



PUBLIC DISCLOSURE STATEMENT

XERO LIMITED

**ORGANISATION CERTIFICATION
FY19-20**

Australian Government
Climate Active
Public Disclosure Statement



An Australian Government Initiative



NAME OF CERTIFIED ENTITY: Xero Limited

REPORTING PERIOD: 1 April 2019 – 31 March 2020

Declaration

To the best of my knowledge, the information provided in this Public Disclosure Statement is true and correct and meets the requirements of the Climate Active Carbon Neutral Standard.

Signature

A handwritten signature in black ink, appearing to read "Karen Davis".

Date

22/02/2021

Name of Signatory

Karen Davis

Position of Signatory

EGM - Communications, Xero



Australian Government

**Department of Industry, Science,
Energy and Resources**

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1. CARBON NEUTRAL INFORMATION

Description of certification

This certification relates to all of Xero's owned and operated business operations in Australia and internationally, including New Zealand, US, Canada, South Africa, the UK, and Asia. The emissions inventory in this public disclosure summary (PDS) comprises the period from 1 April 2019 to 31 March 2020 and has been developed in accordance with the Climate Active Carbon Neutral Standard for Organisations.

The certification boundary applied for our greenhouse gas (GHG) emissions reporting under Climate Active was developed using the operational control approach and comprises all of the Xero Group's operations and activities including:

- Our business operations in Australia via Xero Australia Pty Ltd (ABN 89 124 215 247)
- All of our international activities that sit under the subsidiaries over which the Xero Group has operational control¹.

Climate Active provides a best-practice framework for accounting for, reducing and offsetting our emissions. Carbon neutral certification demonstrates to our customers that we committed to minimising our impact on the environment now, and into the future.

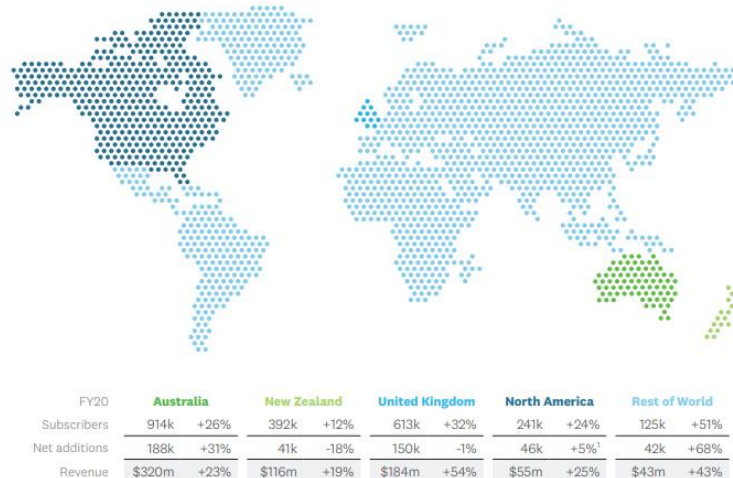
Our boundary accounts for the GHG emissions from the offices² and other business activities associated with these operations.

Organisation description

Xero was founded in 2006 in New Zealand and is one of the fastest growing software as a service companies globally, with offices in regions across the globe. We lead the New Zealand, Australian, and United Kingdom cloud accounting markets, employing a world-class team of more than 3,000 people.

Figure 1 provides an overview of Xero's global presence and total subscribers.

Figure 1. Xero subscribers in FY20³



¹ These subsidiaries are summarised in our annual report.

² In FY20 Xero operated out of 21 offices across multiple regions.

³ <https://www.asx.com.au/asxpdf/20190516/pdf/445434h484j299.pdf>.

2. EMISSION BOUNDARY

Diagram of the certification boundary

The reporting boundary for Xero's business operations has been developed in accordance with the Climate Active Organisation Standard. The following steps were undertaken to develop this reporting boundary and ensure it aligns with the Standard and stakeholder expectations:

- We identified a long list of potential emissions sources to be considered based on a desktop assessment of:
 - Xero's FY20 Annual Report
 - Xero's FY20 asset list
 - Climate Active reporting by Xero's peers.
- We completed detailed relevance testing across each of the identified emissions sources in line with the requirements of the Climate Active Carbon Neutral Standard for Organisations.

Table 1 summarises the relevant emissions sources (quantified and non-quantified) that are included in Xero's Climate Active boundary, and those emissions sources that are excluded.

Table 1. Xero's Climate Active certification boundary

<u>Quantified</u>	<u>Non-quantified</u>	<u>Excluded</u>
Accommodation and facilities	Not applicable	ICT services (not platform hosting) and equipment (including electronic equipment, telephone and internet, bandwidth and connectivity, computer and technical services)
Air transport		Food and catering purchased by Xero employees that is not controlled by management
Electricity (Australia)		Xero merchandise (clothing) purchased
Electricity (International)		Business services
Stationary energy		Owned and leased IT equipment
ICT services (platform hosting services)		Storage and shipping of Xero merchandise
Food and catering (Xero's events and internal staff events)		General postal services
Office equipment and supplies		Investments made by Xero
Waste		
Water		
Taxi and uber		
Working from home		
Land and sea transport (km)		
Land and sea transport (fuel)		

Non-quantified sources

N/A

Data management plan

N/A

Excluded sources (outside of certification boundary)

Xero undertook a detailed relevance assessment to determine the emissions reporting boundary for this certification, in accordance with the relevance tests outlined in Section 2.3.1 of the Climate Active Organisations Standard. The following sources were excluded based on the relevance assessment:

- ICT services and equipment
 - Electronic equipment
 - Telephone and internet
 - Bandwidth and connectivity
 - Computer and technical services
 - Computer equipment
 - Office equipment hire and leasing
- Business services
- Food and catering (purchased by Xero employees that is not controlled by management)
- Xero merchandise purchased (clothing)
- Storage and shipping of Xero merchandise
- General postal services
- Investments made by Xero

Appendix 1 provides the outcomes of the relevancy testing for these excluded sources.

We started our carbon neutral journey in 2019 by committing to offset 100% of Xero's carbon emissions across all areas from the business for the year to 31 March 2019, and going forward. Climate Active certification is an excellent way of solidifying this commitment to creating a positive impact on the planet.

3. EMISSIONS SUMMARY

Emissions reduction strategy

For Xero, building a fast growing but sustainable business means taking responsibility for our impact on the environment, including climate change.

In late 2019, we reported our carbon footprint for the first time, and offset 100% of our emissions for the year to 31 March 2019 (FY19). We committed to doing this going forward and decided to raise our ambition this year to achieve carbon neutrality for FY20 through this Climate Active certification.

The other current actions that we have in place via our Environmental Sustainability Policy that help to reduce emissions across the business are:

1. Purchasing certified carbon neutral electricity via Powershop for our Melbourne offices.
2. Reducing electricity consumption via efficiency measures within offices which Xero controls.
3. Reducing waste production and increasing recycling rates.
4. Encouraging alternative modes of transport (to private vehicle use) for employees.
5. Ensuring that access to video conference technology is straight forward for our employees so that its use becomes part of our normal ways of working. This helps to minimise carbon intensive travel options such as air travel.
6. Enhance our procurement processes so that climate impacts are a consideration in purchasing decisions. For example, the bulk of our cloud storage services (used for hosting our platform) are through Amazon Web Services (AWS), with a smaller proportion through Microsoft Azure. Both of these companies are committed to minimising their climate change impacts:
 - a. AWS exceeded 50% RE for their data centres in 2018 and have a commitment to 100% renewable energy by 2025⁴. A recent study by 451 research⁵ for AWS determined that AWS's infrastructure is 3.6 times more energy efficient than the median of the surveyed U.S. enterprise data centres. In addition, when the carbon intensity of consumed electricity and renewable energy purchases is factored in, AWS performs the same task with an 88% lower carbon footprint than a typical data centre.
 - b. Azure invests in renewable energy⁶ (through power purchase agreements and retiring RECs, uses 100% renewable electricity for their data centres) and offset projects to achieve net zero emissions. In addition, in 2019, Azure had their renewable energy target certified by the Science Based Target Initiative (SBTi) as aligned to a 1.5-degree Celsius future⁷.

We are however always looking to deliver new initiatives to improve on our established emissions reduction actions and commit to detailing these as part of an emissions reduction strategy over the next

⁴ <https://sustainability.aboutamazon.com/environment/the-cloud?energyType=true>

⁵ <https://d39w7f4ix9f5s9.cloudfront.net/e3/79/42bf75c94c279c67d777f002051f/carbon-reduction-opportunity-of-moving-to-aws.pdf>

⁶ <https://blogs.microsoft.com/on-the-issues/2016/05/19/greener-datacenters-brighter-future-microsofts-commitment-renewable-energy/>

⁷ <https://blogs.microsoft.com/on-the-issues/2019/09/22/ambition-is-good-action-is-better-making-progress-on-our-climate-commitments/>

two years. As part of the development of this emissions reduction strategy, we will investigate the following actions, and report on how their implementation is helping to reduce our emissions over time:

1. Office based electricity emissions:
 - a. Investigate transitioning to carbon neutral and/or certified green electricity providers for electricity use across all offices.
 - b. Run behavioural change campaigns aimed at teaching staff how to be more energy efficient.
2. Provide end of trip facilities for all employees.
3. Undertake food waste audit post-events to understand how much food is actually being wasted and amending catering budgets accordingly.

Emissions summary (inventory)

Emission source category	tonnes CO ₂ -e
Accommodation and facilities	391.1
Air transport	6,121.4
Electricity (Australia)	452.8
Electricity (International)	674.6
Stationary energy	174.5
ICT services (platform hosting services)	271.9
Food and catering	1,864.1
Office equipment and supplies (paper)	6.2
Waste	106.6
Water	2.8
Taxi and uber	101.9
Land and sea transport (km)	1,847.2
Land and sea transport (fuel)	66.1
<i>Total Net Emissions</i>	<i>12,081</i>

Uplift factors

Reason for uplift factor	tonnes CO ₂ -e
Uplift applied to ICT services (platform hosting services) to account for Scope 1 and 3 emissions as the bespoke emission factor only includes Scope 2 emissions. ⁸	
The bespoke emissions factor used for ICT services (cloud services) (including data storage and software as a service (SaaS)) was developed using supplier specific emissions information which only accounts for Scope 2 emissions. Therefore, the Scope 1 and 3 emissions associated with delivering these cloud services needs to be estimated to mitigate the risk of underrepresenting emissions from cloud services within Xero's carbon account. To derive an appropriate uplift factor, Point Advisory reviewed a certified carbon neutral data centre's PDS to understand the typical breakdown of Scope 1, 2 and 3 emissions at data centres. Using this information, it was determined that a 24% uplift factor would need to be applied to the Scope 2 equivalent emissions from cloud services, to account for Scope 1 and 3 emissions. This was equivalent to 64.5 tonnes CO ₂ -e.	64.5
<i>Total Footprint to offset (uplift factors + net emissions)</i>	12,146

Carbon neutral products

Climate Active Carbon Neutral products used	Weight (kg)	Avoided emissions (tonnes CO ₂ -e)
<i>Emission source category</i>		
Carbon neutral paper (Australian paper)	676	1.5

Electricity summary

Total emissions from electricity presented in the emissions summary table at the start of this section, were calculated using a location-based approach as market-based methods are not yet able to be applied for Xero's international-based countries of operation as residual mix factors are not currently available.

However, a summary of Xero's Australian-based electricity emissions using both market-based and location-based carbon accounting methods is provided below for full disclosure and to ensure year on year comparisons can be made. There are no existing calculators to compare the market-based and location-based approach for Xero's international locations.

⁸ 24% uplift factor derived from publically available Climate Active PDS for NEXTDC's data centre infrastructure and their relevant proportion of Scope 1, 2 and 3 emissions. <https://www.climateactive.org.au/buy-climate-active/certified-members/nextdc>

Market-based approach electricity summary

Electricity inventory items	kWh	Emissions (tonnes CO ₂ -e)
Electricity Renewables	179,356	0.00
Electricity Carbon Neutral Power	512,368	-553.92
Electricity Remaining	784,925	848.58
Renewable electricity percentage	19%	
<i>Net emissions (Market based approach)</i>		294.66

Location-based summary

State/ Territory	Electricity Inventory items	kWh	Full Emission factor (Scope 2 +3)	Emissions (tonnes CO ₂ -e)
ACT/NSW	Electricity Renewables	-	-0.90	0.00
ACT/NSW	Electricity Carbon Neutral Power	62,978	-0.90	-56.68
ACT/NSW	Netted off (exported on-site)	-	-0.81	0.00
ACT/NSW	Electricity Total	233,840	0.90	210.46
SA	Electricity Renewables	-	-0.53	0.00
SA	Electricity Carbon Neutral Power	-	-0.53	0.00
SA	Netted off (exported on-site)	-	-0.44	0.00
SA	Electricity Total	4,158	0.53	2.20
Vic	Electricity Renewables	-	-1.12	0.00
Vic	Electricity Carbon Neutral Power	449,390	-1.12	-503.32
Vic	Netted off (exported on-site)	-	-1.02	0.00
Vic	Electricity Total	668,567	1.12	748.80
Qld	Electricity Renewables	-	-0.93	0.00
Qld	Electricity Carbon Neutral Power	-	-0.93	0.00
Qld	Netted off (exported on-site)	-	-0.81	0.00
Qld	Electricity Total	45,609	0.93	42.42
WA	Electricity Renewables	-	-0.74	0.00
WA	Electricity Carbon Neutral Power	-	-0.74	0.00
WA	Netted off (exported on-site)	-	-0.69	0.00
WA	Electricity Total	12,107	0.74	8.96
	<i>Total net electricity emissions</i>		0.00	452.83

4. CARBON OFFSETS

Offset purchasing strategy: in arrears

FY20 is Xero's first year of carbon neutral certification and also our base year. We have applied the purchasing in arrears approach for purchasing and retiring offsets. Offsets have been purchased and retired to ensure we are carbon neutral for the FY20 period 1 April 2019 – 31 March 2020. We will continue this offsetting process annually to maintain our carbon neutrality year on year.

Offsets summary

1. Total offsets required for this report				12,146					
2. Offsets retired in previous reports and used in this report				0					
3. Net offsets required for this report				12,146					
Project description	Eligible offset units type	Registry unit retired in	Date retired	Serial number (including hyperlink to registry transaction record)	Vintage	Quantity (tonnes CO2-e)	Quantity used for previous report	Quantity to be banked for future years	Quantity to be used this report
Biomass Based Cogeneration Project at Nectar Life Sciences Ltd. (India)	VCUs	VCS Registry	21 Dec 2020	7104-370390919-370400765-VCU-034-MER-IN-1-251-01012016-30062016-0	2016	9,847	0	1	9,846
Katingan Peatland Restoration and Conservation Project (Indonesia)	VCUs	VCS Registry	21 Dec 2020	6359-304832954-304833903-VCU-016-APX-ID-14-1477-01012017-31122017-1	2017	950	0	0	950
Katingan Peatland Restoration and Conservation Project (Indonesia)	VCUs	VCS Registry	21 Dec 2020	6359-304831154-304832003-VCU-016-APX-ID-14-1477-01012017-31122017-1	2017	850	0	0	850

Wind Bundle Project in Maharashtra by Sispara (India) stapled with New Zealand Fisherman's Bay Permanent Forest Sink Initiative credits	VCU	VCS Registry	29 Dec 2020	8456-21847089-21847588-VCS-VCU-997-VER-IN-1-1660-01092018-31122018-0	2018	500	0	0	500
<i>Total offsets retired this report and used in this report</i>							0	0	12,146
<i>Total offsets retired this report and banked for future reports</i>							0	1	0

Offset project descriptions

Biomass based cogeneration project at Nectar Life Sciences Ltd

This India-based project generates energy by burning biomass to create steam to power two turbines. Prior to this project, energy was generated using non-renewable energy sources as the electricity requirement was met by the general electricity grid with diesel generator as backup, and the steam requirement was met by oil-based boilers.

Link: <https://registry.terra.org/app/projectDetail/VCS/251>

Wind bundle project in Maharashtra by Sispara

This small-scale project involves the installation of 35.5MW capacity of wind power across four locations in India. Clean energy generated by the project will be exported to the local electricity grid in Maharashtra, displacing the fossil-fuel generated electricity on the Northern, Eastern, Western and North-Eastern regional grids (NEWNE) grid of India.

Link: <https://registry.terra.org/app/projectDetail/VCS/1660>

Katingan Peatland Restoration and Conservation Project

The largest program of its kind, it generates an average 7.5 million triple gold certified carbon credits annually; equivalent to taking 2,000,000 cars off the road each year. In partnership with local communities, Katingan utilise's carbon revenues to ensure natural forest restoration and protection, through activities aligned to the UN Sustainable Development Goals. The project protects vital peatland habitats in Central Kalimantan, Indonesia for five Critically Endangered, eight Endangered and 31 Vulnerable species. The protected area is home to between 5 - 10% of the global populations of the Bornean Orangutan, Proboscis Monkey and Southern Bornean Gibbon.

Link: <https://www.katinganproject.com/>

5. USE OF TRADE MARK

Description where trademark used	Logo type
Sustainability report (hosted on Australian website)	Certified organisation
Australian Website	Certified organisation
Email Signature	Certified organisation
LinkedIn	Certified organisation
Other marketing materials (printed materials, newsletters, online communications) for use in Australia	Certified organisation

6. ADDITIONAL INFORMATION

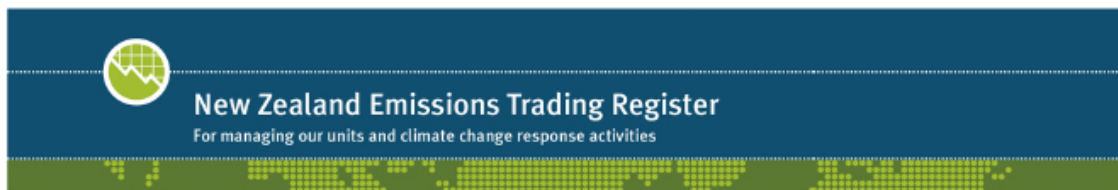
In addition to the carbon benefits associated with the offset projects detailed in Section 4, Xero also purchased and cancelled (otherwise known as stapled) an additional 500 assigned amount units (AAUs) that supports a Permanent Forest Sink Initiative (PFSI) in New Zealand.

The **Fisherman's Bay PFSI** project is located in Fisherman's Bay, NZ, approximately 25 minutes from Akaroa on the South Island. The project consists of 59 hectares of post-1989 regenerating native forest and outstanding conservation projects including protecting the breeding habitat of endangered Yellow Eyed Penguin, Giant Bush Weta and extremely rare plants. This project produces PFSI units in New Zealand which are then converted to AAUs that are registered and cancelled on the New Zealand Emissions Trading Registry. Each unit represents 1 tonne of carbon dioxide equivalent (tCO₂e) sequestered by the permanent forest sink initiative in New Zealand. The income from sale of carbon offsets supports Permanent Forests NZ Limited activities such as:

- Yellow-Eyed Penguin sanctuary habitat management/ predator control
- Possum and predator pest control work
- Reserve boundary fencing improvements and repair
- Public access – safe access tracks for public and educational groups
- Fire control response capability
- Noxious weed control work
- Support of research and conservation work by Department of Conservation (DOC) and other agencies
- Monitoring and reporting

Further details of the AAU purchase and cancellation transaction include:

- Project name: Fisherman's Bay PFSI Carbon & Conservation Project
- Account holder: Permanent Forests NZ Limited
- Account number: NZ-9774
- Location: Fisherman's Bay, New Zealand
- Serial numbers: 213968627 to 213969126
- Unit: assigned amount unit (AAU)
- Transaction ID: KVC24789-5
- Date cancelled: 22 December 2020
- Registry: New Zealand Emissions Trading Register



23-Dec-2020

Voluntary Cancellation Certificate

This certificate verifies completion of the following voluntary cancellation transaction in the New Zealand Emissions Trading Register:

Transaction ID	KVC24789-5
Date of cancellation transaction	22-Dec-2020
Account Holder name	Permanent Forests NZ Limited
Account number	NZ-9774
Quantity of units cancelled	500
Cancellation purpose (if provided)	Retired on behalf of Xero Limited as part of its FY2020 carbon neutral commitments.

The voluntary cancellation transaction has been completed in accordance with the Climate Change Response Act (2002).

The serial block details for the cancelled units are as follows:

Unit Type	Serial block starting serial number	Serial block ending serial number	Project ID	LULUCF ID	Quantity of Units
AAU	213968627	213969126			500

The details of this voluntary cancellation are also published within the ETS reports and information section of the EPA website (www.epa.govt.nz)

APPENDIX 1: EXCLUDED EMISSIONS

The Climate Active standard states that any Scope 3 emissions sources that are deemed to be 'relevant' must be included in the emissions boundary. To be deemed 'relevant', an emissions source must meet **at least two of five relevance criteria** (size, influence, risk, stakeholder expectations and outsourcing).

The table below details all sources that have been deemed **not** relevant, and hence are excluded from Xero's Climate Active reporting boundary. The table also provides a justification for the outcomes of each relevance test.

Excluded Emission	Relevance Test				
	<i>The emissions from a particular source are likely to be large relative to the organisation's electricity, stationary energy and fuel emissions</i>	<i>The responsible entity has the potential to influence the reduction of emissions from a particular source.</i>	<i>Key stakeholders deem the emissions from a particular source are relevant.</i>	<i>The emissions from a particular source contribute to the organisation's greenhouse gas risk exposure.</i>	<i>The emissions are from outsourced activities previously undertaken within the organisation's boundary, or from outsourced activities typically undertaken within the boundary for comparable organisations.</i>
1. Purchased goods and services: ICT services not related to cloud storage, including telephone and internet, bandwidth and connectivity, and computer & technical services	Yes	No	No	No	No
1. Purchased goods and services: Food and catering purchased by Xero employees where Xero management have no control over the purchase choice	Yes	No	No	No	No
1. Purchased goods and services: Merchandise - Final goods purchased distributed to employees and at Xerocon events, including items such as t-shirts.	No	Yes	No	No	No
1. Purchased goods and services: Business services	No	No	No	No	No
2. Capital goods: Owned and leased IT equipment	Yes	No	No	No	No
4. Upstream transportation and distribution: Merchandise - storage and shipping	No	No	No	No	No
9. Downstream transportation and distribution – freight, postage and courier	No	No	No	No	No
15. Investments	Yes	No	No	No	No