Nurturing a Greener World through Sustainable Innovation and Development

Our 2010 Environment, Health and Safety Report

This information from our 2010 Report on Global Citizenship focuses on our environmental sustainability efforts and is just a part of Xerox's comprehensive citizenship activities. To get the full picture of our global initiatives, visit www.xerox.com/corporate-citizenship/2010.

We view sustainability not as a cost of doing business, but as a way of doing business – in our operations, throughout our supply chain, and in developing products and solutions to serve our customers.

Environmental Goals and Priorities

At Xerox, we approach environmental issues from a life cycle perspective, recognizing that the biggest opportunity for us to make an impact is by addressing all aspects of our actions, products and services… and recognizing that the biggest opportunity to make an impact may lie outside of our "own four walls." In 2006, a cross-organizational team led by our Vice President of Global Environment, Health, Safety and Sustainability conducted a comprehensive review of those environmental impacts and opportunities. The result of that work was a focus on four commitment areas where we can make a significant impact across our entire value chain of products and services. These priorities are reviewed on an annual basis and, while the commitment areas remain unchanged, the goals and objectives have been updated as necessary. For example, in 2009, we added a strategic goal of water neutrality to our commitment of Preserving Clean Air and Water.

Our four global environmental commitment areas are:

Reducing Energy Use and Protecting the Climate: 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.

Preserving Biodiversity and the World's Forests: 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 through products and services that decrease offices' dependency on paper.

Preserving Clean Air and Water: We strive to eliminate the use of persistent, bioaccumulative and toxic materials throughout the supply chain; use water efficiently to achieve the goal of water neutrality; and avoid the release of hazardous air emissions from our facilities worldwide.

Preventing and Managing Waste: Our goal is to produce waste-free products in waste-free facilities that promote waste-free customer workplaces.

Our policy is to integrate these global environmental commitments into our core business strategy and practices. Our approach is to invest in innovation, market leadership and sound management practices that deliver measurable benefits to the environment, our customers and society, and that increase shareholder value. We recognize the importance of creative partnerships with suppliers, customers and other stakeholders to achieve these benefits and maximize their value.

In the table on page 2, we are reporting our progress on these commitments.

Environmental, Health and Safety Governance

The Global Environment Health, Safety and Sustainability (EHS&S) organization is charged with ensuring company-wide adherence to Xerox's environment, health and safety policy. This organization is led by the Vice President of EHS&S, who reports to the President of Corporate Operations, a direct report of the CEO.

The governance model we use to accomplish this task includes clearly defined goals, a single set of worldwide standards and an audit process that ensures conformance to these requirements. Our EHS&S governance policy, adopted in 1991, forms the foundation of our environmental leadership program. For a review of this policy, visit **www.xerox.com/environment.**

In 2008, Xerox established an executive-level organization to champion and guide the corporate environmental sustainability program. Consisting of a senior vice president from each Xerox Business Unit (e.g., R&D, Marketing, Product Development), the Sustainability Strategy Council is responsible for establishing strategic priorities that align with corporate goals and ensure that environmental sustainability considerations are integrated into all key business decisions. In addition to providing direction and support for Xerox's sustainability program, the seniority of the council members combines credibility with the ability to leverage sustainability programs across the value chain.

Standards and Programs

Environmental, health and safety standards are our primary tool for ensuring compliance with corporate policies and goals. These worldwide standards establish specific requirements for product safety, materials safety, packaging, design for environment, environmental management and reporting, workplace safety, emergency response and asset protection. We also have established company-wide programs, such as Zero Injury, Emergency Preparedness and Energy Challenge 2012, to engage and support employees worldwide.

Supplier Environmental, Health and Safety Management

As a critical element of supply chain governance, Xerox extends environment, health and safety requirements across its supply chain. Since 1998, Xerox has asked its materials and components suppliers to meet specific environmental, health and safety requirements. These requirements were broadened in 2004 to better govern the use of chemicals in Xerox products, parts and supplies throughout the supply chain. The standard, EHS 1001: "Xerox Environmental, Health and Safety Supplier Requirements: Chemical Bans/Restrictions and Part Marking," establishes requirements for regulatory compliance, chemical bans and restrictions and parts marking for parts and materials intended for use in electronic products. Further, by adopting the Electronic Industry Citizenship Coalition's Code of Conduct, Xerox has further strengthened its commitment to ensure that its suppliers are operating according to accepted industry standards for environmental management. Starting in 2003, Xerox extended requirements to companies that provide paper to Xerox for resale. In 2009, through its Socially Responsible Procurement Policy, Xerox formally began extending social responsibility requirements, such as ethics, labor, environmental, health & safety and security controls across its supply chain. More information on these standards can be found at **www.xerox.com/environment.**

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Commitment	Strategic Goal	Objective
Protect Our Climate	Carbon-neutral	• Reduce total company-wide greenhouse gas (GHG) emissions. • Help customers meet their printing needs with the most energy-efficient document management solutions.
Preserve Biodiversity and the World's Forests	Sustainable paper cycle	• Source paper from companies committed to sound EH&S 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.
Preserve Clean Air and Water	Zero persistent, bioaccumulative, toxic (PBT) footprint Water-neutral Zero hazardous air pollutants	• Reduce PBT footprint throughout the supply chain.
Waste Prevention and Management	Waste-free facilities and products	• Reduce material footprint of Xerox equipment and supplies. • Achieve "zero waste to landfill" for major facilities worldwide.

Audit Program

To maintain and achieve regulatory compliance, a well-established internal audit program measures our success in implementing corporate standards and guidelines. To identify environmental, health and safety risks and potential areas of non-compliance, Xerox audits research, manufacturing, engineering and service operations an average of once every three to five years. The frequency of the audits and content is based on the type of operations and the inherent risks associated with the operations. Xerox audit teams evaluate operations against Xerox standards, regulations and industry guidelines and, with the assistance of the local managers and support staff, develop action plans to correct deficiencies. Senior management pays particular attention to situations with the potential to pose a significant risk

Metric/Target	2009 Progress
• Reduce total GHGs 25% from 2002 to 2012. • Obtain ENERGY STAR® for 90% or more of new product launches by 2010.	• GHG emissions down 31% from 2002 to 2009. • 92% of eligible new products launched met the 2009 ENERGY STAR® (version 1.1) standard.
• Supplier adherence to Xerox requirements for sustainable forest management. Goal is 100% by volume. • Obtain Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody certifications for Xerox operations in 2007 and maintain in 2008/9 to enable launch of first FSC and PEFC certified papers in 2007, increasing percentage in portfolio in 2008 and beyond. • Successful three-year $1 million partnership with The Nature Conservancy.	• 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. • Xerox/The Nature Conservancy partnership (2007–2009) was successfully concluded. In early 2010, Xerox renewed the partnership for a four-year period to continue the effort.
• Xerox's ISO 14001-certified facilities have established goals to reduce hazardous materials as well as energy and waste. • 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 EICC requirements for our 50 key global suppliers, representing 90% of spend by 2012.	• Worldwide hazardous waste volumes decreased 4% from 2008 and 96% was beneficially managed. • Xerox's ISO 14001-certified facilities have identified any PBTs that may be present in their facilities for processes or facility maintenance. In the few instances where PBTs have been identified, the facilities are in the process of establishing goals to reduce their use. • As part of EICC, on track to completion of audits on major high-spend/strategic suppliers in high-risk regions; in conjunction, follow-up audits also conducted to ensure suppliers are working toward compliance with the EICC code. • Completed life cycle evaluation of ColorQube™ 9200 Series MFDs compared to a laser printer and is using LCE to inform future direction of R&D in products and materials.
• 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. supplies warehouses in 2008 and additional operations and geographies in 2009 to 2011.	• In 2009, launched Xerox's ColorQube multifunction printer, expanding solid ink's environmental benefits to the mid-level office market. • Two U.S. Product Distribution Centers located in California and Ohio achieved ISO 14001 certification in early 2010. • Webster EA Toner Plant achieved "Waste Free" status (zero waste to landfill). • Achieved >90% reuse or recycle rate for returned equipment and supplies. • "Worldwide Waste-Free Goal for Facilities" established (increase recycle/reuse rate to 97% by 2012).

of environmental damage, serious injury to employees or regulatory non-compliance. In 2009, Xerox met its goal of resolution of these issues within 90 days, and has demonstrated that the audit program has become an important mechanism for identifying and correcting performance gaps.

Employee Training and Education

Through training and internal communication, Xerox makes its employees aware of how our operations affect the environment and employee safety. As appropriate, employees in manufacturing and other operations receive training annually on topics such as hazardous waste management, spill prevention and response, recycling, ISO 14001 and a variety of other safety topics. Customer Service Engineer training covers safety hazards, exposures and processes for risk mitigation. We post our environmental policy in our facilities, and we deploy environment, health and safety goals for our products through our product development process. Through our ISO 14001 environmental management, employees are routinely involved in identifying the environmental aspects associated with their responsibilities.

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Stakeholder Outreach

Through a variety of means, Xerox communicates with stakeholders about our programs, performance and goals for environmental health and safety. Stakeholders include employees, customers, investors, universities, government agencies and environmental groups. Xerox tracks inquiries from customers and other stakeholders and comments through our customer EH&S Support "hotlines" in North America and Europe. We also hear from customers through focus groups and from the larger community by participating in a number of external organizations. Through our Thought Leadership program, Xerox conducted dozens of sustainability forums with customers in 2009 alone, generating awareness of the importance of sustainability, sharing company best practices and encouraging customers to reduce their environmental footprint by finding "Smarter Ways to Green." Learn more at **www.xerox.com/thoughtleadership.**

To advance global efforts to improve our environment, Xerox partners with these private and public organizations:

- Advisory Board of the Center for Sustainable Systems at the University of Michigan
- Advisory Board of Golisano Institute for Sustainability at the Rochester Institute of Technology
- Business Roundtable Climate RESOLVE
- Business Roundtable S.E.E. (Society, Environment, Economy) Change
- Business for Social Responsibility
- International Leadership Council of The Nature Conservancy
- The Prince's May Day Network
- Organization for Economic Cooperation and Development (OECD) Expert Advisory Group on Sustainable Manufacturing and Eco-innovation
- Sustainable Energy Ireland
- U.S. EPA ENERGY STAR®
- U.S. EPA SmartWay Transport Partnership
- U.S. EPA WasteWise
- U.S. EPA National Advisory Council for Environmental Policy and Technology Subcommittee on Promoting Environmental Stewardship
- Environmental Defense Fund Climate Corps
- Sustainability Innovators Group
- EcoPatent Commons

Integrating Environmental Priorities into Manufacturing Operations

All of Xerox's manufacturing operations employ an ISO 14001-conforming environmental management system. This ensures compliance with regulations and Xerox standards, identifies environmental impact and sets objective and performance targets. The ISO 14001 system requires that day-to-day business activities be integrated with environmental planning and program management. It encourages innovative engineering solutions, creative partnerships and employee involvement. Our major manufacturing operations have been certified to ISO 14001 since 1997. In 2002, we completed the certification of all current manufacturing operations. New plants are scheduled for certification as they become operational.

In 2007, starting with our largest U.S. supplies warehouse operations, Xerox began to expand the ISO 14001 approach beyond manufacturing. Our largest U.S. supplies warehouse operations have adopted ISO 14001-conforming environmental management systems and have set a goal to reduce solid waste sent to landfills 25% by 2012. In 2009, our Product Distribution Centers began their process to become ISO 14001-certified, achieving this milestone in early 2010.

Innovative Component Results in More for Less

The photoreceptor is a critical component of photocopying and laser printing technology and must be replaced periodically due to surface wear that can lead to poor image quality. Xerox researchers and engineers have invented a long-life photoreceptor that offers significant advantages to our customers and for the environment. Proprietary Xerox materials were used to create a protective chemical armor or overcoat that increases the photoreceptor's usable life by more than 50%. The overcoat is a tough polymer composite that is both scratch and wear resistant, allowing the photoreceptor to operate for over 1 million revolutions.

First introduced in 2009 for the Xerox 4112/4127 production monochrome device, the long-life photoreceptor reduces the need for replacement cartridges by 33%, resulting in more-efficient resource use and less waste generation. In addition, customers experience reduced interruptions to work flow, improved productivity and fewer service calls. The new photoreceptor works in the standard machine design with no additional hardware changes or added costs to the customer. This invention has wide applicability across Xerox's product lines, and future product introductions are planned.

Integrating Environmental Priorities into Product Design

Xerox recognizes that the best results – both environmental and financial – are achieved when environmental priorities are considered from the outset of product design. Customer feedback, along with a forward-looking view of global trends in technology, regulations and ecolabels, has led us to a comprehensive set of standards that encompasses: energy efficiency; chemical management; packaging; parts reuse and recycling; electrical and mechanical safety; ergonomics; electromagnetic emissions; noise; fire resistance; and materials safety. Xerox business teams and the EH&S organization review Xerox products at each stage of the "time to market" product development process for conformance with EH&S standards. This is a requirement for the introduction of any new product.

Xerox integrates life cycle thinking into all of our product and service development activities, as well as our innovation activities. Full Life Cycle Assessments (LCAs) – in accordance with ISO 14040 series standards – are conducted for products where a significant technology difference indicates their utility. For example, full peer-reviewed LCAs have been conducted on our solid ink products (8860 and ColorQube), comparing their impacts to comparable laser-based devices. We also utilize a variety of streamlined approaches at various stages throughout our product development processes, starting in our earliest research stages. These approaches are applied to equipment, materials (e.g., toner formulations) and even our service offerings. For example, the Xerox Sustainability Calculator is an LCA-based tool to demonstrate the environmental benefit of optimizing the print infrastructure. We estimate that 65% of our product categories have been comprehended in full LCAs, with nearly all other hardware products and many services undergoing a more targeted evaluation.

In 2009, the product development organization established a series of Common Feature Documents. These define features that should be common across each class of products and are developed in advance of, and as input to, future product and platform planning cycles. Sustainability was one of the first topics developed, and was officially deployed in early 2010. This set of requirements serves as the Design for Environment requirement for equipment.

Climate Protection

We believe that Xerox, as a global business, must do its part to reduce the risks of climate change. While our ultimate goal is to become climate-neutral as a company, our immediate focus is reducing energy consumption in our own operations and providing sustainable document management technology and solutions to our customers to reduce the energy and environmental impacts of their business. We are making investments in several initiatives to support this goal.

Reducing Energy Consumption through Xerox Products and Solutions

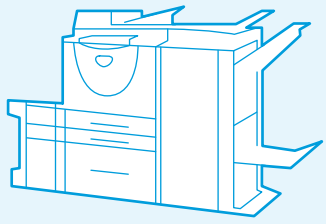
ENERGY STAR® Savings

More than 10 years before the inception of the U.S. Environmental Protection Agency (EPA) ENERGY STAR Office Equipment program, Xerox introduced the first imaging product with an automatic power-down mode. Since joining with the EPA as a Charter Partner in 1993, we have introduced more than 500 copier, printer, fax and multifunction products that have earned ENERGY STAR status. This continued success in cutting the power consumption of our laser-based printing products has been achieved by adjustments in the fuser design, changes to the properties of the toner, more-efficient electronic controls and the workings of the xerographic system as a whole.

A more exacting ENERGY STAR standard became effective on July 1, 2009. This new standard builds on the 2007 changes to the program, continuing to evaluate: How much energy would the device use during a typical week? It measures the energy consumed if the system mimics the tempo of a normal office, running a sample job mix with downtime for lunch, overnight and on weekends. The result is a Typical Electricity Consumption (TEC) number that must meet the EPA's tough new requirements for a product to achieve ENERGY STAR status. The EPA's new ENERGY STAR requirements raised the bar so significantly that only 25% of products in the marketplace were expected to meet the new criteria. At Xerox, 92% of all new product introductions in 2009 passed this tough test, including several production devices that are beyond the traditional scope of the ENERGY STAR program. An example of the company's success is the Xerox WorkCentre® 7545/7556 color office multifunction printers with speeds from 45–55 pages per minute. Based on ENERGY STAR testing methods, the WorkCentre 7545 uses 4.4 kWh per week of electricity, about 24% less than a previous color multifunction printer offered by Xerox.

The ENERGY STAR program will continue to raise the standard over time with tougher requirements. Our goal remains to have 90% of new product introductions achieve this ecolabel.

Xerox WorkCentre® 7445 = 24% less energy consumption than previous model



Xerox engineers designed a new Induction Heat Fusing system that uses significantly less energy. This new fusing system does not require preheating and doesn't consume any power when the machine is in standby mode. The result? The Xerox WorkCentre 7545 multifunction color printer uses 24% less total energy than a previous comparable model.

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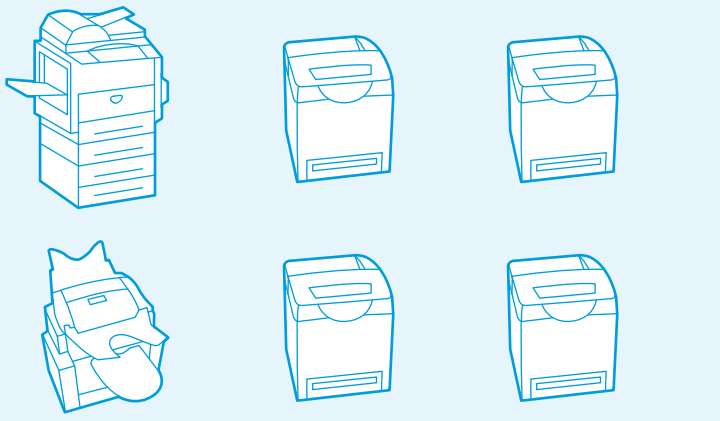
Xerox Multifunction Systems: Inherent Environmental Benefits



624 kWh
Annual energy consumption of an office copier, four laser printers and one fax machine, based on 2009 U.S. EPA ENERGY STAR®-rated typical electricity consumption.

302 kWh
Annual energy consumption of a Xerox WorkCentre® multifunction system.

"All in One" = Less Energy Use

Xerox multifunction systems further reduce the amount of energy required to copy, print, fax and scan by combining the functions of multiple products into one machine. The annual energy consumption of a Xerox WorkCentre multifunction system is about one-half of the combined annual energy consumption of the individual ENERGY STAR qualified copiers, fax machines and printers that it replaces. Energy savings would be substantially higher if a multifunction system replaces individual products that have not earned the ENERGY STAR rating.

"Right-Sizing" Office Printing Further Reduces Energy Use

Xerox also works with customers to improve the efficiency of their office document management by assessing their actual printing needs and developing solutions that meet that need – often by dramatically reducing the number of stand-alone and networked office equipment devices, saving energy and associated greenhouse gas emissions and reducing solid waste.

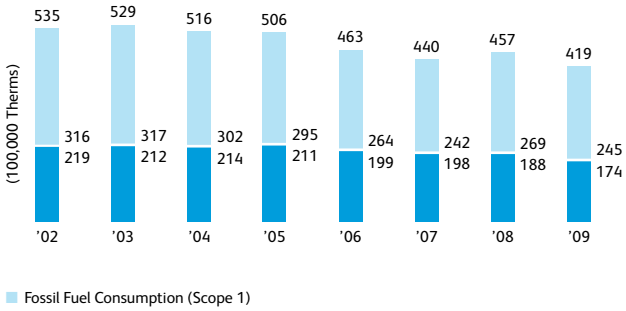
In 2008, Xerox unveiled the industry's first Sustainability Calculator, designed to help customers understand the benefits of Xerox solutions and pinpoint opportunities to reduce their environmental impact while reducing costs. The software tool estimates the overall impact a company's document technologies have on the environment and allows customers to see how that can be reduced by "right-sizing" their print environment. It evaluates the current office environment of printers, copiers and multifunction devices and then estimates environmental benefits that could be achieved in terms of energy and paper use, solid waste, water, air and greenhouse gas emissions. The tool includes an evaluation of impacts that span raw material extraction, manufacturing, use and disposal. This broad view extends the evaluation to life cycle impacts, providing customers a more complete and fact-based estimate of their environmental footprint and an understanding of the kind of actions that will reduce it. Xerox customer case studies reveal that life cycle impacts can be significantly lowered. By optimizing its print infrastructure, one customer reduced the number of devices in half, achieved a 27% reduction in life cycle energy consumption, cut life cycle greenhouse gas emissions by 26% and reduced solid waste by 33%. While results are dependent on the specific parameters of the optimization, dozens of evaluations over the past two years have yielded similar results. Learn more at **www.xerox.com/sustainabilitycalculator.**

Through our ACS IT organization, we reduce energy use by taking advantage of advancements in technology. For example, we consolidated up to 20 servers that were running at 30 percent capacity into a single unit that operates at 100 percent. The result? We significantly reduced the size of facilities that house our IT servers, which drives down power consumption and waste.

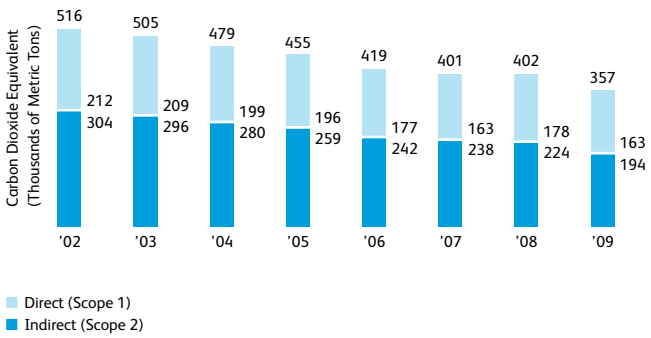
Reducing Our Company-wide Carbon Footprint: "Energy Challenge 2012"

In 2003, Xerox made a public commitment to reduce greenhouse gas (GHG) emissions – our carbon footprint – by joining the U.S. EPA Climate Leaders program and launching an internal program known as Energy Challenge 2012. We adopted a goal of reducing by 10% our absolute GHG emissions across all company operations, by 2012, from a 2002 baseline. By focusing efforts on energy efficiency, new technologies and business productivity, Xerox met this target six years ahead of schedule – in 2006. Recognizing our obligation to do even more, in 2007, Xerox set a new and challenging goal to reduce our GHG emissions by 25% by 2012, from a 2002 baseline. Through 2009, we have cut emissions by 31%, or 158,000 tons of carbon dioxide equivalents (CO_2e). This was achieved by reducing energy consumption in our facilities, manufacturing operations and across our service and sales vehicle fleet. In 2009, energy consumption was down 21% compared with 2002. While technically we have met our target, we recognize that a portion of the GHG emission reduction is also due to decreased production as a result of the downturns in the world's economy. In 2010 and years that follow, we expect market conditions to improve and our production levels to increase. We will continue to work diligently to reduce energy consumption and GHG emissions within our operations and assess our overall GHG reduction each year until 2012, when we will announce performance against that goal.

Energy Consumption



Greenhouse Gas Emissions



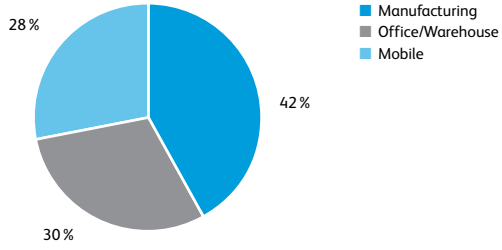
Greenhouse Gas Inventory

In keeping with the international guidelines of the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, Xerox tracks the six major GHGs: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); perfluorcarbons (PFCs); and sulfur hexafluoride (SF_6). We express our carbon footprint in terms of carbon dioxide equivalents (CO_2e). In fact, energy sources account for more than 99% of our GHG emissions. Xerox's GHG inventory includes direct emissions from the combustion of fossil fuels, primarily natural gas, and indirect emissions from purchased electricity and steam at our manufacturing sites, offices and warehouses. The inventory also includes the combustion of gasoline and diesel fuels in our service and sales vehicle fleet. Xerox is in the process of expanding GHG tracking to include Scope 3 emissions. In 2009, emissions from employee business travel were determined; efforts to characterize optional sources, such as contract manufacturing and outsourced product distribution, are under way.

In February 2010, Xerox acquired Affiliated Computer Services (ACS). GHG emissions data associated with ACS facilities are being collected and will be included in the 2010 reporting of our corporate GHG inventory and fleet.

Through our ACS Transportation Solutions group, we offer PrePass, a system that electronically verifies truck weight and credentials. It eliminates the need for vehicles to stop at weigh stations. ACS has administered this program since it began. It now spans 29 states and a network of more than 420,000 trucks. PrePass has saved four million idling hours and associated carbon emissions.

Sources of Greenhouse Gas Emissions



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In 2009, Xerox GHG emissions totaled 357,000 metric tons of CO_2e. About 54% were indirect emissions from purchased electricity and steam. The remaining 46% were direct emissions from the combustion of natural gas, gasoline and diesel fuel. Xerox-owned or leased facilities, such as manufacturing sites, offices and warehouses, are associated with 72% of our GHG emissions. The remaining 28% are emissions from our service and sales vehicle fleet and other mobile sources.

Remote Services Solve Problems Quickly and Reduce Greenhouse Gas Emissions

Xerox's service fleet accounts for a significant proportion of its greenhouse gas (GHG) emissions. A variety of initiatives have been undertaken to reduce this impact, including more-fuel-efficient vehicles and reducing miles driven through improved device reliability and use of remote technologies. Xerox Maintenance Assistant, launched in October 2009, enables diagnostic data to be transmitted directly from the customer's location to Xerox without an on-site service call. More than 50,000 devices currently utilize this service, resulting in an avoidance of approximately 200 service calls per month. This solution alone has resulted in a reduction of CO_2 emissions of nearly 25 metric tons per year while also enabling more machine uptime for the customer.

Strategies for Meeting Our Reduction Target

Our ultimate goal is to be climate-neutral. While our strategy for achieving that goal is evolving, our first priority is to reduce our total GHG emissions by lowering the energy intensity of our operations. To that end, we have cut our energy intensity 23% from 2002 to 2009 (energy consumption per million dollars in revenue). Xerox is finding success with the following approaches:

Shifts toward More Energy-Efficient Technologies

One example is Xerox's commitment to emulsion aggregation (EA) technology, or chemical toner, which is estimated to generate 28% fewer GHG emissions in the manufacturing process than conventional toner.

Process Improvements That Reduce Energy Demand

Xerox is its best case study for the efficiency of using digital multifunction systems in workplaces instead of stand-alone printers, copiers, fax machines and scanners. In Xerox locations worldwide, employees depend on networked Xerox systems for all document management needs. One multifunction system can cut energy consumption by up to half compared to several single-function devices.

Increased Reliability of Xerox Equipment and Parts

Digital technology has improved the reliability of components inside our products. This reduces service calls, which results in fewer miles driven by Xerox technicians and less gasoline consumed. Longer-lasting parts also mean that less manufacturing energy is invested over the life of a Xerox product. One example is an engineering replaceable unit (ERU) for our monochrome products that needed replacement after 370,000 prints in 2007, but has been redesigned to now last 600,000 prints.

Equipment Upgrades and Energy Management Programs

Every year, Xerox facilities identify opportunities to reduce energy consumption through equipment upgrades and better energy management. Some Xerox facilities save energy through "free" cooling. In winter months, the facilities cool process water by running it through outdoor pipes instead of using chillers, which are the equivalent of industrial air conditioners.

Use of Renewable Energy Sources

By purchasing "green power," several Xerox sites, including those in the United Kingdom and the U.S., are taking advantage of opportunities to further reduce GHG emissions. An example is the purchase of renewable energy credits that largely offset electricity consumption at our Corporate Headquarters in Norwalk, Conn. In Xerox facilities in the U.K., a significant portion of the portfolio is powered by Green Energy.

Climate Change Risks and Opportunities

Xerox has examined the regulatory, physical and commercial risks and opportunities associated with climate change. We are well positioned for current and potential future regulation by our investment in a robust greenhouse gas emission inventory. Consistent with our sustainability strategy, the company will continue to invest in energy-efficient product designs and solutions to meet future customer demands and product-centric regulatory requirements. We are currently gathering Scope 3 emissions data and other key metrics to assess climate change risk in the supply chain.

Xerox is not subject to unique risks due to changing weather patterns, rising temperature and sea level rise. In the case that our operations or customers' operations are impacted by unpredictable events such as extreme weather, the company's well-defined crisis management plan will be executed. It covers communication with employees and customers, management of employee health and safety issues, business continuity and resumption processes, as well as interaction with government organizations.

Preserving Biodiversity and Forests: Xerox and Paper

As one of the largest distributors of paper for office printers and copiers, Xerox recognizes its obligation to responsibly produce and source paper. Through partnerships with our customers, suppliers and key stakeholders, our long-term goal is to support a sustainable paper cycle. Starting with the source of the fiber used to make the paper, through its manufacture and use, Xerox strives to minimize environmental impact while meeting our customers' exacting business needs.

Paper Sourcing Guidelines

For companies that provide paper to Xerox for resale, we phased in stringent requirements from 2003 to 2005 that cover all aspects of papermaking, from forest management to production of finished goods. On an annual basis, Xerox suppliers submit detailed documentation that verifies compliance. In 2009, suppliers representing more than 90% of the paper Xerox supplies to our customers met these requirements. Xerox continues to work with our suppliers to increase the rate of compliance to 100%.

Key elements of the requirements include:

- Commitment to compliance with all applicable environmental, health and safety regulatory requirements, including forestry codes of practice and regulations governing legal harvesting of wood
- An effective environmental management system for mills and objectives for continual improvement in environmental performance above and beyond regulatory compliance
- An effective procurement process that:
  - Ensures the exclusion of illegally harvested wood raw materials
  - Ensures the exclusion of wood raw materials derived from forest areas of significant ecological or cultural importance unless certified to a sustainable forest management standard that has been accepted by Xerox
  - Encourages all suppliers of wood raw materials to practice sustainable forest management
- Strict limits on the use of hazardous materials, including the exclusion of elemental chlorine, in the processing and content of Xerox papers
- Efforts to reduce both greenhouse gas emissions and water use.

We recognize that one of the challenges paper companies face in meeting Xerox's requirements is to demonstrate that they are safeguarding forest areas of significant ecological or cultural importance. Xerox fully supports multi-stakeholder efforts to develop information sources and tools that will help suppliers identify these areas on their own forestlands and in their procurement of wood raw materials from third-party lands. Xerox expects its suppliers to take full advantage of these resources as part of their efforts toward sustainable forestry.

Partnership with The Nature Conservancy

In 2010, Xerox made an additional grant of $1 million over the next four years to continue our investment and partnership with The Nature Conservancy. The agreement builds on the work of the Forest Conservation Partnership between Xerox and The Nature Conservancy, which began in October 2006 with an initial investment of $1 million.

Much of the work during the first phase of the partnership focused on the protection of the Boreal forest in Canada. Xerox supported the launch and deployment of the Canadian Boreal Information Centre, linking forest data and information to diverse users across continents with the goal of improving resource management, monitoring and conservation planning. The partnership also supported activities aimed at successful and full implementation of the High Conservation Value (HCV) concept in the Boreal forest, a key tool for identifying priority habitats. HCV forests have conservation, biodiversity or social values considered to be of outstanding significance or critical importance.

Work supported by the second $1 million grant began in January of 2010, with a focus on:

- Developing and testing a forest carbon methodology for improved forest management that would allow landowners to achieve forest certification and serve as a platform for potential carbon benefits
- Strengthening a key tool for identifying priority habitats – the HCV approach – by building consistency across projects, disseminating standards and training assessors through global and regional HCV networks.

Promoting responsible forestry through implementation of forest management standards by working with Xerox suppliers and other land managers at two sites in North America: Central-Western New York; and across the Canadian Boreal forest, including a focused project in Northwest Ontario.

Sustainable Forest Management-Certified Papers

Xerox has introduced papers that comply with sustainable forest management standards, including FSC, Program for the Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI). FSC-certified papers use raw materials from an FSC-certified source, controlled wood sources or post-consumer reclaimed sources. As a requirement for displaying the FSC label on its papers, Xerox earned FSC Chain-of-Custody certification from the Rainforest Alliance's SmartWood program. Xerox has also earned PEFC Chain-of-Custody certification.

Recycled Paper

Recycled content is another way Xerox reduces the environmental impact of its papers – offering papers with 20% to 100% post-consumer recycled content. Our recycled papers use post-consumer waste in place of new pulp. Every ton of recycled fiber avoids the use of three and one-half tons of virgin fiber.[1] Recycled products are required to meet the same strict performance specifications as virgin products and are designed for optimal performance in Xerox equipment.

[1] Paper Task Force Recommendations for Purchasing and Using Environmentally Preferable Paper, Updated Lifecycle Environmental Charts, 2002

Nurturing a Greener World through Sustainable Innovation and Development

Efficient Use of Paper

Xerox equipment and software are also designed with features that allow customers to make efficient use of paper including reliable two-sided (duplex) printing. In mid-2010, Xerox integrated the "earth smart" feature into its global print driver. "Earth smart" brings several resource-saving settings together at the single click of a button, such as duplex, n-up, proof print and toner saving modes, thus making it easier for customers to make responsible print choices. Software products such as DocuShare®, SMARTsend® and FreeFlow® Digital Workflow Collection help Xerox customers reduce paper consumption by facilitating electronic data management, scan to e-mail, print-on-demand and distribute-then-print workflows.

For more information on Xerox paper, visit **www.xerox.com/sustainablepaper.**

Preserving Clean Air and Water through Reducing Use of Toxics and Heavy Metals

Xerox's long-term commitment is to eliminate the use of persistent, bioaccumulative and toxic materials throughout the supply chain. We apply strict internal standards and, over time, have re-engineered or substituted processes to dramatically reduce the use of toxics and heavy metals. Some examples:

- More than 15 years ago, Xerox switched to a solvent-free process for cleaning machine parts
- Since 2005, we have nearly eliminated the use of lead and mercury from our new products
- Since 1991, our manufacturing operations have reduced by 95% emissions of particulate and toxics into the air

Controlling the Chemical Content of Xerox Products throughout the Supply Chain

Xerox requirements for minimizing toxic materials govern our product design and materials selection. Xerox toxicologists conduct a comprehensive assessment of new materials in our products to ensure conformance with these criteria. They include compliance with applicable global registration, hazard communication, and waste handling and disposal. The requirements prohibit the use of materials that:

- Are carcinogenic, mutagenic or cause adverse developmental or reproductive effects
- Pose a toxicity hazard to humans or aquatic species
- Can cause a permanent adverse impact to the skin, eyes or respiratory system
- Have the potential to generate hazardous waste.

In 1999, Xerox banned the use of certain flame retardants in our products, and we have made good progress in eliminating the use of mercury. Mercury-containing lamps that scan images and back-light user displays will be phased out as alternatives become available. In 2004, Xerox issued requirements for Xerox suppliers to better control the use of chemicals in our products. These requirements are periodically updated as regulations change and new information becomes available. All new product designs refer to these requirements, and suppliers are expected to verify their compliance with them. To learn more about this, visit **www.xerox.com/environment.**

Concern about the use of hazardous materials in electronics has prompted many countries around the world to consider restricting the use of certain substances. Most notably, the European Union's Restriction of Hazardous Substances (RoHS) directive requires new electronic products to be free of lead, mercury, cadmium, hexavalent chromium and certain brominated flame retardants, unless feasible alternatives are unavailable. Xerox products subject to RoHS meet these requirements. Starting in 2007, Xerox's newly launched products are designed to meet these requirements in all markets. However, where regulations allow, some products will contain non-RoHS-compliant parts in order to avoid premature disposal of existing parts that continue to have usable life.

In 2007, the first phase of the European Union's new regulatory plan for chemical control went into effect. The regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) aims to establish a framework for evaluating the impact chemicals have on the environment and human health, and for assessing whether the most potentially hazardous of those chemicals should be subject to an authorization or ban. Similar types of legislation also may be implemented in many other market regions. Xerox expects to be fully compliant with all aspects of the REACH regulation – and similar regulations – as the provisions become effective and applicable.

Low Emissions

Consistent with the world's most stringent ecolabels, Xerox designs its products to control emissions of chemicals and noise. As a result, current products have achieved chemical emission levels that are well below global regulatory requirements – often at or near the detection limit of our measurement equipment – and are considered to have a negligible impact on customers' work environments.

Waste Prevention and Management

Our waste-free commitment is to produce waste-free products in waste-free facilities that promote waste-free customer workplaces. Our aim is to design products, packaging and supplies that make efficient use of resources, minimize waste, reuse material where feasible and recycle what can't be reused. To meet this commitment, Xerox has put in place several programs:

- Xerox's Green World Alliance initiative provides a collection and reuse/recycling program for spent imaging supplies.
- Xerox's Product Takeback and Recycling program manages equipment at end of life.
- Xerox facilities manage their operations to our waste-free commitment as described in the "Environmental Performance in Xerox Facilities" section of this report beginning on page 13.
- Xerox is investing in waste-free technologies. Our solid ink imaging process utilizes compact "cartridge-free" solid ink sticks with no plastic housings or casings, thereby reducing print-related waste by up to 90% compared with comparable color laser products.

Breakthrough Xerox Multifunction Printer Reduces Waste by 90%

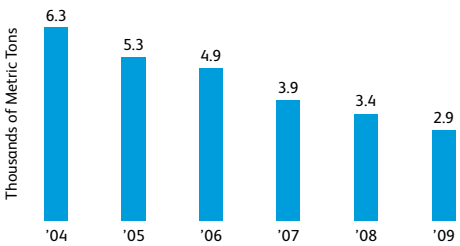
The Xerox ColorQube™ 9200 Series multifunction printer uses Xerox's proprietary solid ink technology to lower the environmental impact of office printing. The cartridge-free design generates 90% less supplies waste and reduces the effects of manufacturing and transportation on the environment. A Life Cycle Assessment (LCA) of the ColorQube and a comparable laser device estimated that the ColorQube series uses 9% less life cycle energy and produces 10% fewer life cycle greenhouse gases than a comparable laser device. The study underwent peer review by the Rochester Institute of Technology to confirm that it adhered to generally-accepted LCA methodologies.

Solid ink technology, which has been used in Xerox desktop printers for more than a decade, creates an image by applying melted ink to paper where it instantly solidifies. Each printer in the Xerox ColorQube 9200 Series features four print heads that can jet more than 150 million drops of ink per second, enabling speeds from 38 pages per minute (ppm) up to 85 ppm. With only one customer-replaceable unit (no fuser, drum, etc.), the printer is easy to maintain and lowers operating costs. All of the remaining parts, including the print head, are designed to last the lifetime of the MFD. The series also meets the U.S. Environmental Protection Agency's rigorous new ENERGY STAR® requirements.

Xerox Green World Alliance

The Xerox Green World Alliance reuse/recycle program for imaging supplies is central to our commitment to waste-free products. This partnership with Xerox customers resulted in more than 2.2 million cartridges and toner containers being returned in 2009. Although the Green World Alliance program is one of the industry's oldest consumables returns programs, Xerox continues to evaluate customer needs and implement improvements to the program. For example, in early 2010, a bulk returns process was introduced; it enables customers to return pallet-size quantities (30 or more cartridges) with a single label, thus simplifying the customer's role while reducing transportation impact. Xerox, on an ongoing basis, monitors customer feedback and industry best practices to stay on the path of continuous improvement.

Xerox Green World Alliance: Total Waste Diverted from Landfills from Cartridges, Bottles and Waste Toner through Reuse/Recycle



Note: 2008 number is restated from 2009 report due to inadvertent omission of data from one site.

Well-Established Collecting and Reprocessing Methods

Prepaid postage labels and packaging from new supplies allow customers to return spent materials to Xerox for reuse and recycling. Return labels for toner containers are available from Xerox upon request or by downloading a prepaid label from **www.xerox.com/gwa.** Returned products are cleaned, inspected and then remanufactured or recycled. Remanufactured cartridges, containing an average of 90% reused/recycled parts, are built and tested to the same performance specifications as new products. Similarly, waste toners that qualify for reuse may account for 25% of the weight of new toner, without compromising toner functionality. Reusing waste toner saves several million dollars in raw material costs each year.

Product Take-Back and Recycling

Begun in the early 1990s, Xerox has pioneered the practice of converting end-of-life electronic equipment into products and parts that contain reused parts while meeting new product specifications for quality and performance. We have developed a comprehensive process for taking back end-of-life products, and have established a remanufacture, parts reuse and recycling program that fully supports our waste-free initiatives.

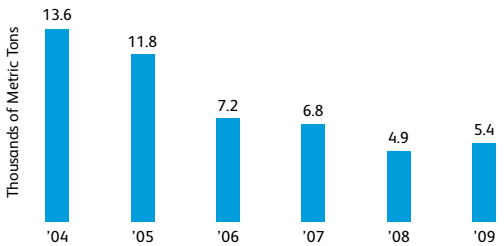
Our approach to managing products at end of life translates into significant environmental and financial benefits. Our combined returns programs (equipment remanufacture in conjunction with parts and consumables reuse and recycling) prevented over 45,000 metric tons of waste from entering landfills in 2009 alone.

Nurturing a Greener World through Sustainable Innovation and Development

With the implementation of the European Union's Waste Electrical and Electronic Equipment (WEEE) Directive, Xerox will continue to operate its European take-back program to enable equipment remanufacturing and parts reuse. It also participates, as needed, in European member states' individual collection and recycling programs.

The annual trend in reduction in waste diverted from landfills since 2004 is due in part to changes in product mix, design of lighter-weight machines and growth of regulatory-driven local recycling schemes. For example, the transition to digital equipment and lighter-weight parts has reduced the weight of both office and production equipment by as much as 50% over the last 10 years. The decline also represents a decrease in the number of office machines returned for remanufacturing in Europe due to participation in EU member state WEEE programs. In geographies where Xerox exercises direct control over the end-of-life management of equipment, return rates are high. For example, approximately 95% of the equipment sold through direct channels in the U.S. is ultimately returned to Xerox for end-of-life disposition.

Waste Diverted from Landfills through Remanufacture and Parts Reuse



E-Waste

Returned products that cannot be remanufactured are designated as equipment waste. Xerox equipment recovery/recycle operations disassemble these machines for recycling; we remove parts that can be processed for reuse according to stringent standards for quality and performance. The remaining components are recycled or disposed. Of the 47,400 metric tons collected in 2009, Xerox was able to beneficially manage more than 95%, thus diverting it from landfills.

We also carefully manage suppliers that provide recycling and waste disposal services. An audit process ensures that vendor practices are safe, environmentally sound and compliant with regulations. Where appropriate, we require these companies to document the final disposition of materials sent to their facilities, including electronic scrap. Xerox does not allow its vendors to send electronic scrap overseas for processing.

Designing for Reuse

Xerox maximizes the end-of-life potential of products and components by considering reuse in the design process. Machines are designed for easy disassembly and contain fewer parts. Parts are durable – designed for multiple product life cycles. Coded with instructions on how to dispose, the parts are also easy to reuse or recycle. As a result, equipment returned to Xerox at end of life can be rebuilt to as-new performance specifications, reusing up to 70–90% of machine components (by weight), while meeting performance specifications for equipment with parts that are all new.

Xerox also designs product families around modular product architectures and a common set of core components. These advances offer us many options for breathing new life into old equipment. A returned machine can be rebuilt as the same model through remanufacture, converted to a new model within the same product family or used as a source of parts for next-generation models.

A Xerox product whose designs are based on previous models may have 60% of its parts by weight in common with previous equipment. The practice of reusing parts reduces the amount of raw material needed to manufacture new parts, which generates several hundred million dollars in cost savings each year, in addition to life cycle energy savings.

Ensuring Product Quality

Xerox has developed unique processes and technologies to ensure that all Xerox products, regardless of their reused or recycled part content, meet the same specifications for performance, appearance, quality and reliability. Machines with reused/recycled parts are built on the same manufacturing lines as newly manufactured equipment, and they undergo the same rigorous tests for quality assurance. As a result, products from these manufacturing lines built with reused/recycled parts carry the same Xerox guarantees, warranties and service agreements as Xerox equipment made from all-new parts.

Meeting Customer Requirements

Customer acceptance of reused/recycled parts was a significant challenge for Xerox's program throughout the 1990s. Today, with more than a decade of proof, we find that far fewer customers share the misperception that products with reused/recycled parts are inferior to those built from all-new parts. Nonetheless, we continue to educate customers about the quality and reliability of reused parts and, whenever necessary, we promote environmentally responsible purchasing policies and practices. Focusing on the quality and performance of products, regardless of recycled content, eliminates barriers to reuse.

Environmental Performance in Xerox Facilities

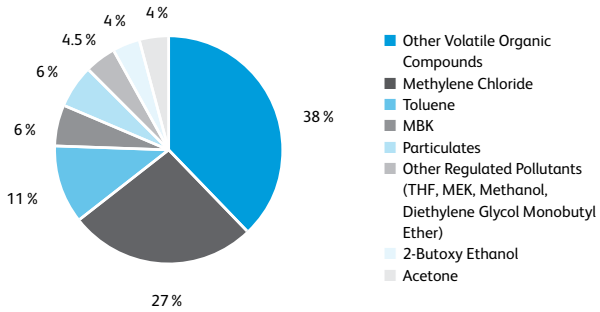
About Environmental Performance Results

Data in this section on environmental performance represent total quantities for Xerox's manufacturing, research, development and equipment recovery/recycle operations in nine countries. Energy consumption and greenhouse gas emissions are reported across all our operations. With the exception of solid waste figures that reflect management of recovered post-consumer electronic waste, the data do not include Xerox office equipment manufacturing operations, which were outsourced in late 2001 to Flextronics, an electronics manufacturing company. Unless otherwise noted, all numbers represent worldwide totals and are reported in generally accepted international metrics.

Air Emissions

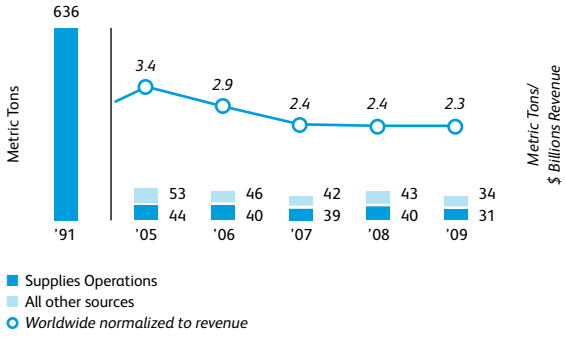
Xerox facilities released 34 metric tons of regulated chemicals and particulates into the air in 2009, a 21% decrease from 2008. The reduction came primarily from lower production volumes at several sites and the consolidation of some manufacturing operations.

2009 Air Emissions: Distribution by Type



Most of Xerox's air emissions come from operations that manufacture Xerox imaging supplies – toners, inks, fusers and photoreceptors. Effectively executing strategies for reduction, reuse and recycling between 1991 and 1996 resulted in a decrease in air emissions by 87% during that period. Since then, declines in production, continuous improvements in our processes and changing technologies have resulted in additional reductions, totaling a 95% drop from 1991 levels. Although we have not adopted a specific target for reducing air emissions, continuous improvement remains a priority.

Air Emissions



Ozone Depleting Substances

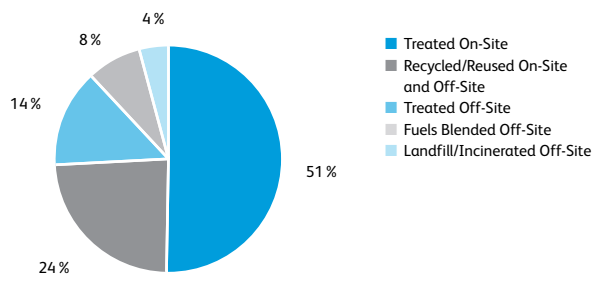
Xerox operations worldwide conform to the Xerox Ozone Depleting Substances (ODS) Policy, established in 1992, which prohibits ODS from all Xerox products, services and processes. Use is restricted to refrigerants only.

Nurturing a Greener World through Sustainable Innovation and Development

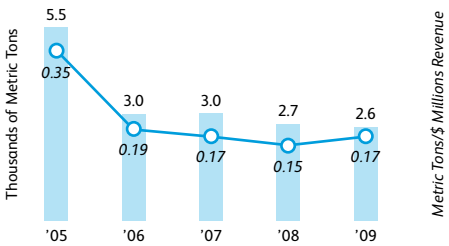
Hazardous Waste

Worldwide hazardous waste volumes decreased 4 % between 2008 and 2009 due to lower production volumes. Xerox strives to deploy effective waste disposal and to minimize hazardous waste generation. Through treatment, recycling, energy recovery or fuels blending, 96 % of hazardous waste generated in 2009 was beneficially managed. The remaining 4 % was incinerated or disposed in landfills permitted to accept hazardous waste. Xerox does not export hazardous waste to developing nations. The largest reported hazardous waste stream in 2009 was wastewater from an electroplating process. The rinse waters from this process are treated in a neutralization process for pH adjustment prior to discharge to the sanitary sewer under our wastewater discharge permit. The second-largest waste stream is related to organic solvent waste. Captured using efficient reclamation systems, organic waste is sent off-site for recycling or energy recovery. Off-site recycling converts waste into reusable products.

2009 Hazardous Waste Management



Hazardous Waste Generation

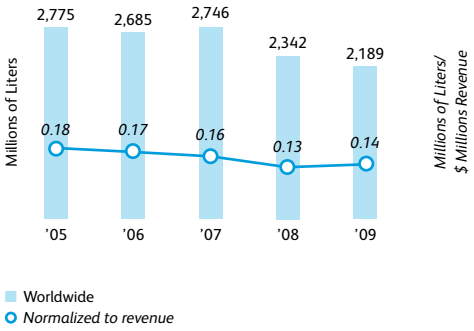


Water Consumption and Treatment

As part of our commitment to conserve resources, Xerox monitors water consumption at its facilities worldwide. Water consumption decreased 7 % in 2009 compared with 2008. This was attributable to process improvements in manufacturing and facility maintenance, production decreases and seasonal variation at several sites.

Wastewater from manufacturing processes is treated, as necessary, before being discharged into local sanitary sewers. The treatment includes adjusting pH and, as necessary, removing suspended solids. In addition, the company engages best management practices to prevent unwanted pollutants from entering waterways via surface contamination and run-off. Extensive sampling of wastewater, discharged to both sanitary and storm sewers, ensures that discharged water meets our strict requirements.

2009 Water Consumption



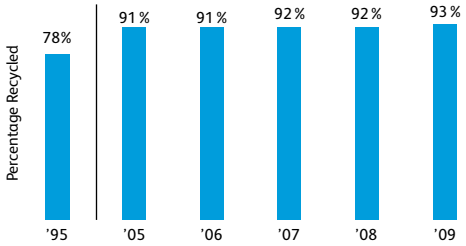
Non-hazardous Solid Waste

Xerox recycled 93 % of its non-hazardous solid waste in 2009, a 1 % increase from 2008. The main drivers for this increase are:

- A team at the Webster Consumables Manufacturing Plant addressed the overwhelming amount of packaging associated with incoming parts. They researched and found reuse/recycle applications for the material and, as a result, 800,000 foam sheets, 200,000 pieces of tag board, 60,000 plastic bags, 57,000 corrugated cartons and 6,900 plastic skids have been reused or recycled.

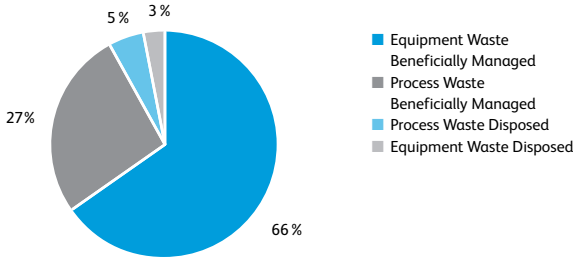
- The Xerox Wilsonville, Oregon, facility used an alternative material in an equipment cleaning process. The new process proved faster and more environmentally responsible. Plus, it saved 400 pounds of material per year from heading to a landfill.
- At the Xerox Oklahoma City plant, waste trimmings from the binder tape process were diverted from landfills and redirected to a cement kiln, where they would be used as a fuel source.
- Webster EA Toner Plant achieved "Waste Free" status, that is, zero waste to landfill.

2009 Non-hazardous Solid Waste Recycling Rate: Process and Equipment



In addition to typical solid waste generated from manufacturing, construction and maintenance, Xerox manages end-of-life machines returned to Xerox equipment recovery/recycle facilities. Returned equipment and parts that cannot be reused through remanufacturing, which we classify as "equipment waste," made up 66% of the non-hazardous solid waste managed by Xerox operations in 2009.

2009 Non-hazardous Solid Waste Management: Distribution by Type



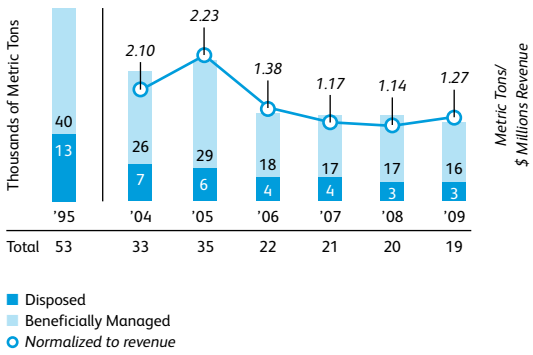
Equipment that reaches the end of its useful life is returned to Xerox equipment recovery/recycle facilities. To maximize environmental and financial benefits, Xerox first evaluates returned equipment for its reuse potential. Products suitable for reuse undergo the rigorous equipment remanufacture processes described on pages 11 – 13 of this report.

Process Waste

Xerox manufacturing operations generated 19,000 metric tons of non-hazardous solid waste in 2009, compared with 20,000 metric tons in 2008. This represents a 5% decrease from 2008 due to a reduction in production volumes at the majority of the sites. The waste stream consists primarily of paper, wood pallets, plastics and packaging waste such as corrugated cardboard. It also includes manufacturing-related wastes such as scrap metal, waste toner, waste batteries and lamps, and miscellaneous trash. In 2009, 84% of this waste was reused or recycled, compared with 85% in 2008.

Xerox has had waste reduction efforts in place for many years, which include reusable boxes, pallets and containers for parts delivery, reuse of toner that is outside the acceptable size range during manufacturing, and reusable totes for recycling scrap metal and paper.

Process Waste: Manufacturing, Research and Development Operations



Nurturing a Greener World through Sustainable Innovation and Development

Environmental Remediation and Compliance Penalties

Environmental Remediation

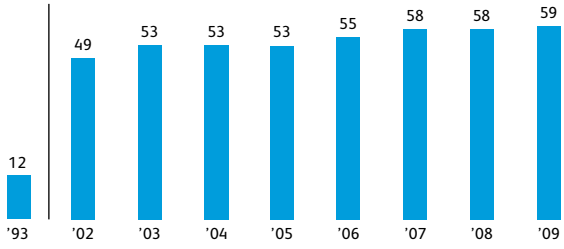
For more than 25 years, Xerox has conducted a proactive program to identify and clean up contaminated sites around the world. These efforts include a voluntary assessment program, begun in 1985, which resulted in identifying 68 facilities and operations sites that have required remediation. As the sites were identified, the company, as necessary, took immediate measures to ensure the protection of employees, neighbors and the environment from possible adversity.

To accelerate some of the remedial timeframes, we concentrated our initial efforts on source areas of contamination. In most instances, source area remedial measures were very successful in achieving their reduction goals. Many of these sites may now be managed with migration control techniques that limit potential movement and exposure. Today, only nine of the 68 sites require further remedial or control measures, including completing remediation at one additional site in 2009. Xerox fell short of meeting its goal of completing remediation activities at three sites in 2009 due to the dynamic nature of these activities and the need to ensure residual contamination is contained. Action plans are in place to address these issues.

In addition to using conventional techniques for groundwater pumping and soil excavation, Xerox has been at the forefront of developing and using innovative remedial technologies. These include techniques that enhance the recovery of contaminants such as High Vacuum 2-Phase Extraction® and bedrock and hydraulic fracturing. In addition, contaminants are converted to less-harmful substances through technologies such as enhanced biodegradation and chemical oxidation.

All Xerox manufacturing operations conform to the requirements of the ISO 14001 Environmental Management system. This approach, along with implementation of spill prevention plans, has resulted in only one new site identified for remediation in more than 10 years. In prior years, Xerox has centrally tracked spill and accidental chemical release information for its operations in North America and Europe, but has not included those data in its annual progress reports. Starting with the 2006 report, Xerox has been providing information on "reportable" releases globally, which Xerox defines as accidental releases of substances by Xerox that are required to be reported to a regulatory body. In 2009, Xerox's North American and European operations identified 12 reportable accidental spills/releases compared with five in 2008. Of the 12 events, five were unrelated to Xerox operations (e.g., from an employee-owned vehicle but occurring on Xerox property). Total volume for the 12 spills consisted of 120.5 gallons of oil and 1.5 gallons of ethylene glycol. Corrective action was taken in all cases. Preventing further contamination is our goal.

Cumulative Number of Sites Remediated



Compliance Penalties

Xerox requires its various operations and subsidiary organizations around the globe to report allegations of regulatory violations to Xerox's corporate Environmental, Health, Safety and Sustainability group for tracking, evaluation and corrective action, where appropriate. Based upon this reporting system, Xerox identified two instances where it was subject to a compliance penalty in 2009 for an alleged violation.

The Xerox Puerto Rico operations were cited by Puerto Rico OSHA for inadequate domestic violence protocol and employee education process. A fine of $1,000 was issued. The protocol was revised and all employees within Puerto Rico were trained on the process. The Xerox Webster, New York, maintenance operation received an OSHA citation for inadequate documentation and electrical safety procedure during the replacement of an electric motor in a manufacturing operation. No injury resulted; however, a fine of $3,000 was issued. Xerox procedures and documentation were improved immediately.

Product Safety

Safety always has been a cornerstone of our work in product development. Technological features inside Xerox digital systems ensure our products operate safely and efficiently. Equally important are the design standards – the look and feel of the product. They help ensure that our customers can operate our systems easily and comfortably.

Just as we provide ergonomic office furniture for our employees, we also only design products that are ergonomically sound. Our design teams consider a product's height, curves, placement of touch-screens and paper trays, and all points of human interface. Customers work directly with the designers in our labs to test and help adapt the usability features of new products.

Xerox has set the standard in the industry for safety. To assure our customers that products and supplies from Xerox are safe to use, we have invested in health studies for more than 25 years to examine the potential for long-term effects from exposure to toner. These Xerox studies are based on assessing the health of those in manufacturing and equipment servicing roles who work with toner every day. By evaluating the long-term health of these workers, we can conservatively draw conclusions regarding the risks of potential exposures in very low toner exposure settings, such as an office environment. Our decades of studies give no indication that there are chronic health consequences due to toner exposure in either our workplace or in customer settings.

We encourage customers to review product safety information and understand the environmental profile of Xerox devices. For this purpose, we provide comprehensive safety content about all of our products and the materials contained within Xerox systems. Our Product Safety Data Sheets (PSDS) offer environmental, health and safety information specifically for each Xerox device. We also produce Material Safety Data Sheets (MSDS); they identify hazards associated with a specific material and describe how they can be safely handled, used and stored. Customers have access to these reports at www.xerox.com/environment; when on the site, they can search by product name or number. Both sets of documents are available online in multiple languages to accommodate the needs of our customers around the world.

Just as with our workplaces, we have robust processes for tracking any compliance issues with regulatory violations or voluntary codes associated with our products or materials. In 2009, there were no such issues. In addition, we have a comprehensive process in place for tracking customer concerns and other field events.

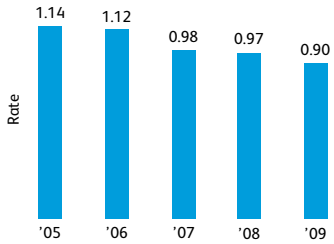
All customer issues, such as field incidents involving component failures and other potential safety concerns, are carefully investigated to determine the root cause. Corrective actions are implemented, as necessary.

Workplace Safety

Zero Injury Program

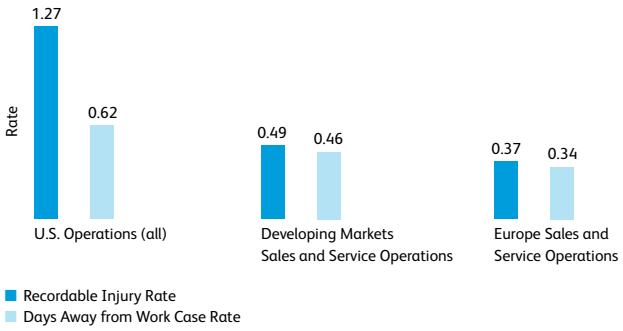
Over 10 years ago, Xerox ramped up its safety processes in order to reduce workplace injuries to the optimum level: zero. In 2009, the Total Recordable Incident (TRI) rate decreased 7% from 2008 while the Days Away from Work (DAFW) rate decreased by 4%. These numbers represent a 62% improvement in the TRI rate and a 53% improvement in the DAFW rate since 1996. This improvement is consistent with our goal of continual improvement. Xerox experienced no work-related fatalities in 2009.

Xerox Recordable Injury Rate (Five Year History)



At the heart of this program is the overarching commitment to make safety a core value of each operation. For 2009, our target was set on the basis of a 5% improvement in injury rates over the better of the last two years' performance. A focus on proactive methods such as the utilization of an effective health and safety management system, an ever-renewed commitment to management leadership and an aggressive hazard recognition and prevention program using employee involvement, work together to allow us to reach our goals. Reporting of work-related injuries, illnesses, and fatalities is based on the same criteria for all operations, worldwide, regardless of the geography in which they reside. In addition to the Xerox Corporation roll up, monitoring of injury frequency rates occur for different geographies and by organization.

Xerox Injury Rate Performance, By Geography



For 2010, our objective remains to continue year over year improvement and to implement comprehensive safety management processes. When possible, we utilize external frameworks and third party review to validate our programs. For example, our AMAT photoreceptor manufacturing operation in Webster, NY has been recommended for "Merit" certification under the U.S. Occupational Health & Safety Administration's Voluntary Protection Programs (VPP), and our Oklahoma City, Oklahoma. facility is VPP "Star" status. In addition, our three European manufacturing facilities are certified to OHSAS 18001, further demonstrating exemplary performance in safety management.

Motor Vehicle Safety

With our service technicians and sales representatives depending on their vehicles to get their jobs done, motor vehicle safety is a key component of our safety initiatives. Xerox has in place a company car program that specifies motor vehicle safety requirements of drivers; and Xerox provides employees with comprehensive driver safety training and ongoing reviews of their driving records. Company vehicles have safety features such as daytime running lights and safety barriers between the driver's seat and storage areas.

Ergonomics

Musculoskeletal disorders represent about half of our work-related injuries and illnesses. That's why Xerox has taken significant steps to reduce ergonomic stresses in the workplace. We recorded a 7% decline in reports of musculoskeletal disorders in U.S. operations in 2009 compared to 2008, a 58% decline since 1992. We address potential ergonomic issues in a variety of ways, always keeping in mind that the most effective way to prevent ergonomic injuries is to minimize the risk factors up-front when the job is designed.

For example, the company's health and safety organization develops and promotes these ergonomic assessments and tools:

- Office: Our ergonomics staff has created an online self-evaluation program, which walks employees through the appropriate set-up of typical Xerox office furniture; office design requirements include adjustable chairs and keyboard trays.
- Manufacturing: Nearly every workstation in Xerox facilities worldwide has been evaluated for ergonomic hazards. Ergonomically designed tools such as tilt tables, lifts and hoists make it easier for employees to maneuver parts and equipment during assembly.
- Service: Xerox service technician exposure to ergonomic hazards has been studied and tools and procedures have been put in place to mitigate musculoskeletal disorders. New equipment and tools that are introduced are evaluated to ensure they are designed with ergonomics in mind.
- Product Design: To identify and eliminate potential safety hazards, ergonomic review is a formal element of our product development process.

To improve ergonomic conditions across the population, Xerox developed an ergonomic training program aimed at our aging workforce. In 2009 we were able to train the majority of our manufacturing population. Over the next two years we plan to modify this program to meet the specific needs of our other work groups. The training is designed to provide simple ergonomic strategies, as well as awareness of the normal aging process, to reduce personal risk to employees.

Emergency Preparedness

Xerox's emergency preparedness and response program helps protect the safety of Xerox employees, their surrounding communities and the environment. It requires all Xerox operations worldwide to develop documented plans for responding to fires, chemical releases, natural disasters and other potential incidents. Mandatory management reviews, scheduled routinely, as well as drills and corporate audits, verify that plans will be effective in protecting our people and our business during emergencies. In addition, Business Resumption Plans are in place and drills are conducted annually to ensure effective processes are in place to restore business operations post incident.

Our plans strive to strike a balance between being detailed enough to address specific issues and being flexible enough to allow us to effectively deal with the uniqueness of any particular event. The H1N1 influenza virus in 2009 was a successful test of our planning and execution. When the influenza outbreak first occurred in Mexico City, we immediately implemented key elements of our pandemic preparedness plan including hygiene practices, work from home processes and use of personal protective equipment. When this threat expanded beyond Mexico, Xerox created an Incident Command Team with membership from Xerox subject matter experts and major operations globally. It is through this Incident Command Team that the risk was assessed, safety and business continuity decisions were made and communications were issued to all Xerox employees. Our pandemic plan served us well, and has been further refined to improve our preparedness for future threats.

Monitoring Workplace Exposures

To protect employees from unsafe exposures to chemicals, noise and radiation, Xerox defines strict exposure limits for worldwide manufacturing, research and service operations. They reflect the most stringent regulatory requirements or industry standards. For some materials – including toners, solvents and certain metals – Xerox has established limits well below the strictest regulations and standards.

Industrial Hygiene & Safety Professionals monitor and characterize workplace exposures through implementation of the Xerox Exposure Assessment Process and execution of Annual IH Sampling Plans. Exposures are minimized and controlled through use of engineering controls, safe job procedures and use of personal protective equipment. Of the workplace exposures monitored in 2009, 97% were within Xerox limits.

Health Studies: Establishing the Safety of Toner

As one of the world's largest manufacturers and distributors of toner – a fine powder composed of plastics, colorants and small quantities of functional additives, Xerox recognizes the need to help ensure its safe development, production and use by employees and customers. We carefully review the safety of all materials used to make our toners and have invested in studies to examine the potential for any long-term health effects from exposure to toner.

The first of these studies, a comprehensive laboratory analysis completed in 1989, indicated some health effects at very high levels of dust exposure – levels that workers would likely not be exposed to in Xerox plants. Nonetheless, Xerox has lowered toner dust levels in our factories and established strict controls on dust emissions from Xerox products.

Other studies focus on Xerox employees who manufacture toner and service our equipment. One study continues to evaluate more than 32,000 employees who worked at Xerox between 1960 and 1982. To determine if there are work-related mortality patterns, the study uses standardized techniques to compare employee causes of death to causes of death for the overall U.S. population. Another study is evaluating the potential health effects of toner on current Xerox manufacturing and service employees exposed to toner. To date, these studies have shown no evidence of chronic health effects due to toner exposure.

With the burgeoning growth of color printing and Xerox's market leadership in color production printing, the company has expanded its health assessment studies to employees exposed to color toners.

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