

2009 Report on Global Citizenship





Ursula M. Burns
Chief Executive Officer

Anne M. Mulcahy
Chairman of the Board

Dear Stakeholders:

We write this letter at a time when economies around the world are still struggling under the weight of a global recession that reminds us once again of how interconnected we all are. What happens on Wall Street truly does ripple and ricochet around the world. Despite the toll the recession has taken, we are pleased to report that it has not caused us to waiver from our belief in the need to behave responsibly as a good corporate citizen in the communities and countries in which we operate. There are two broad reasons for that – a belief that good citizenship is the right way to behave and an equally important belief that behaving the right way is a good thing for our business.

Nowhere is this more clearly demonstrated than in our focus on sustainability. That's a term that gets thrown around a lot these days. We define it as the place where the world's economies, societies and the environment can thrive in a harmonic state indefinitely. Some people call it the triple bottom line – operating businesses in a way in which economies grow, societies benefit and the environment is protected. Our history shows that it's not as difficult as you might think.

Our commitment to sustainability began in the 1960s as the right thing to do. That early commitment has led us on a fascinating journey. We pioneered two-sided copying, print-on-demand, the use of recycled paper in the office, recycling toner cartridges and the promulgation of tough sustainability standards for our paper suppliers.

The more we have integrated sustainability into our business operations, the more it has become a part of our DNA. We like to think of ourselves as a leader, still pushing the boundaries of what is possible.

That thinking has taken us to some interesting places and produced some significant results. Our whole product development process is a good case in point.

During the early 1990s we began to hone in on remanufacturing. We took back copiers and printers that would have wound up in landfills and either recycled or reused parts or remanufactured entire machines. We had no idea whether we had a market for remanufactured copiers, but soon found out that there was a segment of the market that *preferred* them.

That led to the realization that we could save even more money if we *designed* the product from scratch with reuse and remanufacture in mind. The results have been pretty impressive. Last year alone, we diverted nearly 106 million pounds of waste from landfills, bringing the total to over 2.2 billion pounds since 1991. Our commitment to sustainability doesn't stop there.

- We've reduced greenhouse gas emissions from our company-wide operations by 20 percent in the past six years and we're just getting started.
- We introduced the industry's first "Sustainability Calculator" to help our customers estimate the environmental footprint of their office printing, which has helped them reduce on average 20 to 30 percent of their related energy, greenhouse gas and solid waste.
- Our Palo Alto Research Center – through its Clean Tech research initiatives – is focusing on delivering affordable renewable energy, clean air and water and other environmentally preferred solutions – not just for Xerox but across the industry.

We bring these initiatives up not to brag, but to make a point. We were an early leader in the sustainability movement because we thought it was the right thing to do for the environment. But we discovered something else along the way. Every one of our innovations ended up either saving us money or creating new markets and new revenue. We found, in other words, that we don't have to choose between the environment and profit. We can do both.

“We don't have to choose between the environment and profit. We can do both.”

We can do both for our customers, too. Take for example our recent launch of the Xerox ColorQube™ – an innovation that not only helps our customers cut their costs, but reduces the impact on the environment. ColorQube is the world's first high-speed *solid ink printer* that also copies, scans and faxes. And, it cuts the cost of color pages by up to 62 percent compared to traditional color laser printers.

ColorQube uses Xerox's proprietary solid ink technology – non-toxic, cartridge-free, crayon-like sticks – that generates 90 percent less supplies waste and reduces the effects of manufacturing and transportation on the environment. A life cycle assessment study conducted by Xerox and confirmed by the Rochester Institute of Technology estimates that the ColorQube series uses 9 percent less life cycle energy and produces 10 percent fewer greenhouse gases than comparable laser devices. So no matter how you cut it, ColorQube is good for our customers and better for our planet.

That's true for just about everything we do under the broad umbrella of citizenship. So when people ask us why we continue these initiatives in challenging times, it's a curious question to us. Of course we do. It's the way we do business.

We also find it curious when we get questions these days about diversity at Xerox. To many, it seems remarkable that a black woman has succeeded a white woman as chief executive officer of a major global company. What is remarkable to some seems natural to us. That's because our diversity initiatives date back to the 1960s when our founder and predecessor, Joseph C. Wilson, determined that the answer to the race riots sweeping American cities was a concerted effort to provide equal opportunity for all our citizens.

We've been at that ever since as well and find that, like sustainability, a focus on diversity is good for our business. It gives us access to the broadest pool of talent possible. Today we like to think that our workforce is the most diverse and best in our industry – and that is not a coincidence.

So although we take a lot of pride in our record on citizenship, we know that we owe a lot to Xerox people who have gone before us. They paved the way and built a culture in which good citizenship is integrated into the way we conduct ourselves today. Even in the midst of economic stress and uncertainty, Xerox people continue to volunteer in their communities under company-sponsored programs. The Xerox Foundation continues to invest in making our world a little better. And Xerox people lend their expertise to a myriad of boards and advisory councils in the non-profit world. We are in awe of how seriously they take our collective responsibility to give back.

You will see that philosophy running throughout this report. It's organized around five goals that capture the essence of our citizenship efforts:

- Conducting our business with integrity and transparency builds credibility and attracts investors.
- Aligning our resources around customer need provides the revenue stream that enables investment in innovation and future growth.
- Nurturing a greener world through sustainable innovation and development saves money, creates value and helps develop new markets.
- Creating a great workplace for our people strengthens our competitiveness.
- Leveraging our resources to make our world better improves the quality of life for our people and the economic climate for our customers.

Proud as we are, we are far from satisfied. Xerox people are passionate about honoring the legacy we have been given and passing it on even stronger to those who will follow us. We are reminded of the words of Robert Frost:

**“But we have promises to keep,
and miles to go before we sleep.”**

You can be sure we will not rest on our laurels. As we so often state and always believe, we are part of an ongoing experiment to prove that good citizenship and good results are not only compatible but synergistic – in good times and in challenging times.



Ursula M. Burns
Chief Executive Officer



Anne M. Mulcahy
Chairman

Success is a journey. Year over year, we continue to make progress against our goals in the five areas we've identified for corporate citizenship. And as good as we are today, we will continue to raise the bar for the future. That's because, for matters as important as these, there simply is no ultimate attainment – only continual improvement.

Progress Report

Activity

2007

Conducting Our Business with Integrity

Total number of cases investigated by our Ethics Office

479

Amount of spend with minority suppliers

- \$131 million with minority suppliers
- \$191 million with women-owned businesses

Aligning Resources around Customer Needs

Broadened product portfolio: product launches

41

Number of patents awarded to Xerox group; includes Fuji Xerox

901

Customer service

Achieved certification in the J.D. Power and Associates program for Certified Technology Service and Support for the second year.

Nurturing a Greener World through Sustainable Innovation and Development

Environmental management

- All manufacturing facilities certified to ISO 14001
- Two facilities named members of U.S. EPA National Environmental Performance Track, bringing total to five

Recycle rate (non-hazardous solid waste)

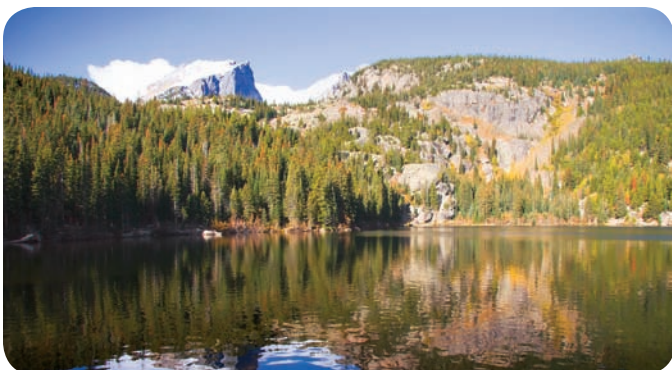
92%, up 1% from 2006



2008

Highlights

535	Xerox Ethics Hotline encourages reports and questions regarding ethical behavior; managers are required to complete annual business conduct training and certification.
<ul style="list-style-type: none">• \$117 million with minority suppliers• \$199 million with women-owned businesses	Total spending with minority- and women-owned businesses represented 32.5% of Xerox's annual qualified purchases. About 1,000 suppliers benefited from these purchases.
29	Xerox offers the industry's broadest portfolio of document technology and services; more than 80 products launched in the last three years. In 2008, Xerox products garnered more than 230 awards worldwide.
940	Xerox invests about 5% of revenue in research, development and engineering and holds more than 8,900 active patents worldwide.
Xerox is the leader in Document Process Outsourcing according to the 2009 Black Book of Outsourcing, an annual guide that evaluates the costs and benefits of outsourcing. The yearly ranking of outsourcing companies is based on survey responses from more than 24,000 executives worldwide.	In 2008, Xerox was the first document management company to receive excellence certification from J.D. Power and Associates for quality technical support three years in a row – one of the customer service industry's highest recognitions.
<ul style="list-style-type: none">• All manufacturing facilities certified to ISO 14001• The ISO 14001 approach has been extended to U.S. warehouse operations	Xerox named a National Performance Track Corporate Leader in 2008 in recognition of its decades of environmental achievement and future commitments.
92%, unchanged from 2007	Xerox's waste-free initiatives invoke the 3Rs – reduce, reuse, recycle – to avoid or divert millions of pounds of waste from landfills each year.



Progress Report

Activity

2007

Nurturing a Greener World through Sustainable Innovation and Development (Cont'd)

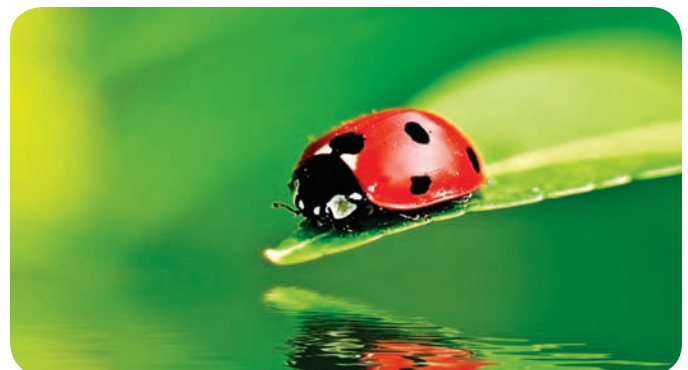
Water consumption	Up 2% from 2006
Energy consumption	Down 2% from 2006
Greenhouse gas emissions	Down 21% from 2002
Products launched achieving the ENERGY STAR® rating (eligible products)	80%, down 20% from 2006 due to new ENERGY STAR specification
Waste diverted from landfills through equipment and supplies return reuse and recycling programs	2.1 billion pounds since 1991

Strengthening Our Competitiveness by Creating a Great Workplace for Our People

Employee Engagement Survey – favorable response rate to the question: Taking everything into account, how satisfied are you with Xerox as a place to work?	76%
Sentinel Satisfaction Assurance System	320 issues received and routed for resolution

Diversity – percentage of women employees	31.5%
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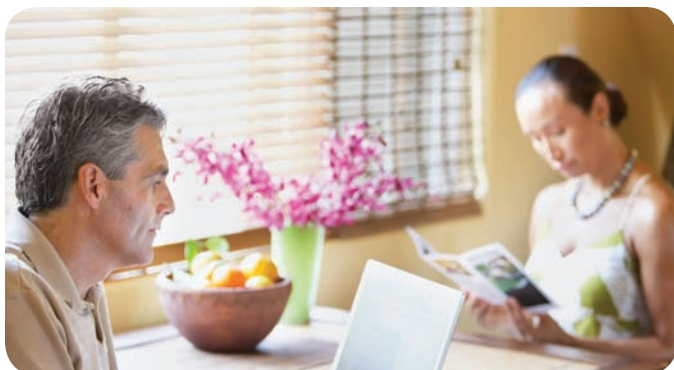
Diversity – percentage of minority employees	29.5%
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2008

Highlights

Down 15% from 2007	The environmental impacts of water use are monitored and managed throughout our worldwide operations.
Up 2% from 2007	Energy consumption down 16% from 2002 due to our Energy Challenge 2012 program.
Down 20% from 2002	Greenhouse gas emissions down 20% from 2002, the result of improved energy efficiency, new technologies and improved energy management practices.
80%, unchanged from 2007	Xerox is a charter partner of the U.S. EPA ENERGY STAR program. Products that meet the 2007 ENERGY STAR standard are on average 30% more energy efficient than previous models.
2.2 billion pounds since 1991	Xerox launched its reuse and recycle program in 1991, setting the standard for the industry.
We last surveyed our people in April, 2007	We are re-evaluating the tools used to survey our people. We are piloting a non-mandatory pulse survey that will be administered by managers to their teams. Survey results will direct any action plans for managers.
4,219 issues received and routed for resolution. The increase is a result of expanded global adoption of the tool.	<p>The Sentinel Customer Satisfaction Assurance System™, a Xerox proprietary Web-based polling/routing/reporting system, links employee inquiries or comments through the Intranet with appropriate Xerox contacts to identify and track any comment, suggestion or unresolved problem for action.</p> <p>For example, Xerox in Brazil regularly sends e-mail check-ins to employees asking: <i>“Do you have any problems, comments or suggestions to report?”</i></p>
32.9%	<ul style="list-style-type: none"> • Xerox named to National Association for Female Executives (NAFE) list of Top Companies for Executive Women. • Xerox scored 100% on the Corporate Equality Index. • Xerox is No. 35 in the <i>DiversityInc</i> Top 50.
22.6%	<ul style="list-style-type: none"> • Xerox named one of the 50 Best Companies for Latinas to work by <i>Latina Style</i> magazine. • Xerox named one of the top 40 companies for diversity by <i>Black Enterprise</i> magazine.



Progress Report

Activity

2007

Strengthening Our Competitiveness by Creating a Great Workplace for Our People (Cont'd)

Employee injury rates: Total Recordable Incident rate

Down 12% from 2006

Employee injury rates: Day Away From Work case rate

Down 11% from 2006

Leveraging Our Resources to Make Our World Better

Xerox Foundation giving – total

\$12.5 million

Xerox Community Involvement Program (XCIP) – number of U.S. employees who participated in community activities

U.S. – 9,075



2008

Highlights

Down 2% from 2007

An increasing focus on effective health and safety management systems is bringing us closer to our ultimate goal: zero injuries. Injury rates are down more than 50% in the last decade.

Up 6% from 2007

\$12.6 million

Our 2008 giving was invested in 2,825 non-profit organizations in the following focus areas:

- Education and Workforce Preparedness
- Science and Technology
- National Affairs
- Cultural Affairs
- Matching Gifts
- United Way
- Environmental Affairs
- Disaster Relief
- Employee and Community Affairs.

For example, six employees were on Social Service Leave, approximately 1,700 employee contributions were matched, and Xerox and Xerox employees contributed \$3.5 million to United Way organizations.

- U.S. – 9,893
- 604 projects
- \$909,000

In addition to the XCIP, Xerox science consultants volunteer in elementary schools to present real-life science lessons in one of the longest-running business/education partnerships in the country.

- Annually, 80 Xerox science consultants teach 1,700 students from 24 schools.
- Over 70,000 students have participated since the program began more than 40 years ago.



We view environmental sustainability not as a cost of doing business, but as a way of doing business. For us, it's an integral part of developing products, serving customers and posting profits.



Protect Our Climate

Strategic Goal

We invest in technologies that reduce the carbon footprint of our operations and the document management solutions we offer to our customers. Our aim is to be carbon-neutral.

Objective

- Reduce total company-wide greenhouse gas (GHG) emissions.
- Help customers meet their printing needs with the most energy-efficient document management solutions.

Metric/Target

- Reduce total GHGs by 25% from 2002 to 2012.
- Obtain ENERGY STAR® rating for 90% or more of eligible new product launches by 2010.
- Develop decision tools for customers to “green” their offices.

2008 Progress

- GHG emissions down 20% from 2002 to 2008.
- 80% of eligible new products launched met the 2007 ENERGY STAR (version 1.0) standard.
- Launched the Xerox Sustainability Calculator to help customers pinpoint opportunities to reduce their office environmental footprint.

Preserve Biodiversity and the World’s Forests

Strategic Goal

We work with our customers, suppliers and other stakeholders to support the development of a sustainable paper cycle through paper-sourcing guidelines and environmentally sound paper offerings, as well as products and services that decrease offices’ dependency on paper.

Objective

- Source paper from companies committed to sound Environment, Health and Safety practices and sustainable forest management.
- Certify Xerox-branded paper to standards for sustainable forest management.
- Advance sustainable forest management tools and approaches among Xerox suppliers.

Metric/Target

- Supplier adherence to Xerox requirements for sustainable forest management. Goal is 100% by volume.
- Maintain Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification chain of custody (PEFC) certifications for Xerox operations in 2007 and maintain in 2008/2009.
- Successful three-year \$1 million partnership with The Nature Conservancy.

2008 Progress

- More than 90% of Xerox paper by volume met our requirements.
- Maintained chain of custody certification as planned, expanding portfolio of FSC- and PEFC-certified papers.
- The Xerox/Nature Conservancy partnership (2007–2009) is supporting science-based tools that provide forest managers with accessible biodiversity data, further incorporating biodiversity considerations into forest management and strengthening forestry standards.



Preserve Clean Air and Water

Strategic Goal

We strive to eliminate the use of persistent, bioaccumulative and toxic (PBT) materials throughout the supply chain.

Objective

- Reduce PBT footprint throughout the supply chain.

Metric/Target

- Xerox's ISO 14001-certified facilities' goals are to reduce hazardous materials, as well as energy and waste.
- Conduct Life Cycle Evaluation (LCE) to prioritize areas for future technology development.
- Reduce use of PBTs in Xerox supply chain through adherence to Xerox's chemical use standards for all suppliers and Electronic Industry Citizenship Coalition's Code of Conduct requirements for our 50 key global suppliers, representing 90% of spend, by 2012.

2008 Progress

- Worldwide hazardous waste volumes decreased 10% from 2007 and 96% was beneficially managed.
- Xerox completed a Life Cycle Assessment of a solid ink printer compared to a laser printer and is using LCE to inform future direction of research and development in products and materials.
- As part of Electronic Industry Citizenship Coalition, on track to complete audits of all key suppliers in high-risk regions.
- In 2009, developing systems and processes to provide a complete accounting of materials throughout our value chain that will support progress toward zero PBT.

Waste Prevention and Management

Strategic Goal

Our goal is to produce waste-free products in waste-free facilities that promote waste-free customer workplaces.

Objective

- Reduce material footprint of Xerox equipment and supplies.
- Achieve "zero waste to landfill" for major facilities worldwide.

Metric/Target

- Continued investment in "cartridge-free" solid ink technology that produces up to 90% less waste from supplies and packaging than conventional office color printers.
- Maintain >90% reuse or recycling of recovered Xerox equipment and supplies offerings.
- Expand ISO 14001-conforming environmental management system to Xerox U.S. warehouses in 2008 and additional operations and geographies in 2009–2011.

2008 Progress

- In 2009, launched Xerox's ColorQube™ multifunction printer that reduces office waste by 90% and has 10% less global warming impact than comparable laser devices.
- Xerox achieved >90% reuse or recycle rate for 106 million pounds of post-consumer equipment and supplies waste, bringing the total landfill avoidance to 2.2 billion pounds since 1991.
- Xerox's largest warehouses have adopted environmental management systems.
- We are on track to reduce the solid waste sent to landfills by 25% by 2012.
- In 2009, developing company-wide waste-free target.



This report is just a snapshot of Xerox's comprehensive citizenship activities. The report itself is printed in ways that minimize the impact on the environment. To keep paper use at a minimum, we've expanded www.xerox.com/citizenship to provide the full picture of our global initiatives.

How to Reach Us

Xerox Corporation
45 Glover Avenue
P.O. Box 4505
Norwalk, CT 06856-4505
United States
203.968.3000
www.xerox.com

Products and Service

www.xerox.com or by phone:
800.ASK.XEROX (800.275.9376)

Additional Information

The Xerox Foundation:
203.849.2478
e-mail: evelyn.shockley@xerox.com

Diversity Programs and EEO-1 Reports:
585.423.6157
www.xerox.com/diversity

Minority and Women-Owned
Business Suppliers:
585.422.2295
www.xerox.com/supplierdiversity

Ethics Helpline:
866.XRX.0001
(North America; International numbers
on www.xerox.com)
e-mail: ethics@xerox.com

Environmental, Health and Safety:
800.828.6571 prompts 1, 3
www.xerox.com/environment

Governance: www.xerox.com/governance

Questions from Students and Educators:
e-mail: nancy.dempsey@xerox.com

Xerox Innovation:
www.xerox.com/innovation

Shareholder Services:
800.828.6396

To comment on this report:
e-mail: citizenship@xerox.com



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