an exclusive feature allowing our small business customers to easily display and share their carbon footprint. We continue to partner with Sumday to deliver sessions to our accounting and bookkeeping partners on the opportunities to develop carbon accounting as a revenue stream for accounting practices.

## CLIMATE-RELATED RISK AND OPPORTUNITY MANAGEMENT

### Identifying and assessing

We have identified climate-related risks and opportunities for Xero through scenario analysis and climate risk assessment workshops. These were assessed in accordance with our risk impact and likelihood matrix. Based on our qualitative assessment, risk ratings ranged from low to medium.

Overall, Xero, our customers, and suppliers are likely to be most impacted by an increase in carbon prices. Xero’s physical risk exposure is considered low under all

scenarios and timeframes, due to the nature of our business (and the SaaS industry in general) not being physical-asset heavy.

The table below provides an overview of the most relevant climate-related risks and opportunities that Xero is directly or indirectly exposed to, either in the short, medium, or long-term future.

### Xero’s direct and indirect climate risks and opportunities

IMPACT	DESCRIPTION	CATEGORY/ASSET	RISK/OPPORTUNITY	FINANCIAL IMPACT	TIMEFRAME	XERO ACTION/CONTROL
<b>Physical risk and opportunity</b>						
Water stress	Reduced availability of water due to depletion of aquifers	Data centres	●	Low	Medium-long	Review data centre providers’ water availability contingency in the event of prolonged drought or depletion of aquifers
Drought	Decrease in precipitation leading to increased water depletion	Data centres	●	Low	Medium-long	
Temperature extremes	Temperature extremes impacting productivity of workforces and leading to increased operational expenses	Customers, suppliers	●	Low	Medium-long	Investigate customer and supplier exposure
Business continuity	Be adequately prepared to cope with and manage the impacts of climate change	Xero	●	Med	Short	Review Xero’s contingency plans to include more explicit climate change scenario considerations
Workforce implications	Remote and hybrid working helps provide contingency if Xero is subject to increased heat stress and broader physical risks	Employees	●	Med	Short	Assess provisions to prepare our people to work remotely at any point in time, in light of any type of emergency including natural disaster or temperature extremes
<b>Transitional risk and opportunity</b>						
Carbon pricing (external)	Increased financial losses due to emissions reduction policies and regulation	Offices, data centres, customers, suppliers	● ●	Med/High	Short-long	Develop and implement emissions reduction pathways that focus on the entire value chain
Market	Increased demand for accounting solutions that measure and mitigate emissions and manage climate risk	Product	●	Med	Short-long	Obtain market insights to understand current and future requirements. Increase investment in carbon accounting solutions.

● Risk ● Opportunity

### Managing and monitoring

We actively monitor climate risks and opportunities, the effectiveness of our controls, and our broader risk management practices on an ongoing basis through our Climate Risk Register. This process is also informed by our biennial scenario analysis, which identifies any key changes or emerging risks. This cadence has been chosen based on the current risk implications of climate change for our business.

Our Business Continuity Plan takes into consideration environmental impacts in the form of natural disasters. Given our low direct exposure (under all scenarios and timeframes) to acute physical risk, we are confident our plan adequately covers key considerations in this regard.

We have a Sustainability Incident Management Plan in place, and have included climate and broader sustainability incidents in our existing enterprise incident management process. Over time, this will also provide us with data points to inform our risk analysis and ratings. In FY25, we also introduced a third-party adverse media tool to alert us to potential sustainability incidents.

### CLIMATE-RELATED TARGETS AND METRICS

We report our Scope 1, Scope 2 and relevant Scope 3 GHG emissions data.

In our ongoing efforts to work towards best practice disclosures, this year we have obtained limited assurance over our GHG emissions. Refer to pages 22-23 for a copy of our auditor’s independent limited assurance report.

See pages 20-21 for further details on the basis of preparation for our GHG emissions. For further information and a breakdown of our emissions data, see our Databook at: [www.xero.com/sustainability](http://www.xero.com/sustainability)

### Climate-related targets

In FY24, we rebaselined our carbon emissions due to the impacts of Xero’s organisational restructure announced in March 2023, and the completion of a relevancy assessment of our FY20 baseline boundaries. This process met the significance thresholds for rebaselining our targets in accordance with the GHG Protocol and SBTi standards.

As a result, we have set three new and credible near-term emissions reduction targets,<sup>25</sup> which can be found in our KPI table at the front of this section.

Details of our emissions reduction actions can be found on our website [www.xero.com/sustainability/environment](http://www.xero.com/sustainability/environment)

25. In FY25, we submitted our targets to SBTi for approval, with their review expected in the first half of FY26. As part of this review, our FY24 baseline emissions will be confirmed

GHG EMISSIONS (tCO <sub>2</sub> e)	FY25	FY24 (BASE YEAR)
Scope 1	18	10
Scope 2 (market-based) <sup>26</sup>	153	609
Scope 2 (location-based)	681	746
Scope 3, Category 1: Purchased goods and services <sup>27</sup>	37,416	21,431
Scope 3, Category 2: Capital goods	2,104	1,115
Scope 3, Category 3: Fuel and energy-related activities	72	70
Scope 3, Category 4: Upstream transport and distribution <sup>28</sup>	46	29
Scope 3, Category 5: Waste generated in operations	157	199
Scope 3, Category 6: Business travel (including SAF reduction)	13,299	9,131
Scope 3, Category 7: Employee commuting	1,057	1,294
Scope 3, Category 7: Employee commuting — work from home	1,228	1,346
Scope 3, Category 8: Upstream leased assets	432	970
Scope 3, Category 13: Downstream leased assets	12	-
Scope 3, Category 15: Investments	2	-
<b>Total emissions (market-based)</b>	<b>55,996</b>	<b>36,204</b>

**Climate-related metrics**

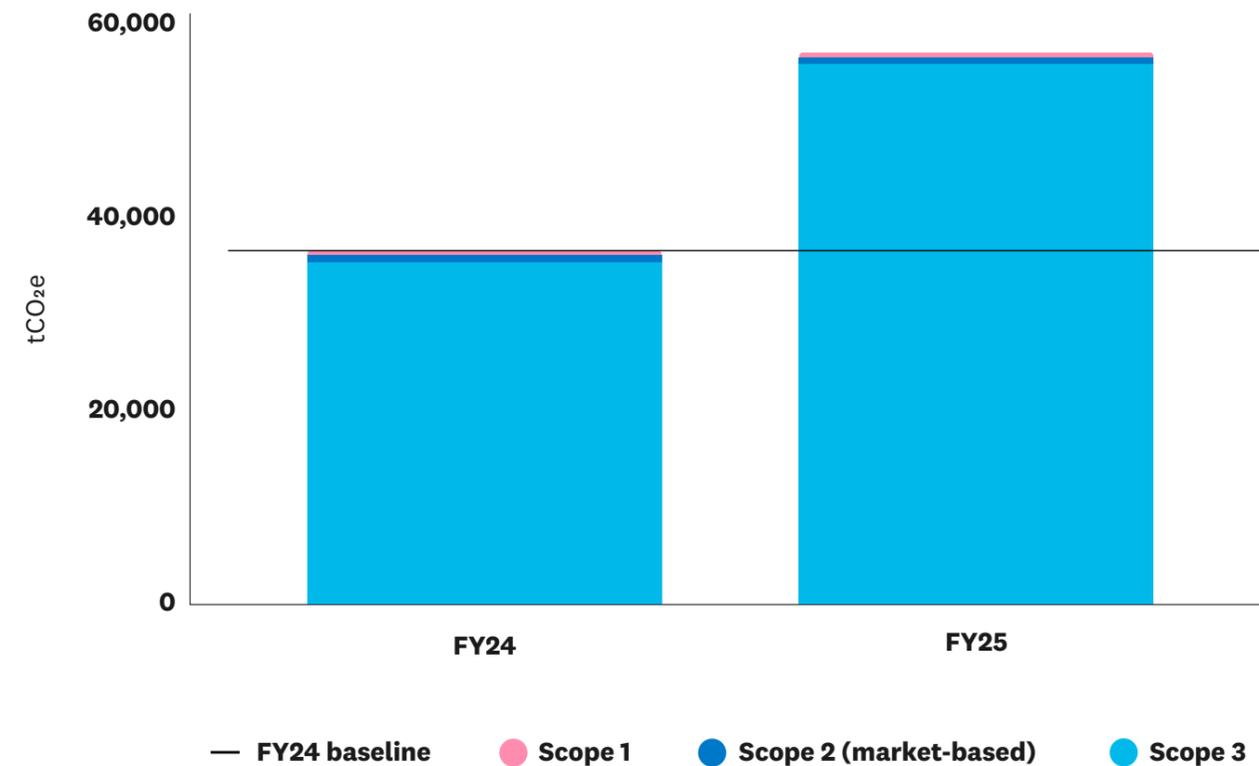
We are committed to disclosing information on our emissions performance and progress. We measure our Scope 1, 2 and 3 emissions according to the GHG Protocol, with FY24 as our baseline year.<sup>29,30</sup>

Our total emissions in FY25 have increased 55% year-on-year.

- Scope 1 emissions increased by 80%, which relates to increased travel in our fleet vehicles, particularly in the US as we serviced our customers in this growing region
- Scope 2 (market-based) decreased by 75%, driven by the purchase of Renewable Energy Certificates (RECs), energy efficiency improvements we have made across our workplaces since FY24, and our transition to renewable electricity in certain offices
- Scope 3 emissions increased by 57%, due to higher spend and updated emissions factors<sup>31</sup> across professional services, marketing and digital advertisement services in Category 1, as well as an increase in business travel. Key drivers include:
  - › **Marketing and digital advertisement services:** Increased by 12,070 tCO<sub>2</sub>e, with 8,289 tCO<sub>2</sub>e driven by higher spend, and 3,781 tCO<sub>2</sub>e from updated emissions factors
  - › **Air travel (included within Business travel):** Increased by 5,045<sup>32</sup> tCO<sub>2</sub>e, with 4,168 tCO<sub>2</sub>e driven by travel to two Xerocon events, and the global distribution of our business resulting in more flights to enable our people to connect in person. The additional 877 tCO<sub>2</sub>e is impacted by updated emissions factors
  - › **Professional Services:** Increased by 3,244 tCO<sub>2</sub>e, 2,198 tCO<sub>2</sub>e of this driven by updated emissions factors, and 1,046 tCO<sub>2</sub>e from higher spend

As noted, in FY25 we saw significant increases in our Scope 3 emissions, which represent more than 99% of total emissions. This growth drove a 45% increase in emissions intensity ratio based on emissions per FTE (full-time equivalent). As a high-growth business, we acknowledge the inherent challenges of addressing our Scope 3 emissions while balancing this with continued growth and operational efficiency — particularly as many of these emissions are beyond our direct control.

To respond to this, we are prioritising the areas where we can have the greatest influence. In FY25, we began identifying and prioritising the suppliers and spend categories associated with the highest emissions to be included in our Scope 3 supplier engagement SBTi target. This work supports our broader goal of engaging priority suppliers to help reduce our emissions footprint. In FY26, we will conduct a gap assessment to understand the maturity of our targeted suppliers, and develop a tailored supplier engagement plan.



For more information on our climate disclosures, see the Environment and Climate section of the Databook on our website [www.xero.com/sustainability](http://www.xero.com/sustainability)

26. Scope 2 FY25 includes Renewable Energy Certificates (RECs) Xero has secured from the following registries: the Australian REC Registry, Bravetrace, I-REC Standard Registry, M-Rets, Ofgem, and Statnett. In addition, Xero has procured GreenPower for two offices in Australia and sourced renewable electricity from Integrated Energy and Ecotricity for two offices in New Zealand. Ecotricity's renewable energy mix is approximately 6% wind and solar and 94% hydro, with the hydro assets ranging in age from 17 to 74 years. Further details can be found in Ecotricity's Product Disclosure Statement, available via the Toitū website

27. Location-based methodology is used for Scope 3 emissions totals associated to electricity use in the value chain, with the exception of purchased goods and services category cloud services, which were calculated using market-based methodology

28. Emissions associated with the transport of purchased goods captured under categories 1 and 2 are excluded from category 4, and instead are captured within categories 1 and 2

29. We account for all relevant GHG emissions listed under the United Nations Framework Convention on Climate Change and Kyoto Protocol. All emissions are expressed in tonnes CO<sub>2</sub>e quantities based on global warming potentials sourced from the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. The greenhouse gases included in our carbon emissions estimates comprise of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>. We measure GHG emissions in accordance with the GHG Protocol, but do not include all the GHG Protocol disclosures within the Sustainability Report

30. We have adopted Scope 3 emissions categories from the GHG Protocol. For more information on the relevant Scope 3 emissions categories that we have included in our carbon inventory, see our basis of preparation on pages 20-21

31. Updated emissions factors incorporate improved data and methodologies, providing a more accurate reflection of our carbon footprint

32. Figure excludes the 750 tCO<sub>2</sub>e reduction in fossil emissions attributed to the use of SAF

# APPENDIX: CARBON INVENTORY BASIS OF PREPARATION

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**Our carbon inventory has been prepared in accordance with the requirements of the GHG Protocol.<sup>33</sup>**

## BOUNDARIES

### Organisational boundary

The GHG Protocol permits the use of three distinct approaches to consolidate emissions. The operational control approach was used to consolidate Xero’s emissions and establish our organisational boundary. This approach has resulted in all subsidiaries within the Xero Limited Group being included within our emissions boundary.

### Operational boundary

Scope 1 and 2 emission sources are required to be included in our operational boundary. Each year, we identify our Scope 3 emission sources and test their relevance, in line with the GHG Protocol’s conditions for relevancy assessments.

The below table lists the relevant Scope 3 emissions sources for our FY25 inventory. Categories 13 and 15 are new emissions sources included in our inventory in FY25.

SCOPE 3 INCLUSIONS	SCOPE 3 EXCLUSIONS
<b>Category 1 — Purchased goods and services</b> Professional services, non-Capex IT, marketing and digital advertising, cloud services, paper, events, food and catering	<b>Category 9 — Downstream transportation and distribution</b> There is no transportation or distribution of Xero products after the point of sale
<b>Category 2 — Capital goods</b> Capex IT, furniture and leasehold improvements	<b>Category 10 — Processing of sold products</b> Xero does not sell intermediate products, and therefore there is no processing of sold products
<b>Category 3 — Fuel and energy-related activities</b> Fleet fuel and purchased electricity	<b>Category 11 — Use of sold products</b> Xero has limited influence over product end use. This category also presents low risk exposure, and it is not considered critical by key stakeholders. End use does not include emissions for other products, such as the use of computers
<b>Category 4 — Upstream transportation and distribution</b> Postage and courier	<b>Category 12 — End-of-life treatment of sold products</b> Xero sells cloud-based software, and therefore there is no waste disposal or treatment of products sold
<b>Category 5 — Waste generated in operations</b> General waste, recycled waste, organic waste and water	<b>Category 14 — Franchises</b> Xero does not operate any Franchises
<b>Category 6 — Business travel</b> Flights, taxi, rideshare, hire cars, grey fleet, trains and accommodation (well-to-tank (WTT) emissions have been calculated and included across all transport types)	
<b>Category 7 — Employee commuting</b> Employee commuting and work-from-home (WTT emissions have been calculated and included across all transport types)	
<b>Category 8 — Upstream leased assets</b> Shared and base building electricity and natural gas	
<b>Category 13 — Downstream leased assets</b> Subleases	
<b>Category 15 — Investments</b> Debt investments	

## BASE YEAR

The base year is 1 April 2023 to 31 March 2024 (FY24), which is consistent with the base year used for our climate-related targets. There were no significant changes in FY25 that necessitated the base year or any other reported year to be recalculated or restated. A significant change is greater than 5% difference in total base year emissions or the emissions covered within a target boundary.

<sup>33</sup> GHG Protocol Corporate Accounting and Reporting Standard, Corporate Value Chain (Scope 3) Accounting and Reporting Standard (v1.0), and the Technical Guidance for Calculating Scope 3 Emissions (v1.0) and the GHG Protocol Scope 2 Guidance Corporate Standard

**METHODOLOGY**

Our carbon inventory has been calculated using either activity or spend data multiplied by emission factors. We have used a variety of sources for emission factors, which are presented by emission source in the table below, alongside a summary of the method and data source. Where activity data is unavailable, we have used spend-based methods to calculate emissions, which can contain significant uncertainties.

CATEGORY		CALCULATION METHOD	EMISSIONS FACTOR SOURCE	DATA SOURCE <sup>34</sup>
Scope 1 – Fleet fuel consumption		Activity-based	Australian National Greenhouse Accounts (NGA) Factors, 2024	Fleet fuel receipts and spend data from financial records
Scope 2 – Location-based and market-based		Activity-based	NGA Factors, 2024 (AU); NZ Government factors, 2024; <sup>35</sup> DBEIS/DEFRA (UK), 2024; <sup>36</sup> and CaDI, 2024 <sup>37</sup>	Office tenancy electricity consumption data, RECs surrendered by location
Scope 3, Category 1 – Purchased goods and services	Professional services, food and catering, ICT and marketing	Spend-based	DEFRA (UK), 2021 <sup>38</sup>	Environmentally-extended input-output (EEIO) estimates based on purchased goods and services from financial records
	Cloud services	Activity-based	Cloud service provider specific emissions factor (Scope 1 and 2), with an uplift factor <sup>39</sup> applied for Scope 3	Cloud service provider data and spend data on cloud services from financial records
Scope 3, Category 2 – Capital goods		Spend-based	DEFRA (UK), 2021	EEIO estimates based on spend data from financial records
Scope 3, Category 3 – Fuel and energy-related activities		Activity-based	NGA Factors, 2024 (AU); NZ Government factors, 2024; DBEIS/DEFRA (UK), 2024; and CaDI, 2024	Total fuel and office tenancy electricity consumption data
Scope 3, Category 4 – Upstream transportation and distribution		Spend-based	DEFRA (UK), 2021	EEIO estimates based on spend data from financial records
Scope 3, Category 5 – Waste generated in operations	Water	Activity-based	DBEIS/DEFRA (UK), 2024; and the Australian National Life Cycle Inventory Database (AusLCI), 2024	Water consumption as measured by our suppliers
	Waste	Activity-based	NGA Factors, 2024	Waste consumption as measured by our suppliers
Scope 3, Category 6 – Business travel	Accommodation	Activity-based	Cornell Hotel Sustainability Benchmarking Index, 2024; and DBEIS/DEFRA (UK), 2024	Hotel stay data from our corporate travel booking systems
	Flights	Activity-based	DBEIS/DEFRA (UK), 2024	Flight distance data from corporate travel booking systems. SAF certificates provided by Qantas
	Grey fleet	Activity-based	DBEIS/DEFRA (UK), 2024	Grey fleet distance data from finance system
	Hire cars	Activity-based	DBEIS/DEFRA (UK), 2024	Hire car spend data from finance system
	Rideshare	Activity-based	DBEIS/DEFRA (UK), 2024	Rideshare spend data from finance system
	Taxis	Activity-based	DBEIS/DEFRA (UK), 2024	Taxi spend data from finance system
	Train	Activity-based	DBEIS/DEFRA (UK), 2024	Train distance data from corporate travel booking systems
Scope 3, Category 7 – Employee commuting	Employee commuting	Activity-based	DBEIS/DEFRA (UK), 2024	Employee surveys
	Work-from-home	Activity-based	NGA Factors, 2024 (AU); NZ Government factors, 2024; and CaDI, 2024	Global office attendance data
Scope 3, Category 8 – Upstream leased assets	Base build energy	Activity-based	NGA Factors, 2024 (AU); NZ Government factors, 2024; and CaDI, 2024	Office electricity consumption data and Climate Active electricity calculator
	Co-working office electricity	Activity-based	NGA Factors, 2024 (AU); NZ Government factors, 2024; and CaDI, 2024	Office electricity consumption data
Scope 3, Category 13 – Downstream leased assets		Activity-based	NGA Factors, 2024 (AU); NZ Government factors, 2024; and CaDI, 2024	Office electricity consumption data
Scope 3, Category 15 – Investments		Spend-based	Custom factors normalised based on Xero averages	Average data method using investment’s financial statements

34. Where actual data was unavailable, proxy data was used to model assumptions for gaps

35. Measuring emissions: A guide for organisations 2024

36. Department for Business, Energy, and Industrial Strategy and Department for Environment, Food and Rural Affairs: UK Government GHG Conversion Factors for Company Reporting, 2024

37. Carbon Database Initiative: 2024 Greenhouse Gas Emissions Factors for International Grid Electricity (calculated from fuel mix)

38. UK and England’s carbon footprint to 2021. Note: these factors have been adjusted to account for inflation from 2021 to 2024 using the UK’s reported consumer price index, and converted to New Zealand Dollars using the latest exchange rates supplied by Xero

39. The emissions factor developed by our cloud services providers is only applicable to Scope 1 and 2 emissions. The Scope 3 emissions associated with these services was calculated using a bespoke emissions factor derived from a large Australian data centre-as-a-service provider’s public disclosures. The Scope 3 uplift factor will be reviewed annually to account for current average industry emission intensities



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# APPENDIX: INDEPENDENT LIMITED ASSURANCE STATEMENT TO DIRECTORS OF XERO LIMITED

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## Assurance conclusion

Based on our limited assurance procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Xero Limited's Scope 1, 2 (location and market-based) and 3 greenhouse gas emissions and associated disclosures on methodology for the period ended 31 March 2025 (the "GHG Disclosures") are not measured, in all material respects, in accordance with measurement requirements of The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, The Greenhouse Gas Protocol Scope 2 Guidance and The Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and its relevant methodology disclosure requirements.

## Scope

Ernst & Young Limited ("EY") has undertaken a limited assurance engagement to report on Xero Limited's ("Xero") Scope 1, 2 (location and market-based) and 3 greenhouse gas ("GHG") emissions and associated disclosures on methodology disclosed on pages 19 to 21 of Xero's Sustainability Report 2025 (the "GHG Disclosures") for the period ended 31 March 2025. The GHG Disclosures relate to Xero and its subsidiaries as described on page 20 of Xero's Sustainability Report 2025.

Our assurance engagement does not extend to any other information included, or referred to, in Sustainability Report 2025 on pages 1 to 19. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

## Criteria applied by Xero Limited

In measuring the GHG emissions and disclosing the measurement methodologies in the GHG Disclosures, Xero applied the relevant requirements of The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, The Greenhouse Gas Protocol Scope 2 Guidance, and The Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (together the "GHG Protocol" or the "Criteria").

## Xero's responsibility

Xero's directors are responsible, on behalf of Xero, for the preparation of the GHG Disclosures in accordance with the Criteria. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the GHG Disclosures, such that they are free from material misstatement, whether due to fraud or error.

## EY's responsibility

Our responsibility is to express a limited assurance conclusion on the GHG Disclosures based on the procedures we have performed and the evidence we have obtained.

Our engagement was conducted in accordance with the International Standard for Assurance Engagements: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE 3000') and the International Standard for Assurance Engagements: *Assurance Engagements on Greenhouse Gas Statements* ('ISAE 3410'). These standards require that we plan and perform this engagement to obtain limited assurance about whether the GHG Disclosures have been prepared,

in all material respects, in accordance with the Criteria. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

As we are engaged to form an independent conclusion on the GHG Disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG Disclosures as doing so may compromise our independence.

During the year Ernst & Young has provided audit services related to the Group's financial statement and assurance services related to compliance with ISO 27001, market remuneration data, and comfort letters in respect of the issuance of convertible notes. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. Ernst & Young uses the Group's platform in delivering services to some clients. We have no other relationship with, or interest in, the Group.

## Our independence and quality management

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



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The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the report and related information and applying analytical and other relevant procedures.

Our procedures included:

- Obtaining, through inquiries, an understanding of Xero's control environment, processes and information systems relevant to the preparation of the GHG Disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluating whether Xero's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Xero's estimates;
- Testing a limited number of items to, or from, supporting records, as appropriate;
- Performing analytical procedures on particular emission categories by comparing the expected GHGs emitted to reported GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;
- Considering the applicability of the Renewable Energy Certificates applied to the Scope 2 market-based amounts taking into account the GHG Protocol Scope 2 quality criteria, and
- Considering the transcription of the Scope 1, 2 (location- and market-based) and 3 GHG emissions and associated methodology disclosures.

We also performed such other procedures as we considered necessary in the circumstances.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

### Inherent uncertainties

The GHG quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

### Use of our assurance report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than Xero, or for any purpose other than that for which it was prepared.

**Ernst & Young Limited**  
Auckland  
15 May 2025



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