

Preserving Our Planet through
Sustainable Innovation and Development
Our 2011 Environment, Health and Safety Report



This information from our 2011 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/2011.

We have found that we don't have to choose between being a sustainable company and being a profitable one. We can do both. We can do both for our customers, too.

Environmental Goals and Priorities

At Xerox, we approach environmental issues from a life cycle perspective, recognizing the importance of considering 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 2010 we began development of our environmental sustainability scorecard to assess how the corporation is progressing toward its corporate goals across supplier, Xerox and customer dimensions. The scorecard process was piloted in late 2010 across our internal operations. In early 2011, we developed the scorecard approach with suppliers, with plans for wide-scale implementation in late 2011.

Xerox's recent acquisition of ACS more than doubled our workforce, brought hundreds of new facilities, and added several new lines of business to our company. Accordingly, Xerox invested significant effort in understanding the environmental, health and safety aspects associated with ACS. We have now identified priorities and initiated the integration process. Because ACS was not part of Xerox the entire year, the metrics reported here primarily reflect "legacy" Xerox. Where applicable, however, ACS status is included in the sections that follow. Full integration of reporting will be a gradual process.

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 progress toward an ultimate 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 to 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 validates 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.

The Sustainability Strategy Council is Xerox's executive-level organization which champions and guides 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.

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Commitment	Strategic Goal	Objective
Protect Our Climate	Carbon-neutral	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Reduce PBT footprint throughout the supply chain.
Waste Prevention and Management	Waste-free facilities and products	<ul style="list-style-type: none"> • Reduce material footprint of Xerox equipment and supplies. • Achieve "zero waste to landfill" for major facilities worldwide.

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.

Metric/Target

- Reduce total GHGs 25 % from 2002 to 2012.
- Obtain ENERGY STAR® for 90 % or more of new product launches by 2010.

- Supplier adherence to Xerox requirements for sustainable forest management.
- Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody certifications for Xerox operations.
- Successful partnership with The Nature Conservancy.

- Xerox's ISO 14001-certified facilities have established goals to reduce hazardous materials as well as energy and waste.
- 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.
- Life Cycle Evaluation (LCE) to prioritize areas for future technology development.

- 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.

2010 Progress

- GHG emissions down 3 % from 2009 and down 31 % from 2002 to 2010.
- 100 % of eligible new products launched achieved ENERGY STAR (version 1.1).

- The annual supplier conformance process has been enhanced to measure key environmental metrics of each of our suppliers with a goal of offering preference to suppliers exhibiting continual improvement in the reduction of GHG emissions, water and waste in their operations.
- Maintained chain of custody certification as planned, expanding portfolio of FSC- and PEFC-certified papers.
- In early 2010, Xerox renewed the partnership with The Nature Conservancy for a four-year period.

- Worldwide hazardous waste volumes decreased 4 % from 2009; 93 % was beneficially managed.
- Emissions of volatile organics from manufacturing processes decreased by 16 % from 2009 levels.
- Releases reported under national toxic chemical release reporting regulations decreased by 15 % from 2009 levels; 97 % of these releases were beneficially managed.
- Most Xerox sites globally have eliminated the use of PBT containing materials from facility and equipment maintenance processes. The two remaining sites using PBTs minimally are working to replace the materials.
- Completed peer-reviewed LCA for ColorQube™ 8570/8870 and internal assessments of alternative toner formulations/processes.

- Launched ColorQube 8570/8870 and continued development of production printer that utilizes Xerox's solid ink technology in preparation for launch in 2011.
- Achieved 92 % reuse/recycle rate.
- Goal established in 2010 to decrease the amount of waste sent to landfill by 85 % in 2020.
- Two U.S. Distribution Centers achieved ISO14001 certification.

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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Scenario Planning

The one thing we can say with certainty about the future is that it is uncertain. But scenario exercises, and particularly scenario exercises that embed global social, economic and environmental sustainability trends, provide a window to tomorrow that enables us to think more broadly about the “What-ifs” of the future, and to avoid thinking that the tomorrow will be like today but more so. While many companies have explored or are exploring the use of scenarios, few are applying experiential approaches and even fewer incorporate environmental and social dimensions into their scenarios. Realizing the dynamic economic, societal and ecological systems in which we operate, as well as our inability to predict what the future will hold, Xerox assembled a team of key executives to explore both risks and opportunities surrounding sustainability. This multi-phased approach utilized scenario planning as a tool to accelerate embedding sustainability into our business and to identify potential opportunities.

Phase I – “learning”

The key objectives of Phase I included:

1. Advance learning and broaden the thinking of a broad set of executives in the organization.
2. Understand current state and implications to our business.
3. Identify important aspects to incorporate into scenarios to ensure relevance to our business.

Phase II – “scenario planning”

The key objectives of Phase II included:

1. Identify the robust strategies that cut across very different “world” scenarios.
2. Determine important external indicator to track to enable resiliency strategy.

Phase III – “future business readiness evaluation”

The key objectives of Phase III include:

1. Understanding implications on current business of robust strategies identified during scenario planning.

We are currently in this phase and have learned much through this process. This approach has been quite effective in building organizational knowledge/capability as well as alignment. While it is too soon to articulate concrete opportunities, Phase III is necessarily a “perpetual” phase, as it ultimately embeds the environmental and social dimensions into the business strategy process.

Audit Program

A well-established internal audit program measures our success in implementing corporate standards and guidelines and validates regulatory compliance. 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, beginning in 2010, also evaluated management system performance. With the assistance of the local managers and support staff, action plans are developed and deficiencies corrected. Senior management pays particular attention to situations with the potential to pose a significant risk of environmental damage, serious injury to employees or regulatory non-compliance. In 2010, Xerox met its goal of resolution of these issues within 90 days, and continued to demonstrate 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 topics. In addition to any regulatory-required safety training, employees are trained on established safe job procedures based upon the job-specific hazards they may encounter and procedures and protective equipment they are expected to use. 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 system, employees are routinely involved in identifying the environmental aspects associated with their responsibilities. In 2010, a significant number of procurement agents participated in training on Xerox corporate sustainability goals to better enable them to implement our Socially Responsible Purchasing Policy, and a broad spectrum of executives gained significant learning through participating in a series of workshops designed to support a scenario planning exercise.

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 EHS&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 and other stakeholders in 2010, generating awareness of the importance of sustainability, sharing best practices in industry, government and academia, 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:

Academia:

- 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
- Advisory Board for American University Center for Environmental Policy

Business:

- Business Roundtable Climate RESOLVE
- Business Roundtable S.E.E. (Society, Environment, Economy) Change
- Business for Social Responsibility
- Sustainability Innovators Working Group
- EcoPatent Commons

Non-Governmental Organizations:

- Environmental Defense Fund Climate Corps
- 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
- Board of Trustees of Second Nature
- Board of Trustees of Central Western New York Chapter of The Nature Conservancy

Government:

- Sustainable Energy Authority of Ireland
- U.S. EPA ENERGY STAR
- U.S. EPA SmartWay Transport Partnership
- U.S. EPA WasteWise

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. Quarterly status meetings and integration with our newly deployed scorecard promote visibility, best practice sharing and innovation.

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 2010, our U.S. Equipment Distribution Centers achieved ISO 14001 certification.

Preventing waste through reuse.

Xerox operations continually look for opportunities to manage materials in the most environmentally preferable manner possible. A few examples:

- Webster Fuser Business Center developed recuperation processes for many components that are in fusers and fuser modules that have resulted in a significant reduction in scrap.
- Our equipment supply chain enhanced equipment asset reuse processes to place over 2,000 used pieces of equipment in the U.S. marketplace, resulting in 550 metric tons of avoided scrap.
- Our Dundalk, Ireland, plant developed processes to reuse or remanufacture parts and equipment, resulting in 120 metric tons of avoided scrap.
- Webster Consumables Manufacturing Plant repacked consumables that were in damaged packaging, saving over 13,000 cartridges from unnecessary disposition.

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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 and other stakeholder 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 EHS&S organization review Xerox products at each stage of the “time to market” product development process for conformance with EHS&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, 8870 and ColorQube 9200 series), comparing their impacts to comparable xerographic 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, like all global businesses, should 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

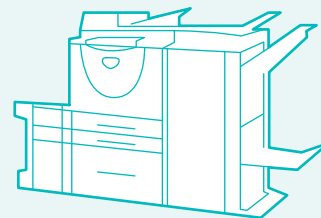
More than 10 years before the inception of the U.S. Environmental Protection Agency (EPA) ENERGY STAR Office Equipment program, Xerox introduced the first imaging product with an automatic power-down

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, 100 % of all new eligible product introductions in 2010 passed this tough test. An example of the company’s success is the Xerox WorkCentre® 7535 color office multifunction printer. Based on ENERGY STAR testing methods, the WorkCentre 7535 uses 3.4 kWh per week of electricity, about 40% 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 7535 =
40% less energy consumption
than previous model.**



Xerox engineers designed a new Induction Heat Fusing system that uses significantly less energy than previous designs. This new fusing system does not require preheating and doesn’t consume any power when the machine is in standby mode. Because it has very little warm-up time, the machine can spend more of its time in sleep mode, with minimal impact on productivity. The result? The Xerox WorkCentre 7535 multifunction color printer uses 40 % less total energy than a previous comparable model.

Xerox Partnership with U.K. Department for Work and Pensions (DWP) named Green IT Public Sector Project of the Year.

The award recognized DWP's sustainable print project, delivered in partnership with Xerox, which has cut the amount of electricity the department uses.

In March 2010, DWP began a joint sustainable print service project with Xerox to cut printing costs and reduce energy use through a managed print service. With Xerox's help, the Department replaced more than 30,000 legacy single-function printers with fewer than 8,200 Xerox multifunction devices which, where necessary, are capable of printing, copying, faxing and scanning, and are ENERGY STAR-rated.

In addition to cutting electricity consumption by 63%, the new fleet gave DWP staff capacity to have scanning facilities at every site in the Department if needed. Default double-sided printing also helped save paper and money. Calls to the help desk have nearly halved, and there has been a 90% reduction in the number of site visits by engineers to deal with faulty printers.

"All in One" = Less Energy Use

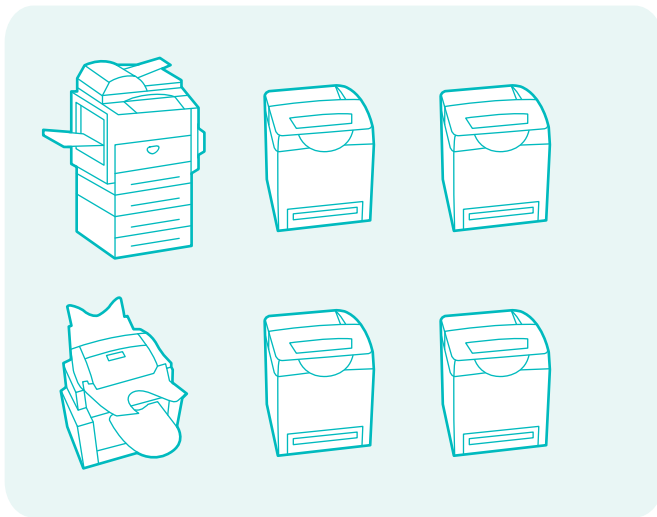
Xerox multifunction systems further reduce the amount of energy required to copy, print, fax and scan by combining the functions of multiple products into one machine. The annual energy savings of replacing several individual ENERGY STAR-qualified copiers, fax machines and printers with one Xerox ENERGY STAR-qualified WorkCentre multifunction system is up to one-half. 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.

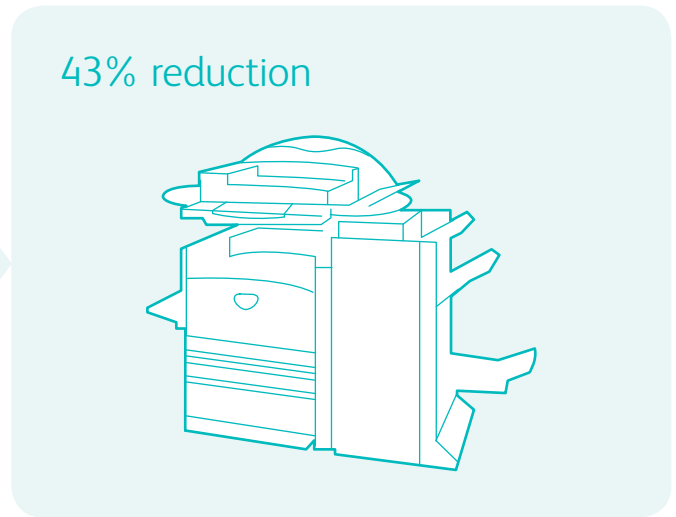
In 2008, Xerox unveiled the industry's first Sustainability Calculator, designed to help customers understand the benefits of Xerox solutions and pinpoint opportunities to reduce their environmental impact while reducing costs. The software tool estimates the overall impact a company's document technologies 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

Xerox Multifunction Systems: Inherent Environmental Benefits



312 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 spec limits.



179 kWh

Annual energy consumption of a Xerox WorkCentre multifunction system.

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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. While results are dependent on the specific parameters of the optimization, dozens of evaluations over the past three years have demonstrated that life cycle reductions in the key environmental metrics of 20%–35% are typical. Learn more at www.xerox.com/sustainabilitycalculator.

Two Ohio universities reduce their environmental impact through Xerox Managed Print Services.

Cuyahoga Community College (Tri-C) and Cleveland State signed on for Xerox MPS to not only reduce costs (the two schools plan to save nearly \$1M per year combined), but also to keep up with the document demands of a growing student population. An added benefit? Reduction in environmental impact. Analysis using Xerox’s Sustainability Calculator estimates that the changes will lead to life cycle reductions in energy, greenhouse gas emissions and solid waste in excess of 30% at Tri-C and 50% at Cleveland State.

Reducing Our Company-Wide Carbon Footprint: “Energy Challenge 2012”¹

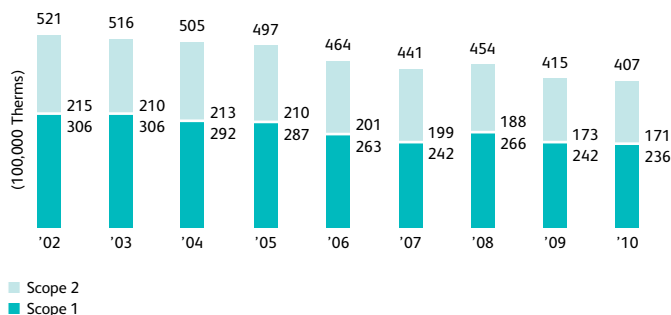
In 2003, Xerox made a public commitment to reduce greenhouse gas (GHG) emissions – our carbon footprint – by joining the U.S. EPA Climate Leaders program and launching an internal program known as Energy Challenge 2012. We adopted a goal of reducing by 10% our absolute GHG emissions across all company 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 opportunity to do even more, in 2007 Xerox set a new and challenging goal to reduce our GHG emissions by 25% by 2012, from the 2002 baseline. Through 2010, we have cut emissions by 31%, or 151,500 tons of carbon dioxide equivalents (CO₂e). This was achieved by reducing energy consumption in our facilities, manufacturing operations, and across our service and sales vehicle fleet. In 2010, energy consumption was down 22% compared with 2002. Also in 2010, we began the effort of establishing the GHG emissions inventory for our largest acquisition ever (ACS) that occurred in March 2010. The new corporate goal to be announced in early 2012 will be inclusive of ACS.

¹Energy and GHG emissions totals are associated with fuel consumption by company-owned fleet and natural gas/electricity consumption in facilities with square footage of 17,500 or greater. Vendor invoices from utility and fuel providers are the preferred source of data; when unavailable, estimations have been used.

ACS solutions reduce toll plaza congestion.

ACS is a leader in Electronic Toll Collection (ETC), a technology effective in increasing throughput and hence in decreasing congestion at toll plazas. ACS ETC solutions help the motor carrier industry save two million hours and 12 million gallons of fuel each year – and the associated air emissions from that fuel consumption.

Energy Consumption

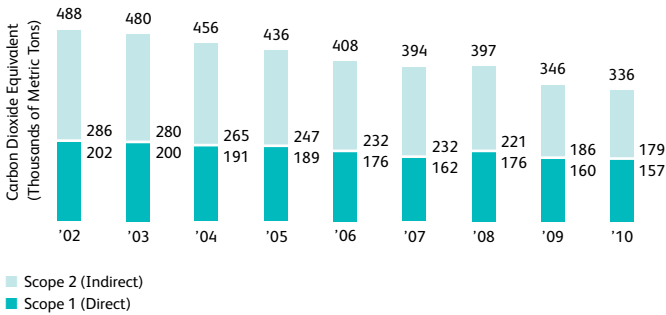


ACS parking solutions reduce the time customers spend on parking.

Especially in metro areas, significant time can be spent driving around looking for an available parking space – resulting in carbon emissions, fuel consumption and frustrated drivers. ACS technology reduces the hassle of parking, saving fuel and driving time. On-street wireless vehicle sensors enable real-time monitoring of parking space occupancy status. Within a parking management system, these data are integrated with data from meters, enforcement, guidance and analytical subsystems to maintain a comprehensive model. When integrated with the payment status data from meters, the data from wireless sensors drive analytics for dynamic pricing strategies and enable guided parking via a parking guidance system – through the city and straight to available parking.

Parking Guidance Systems (PGS) integrated with wireless sensors provide information to motorists regarding parking options at their destinations, pre-trip as well as en route. They are able to check parking options, locations, rates and optimal parking before they leave the house or en route via dynamic message signs installed on roadsides, through navigation systems in their cars, and through smart phone applications.

Greenhouse Gas Emissions



ACS unveils state-of-the-art data center.

In March 2010, ACS unveiled a new state-of-the-art flagship data center in the U.K. that could serve as an industry model by simultaneously cutting carbon emissions and reducing energy costs. Located in Telford, the data center incorporates leading-edge design to reduce environmental impact. For example, the modular design means that it can run on free air cooling for 54% of the year, external conditions allowing, which leads to a reduction in carbon emissions estimated at 4,200 metric tons per year over traditional cooling methods. The U.K. data centers apply ISO 14001 environmental management principles to their operation, and are working toward certification in 2011. This data center received recognition as a finalist for both the U.K. IT Industry Awards 2010 "Environmental Project of the Year" and the Data Centre Leaders Awards 2010 for "Improved Data Centre Energy Efficiency."

Greenhouse Gas Inventory

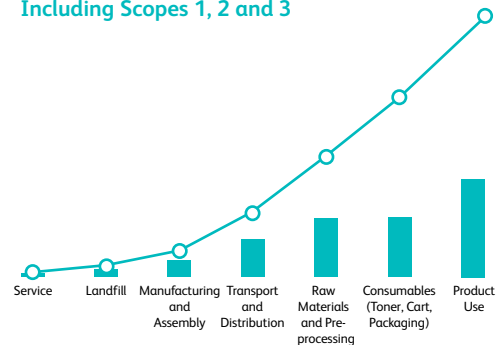
In keeping with the international guidelines of the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, Xerox tracks the six major GHGs: carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulfur hexafluoride (SF₆). We express our carbon footprint in terms of carbon dioxide equivalents (CO₂e). 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. In accordance with the Greenhouse Gas Protocol, inventory adjustments are completed each year as a result of the opening and closing of facilities and changes to the vehicle fleet. Xerox is in the process of expanding GHG tracking to include Scope 3 emissions.

Estimating Scope 3 Emissions

There are many challenges in assessing Scope 3 emissions, including the large number of variables, the difficulty in collecting data from suppliers, and increasing uncertainty in the data as the sources become further removed from the company itself. We have begun calculating Scope 3 according to the WRI Scope 3 Accounting Standard expected to be finalized later in 2011. We will use the information to prioritize our GHG emission reduction opportunities and to integrate consideration of carbon impact into sourcing and internal decision making.

Our first Scope 3 calculation exercise focused on a representative multifunction printer. Emissions throughout the product life cycle were included in the model. As expected, Scope 3 emissions per unit are higher than Scope 1 or Scope 2, with the highest contribution being from product use, followed by consumables and raw material extraction and processing. This information is consistent with previous life cycle assessment work we have conducted, and continues to guide our product design efforts.

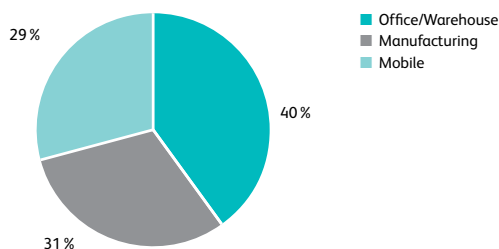
Pareto of Carbon Impact of Value Chain for a Representative Product (paper not included) Including Scopes 1, 2 and 3



Due to the complexities of measuring and the changing dynamic of supply chains, these numbers represent a snapshot in time based on one product and are a best effort to evaluate the relative contribution to Scope 3 of the key segments of our value chain. While these calculations are not precise enough for carbon reporting purposes or company/product comparisons, they do provide value as a diagnostic tool to help prioritize where efforts may have the biggest opportunity.

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Sources of Greenhouse Gas Emissions



In 2010, Xerox GHG emissions totaled 336,000 metric tons of CO₂e. About 53% were indirect emissions from purchased electricity and steam. The remaining 47% 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 71% of our GHG emissions. The remaining 29% are emissions from our service and sales vehicle fleet and other mobile sources.

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. 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 virtually all document management needs. One multifunction system can cut energy consumption by up to one-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. Life extension is a key focus of our consumables development group.

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 some in the United Kingdom and the U.S., are taking advantage of opportunities to further reduce GHG emissions. An example is the Xerox facilities in the U.K., where 100% of the portfolio is powered by Green Energy. Other facilities, such as Wilsonville, Oregon, purchase renewable energy or credits that offset a portion of electricity consumption.

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 GHG 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 source paper. Recognizing that challenges facing the paper industry extend beyond the paper companies themselves, our strategy utilizes a multi-pronged approach. 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 are expected to submit detailed documentation verifying conformance.

Xerox's **requirements** seek to ensure that suppliers have the following key elements in place:

- 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 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
 - Strictly limits the use of hazardous materials, including the exclusion of elemental chlorine, in the processing and content of Xerox papers
- Shows 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 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 extended our long-term partnership with The Nature Conservancy by making an additional grant of \$1 million over the next four years. 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.

In addition to the above requirements that apply to all Xerox paper suppliers, Xerox also markets specific papers with other environmental attributes:

Sustainable Forest Management-Certified Papers

Xerox has introduced papers that comply with sustainable forest management standards, including Forest Stewardship Council (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 ranging from 20% to 100% post-consumer recycled content. Our recycled papers use post-consumer waste and/or recycled fiber in place of new pulp. Recycled products are required to meet the same strict performance specifications as virgin products, and are designed for optimal performance in Xerox equipment.

Efficient Use of Paper

Xerox equipment and software are 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. Xerox Enterprise Print Services customers have access to sophisticated print management and reporting tools, such as Xerox Print Agent, which provide additional methods of encouraging and tracking responsible print behavior. 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.

Deinkability

In recent years deinkability has become an area of increasing concern, particularly among our graphic communications customers. Ensuring that prints produced with Xerox equipment and materials can be responsibly managed at the end of their useful life is an important consideration in our product development process. When appropriate, independent testing is utilized to confirm that these prints pose no unique challenges to the recycling stream. While the deinkability of xerographic prints has long been demonstrated, a key milestone for a new technology came in 2010 when the new Xerox Production Inkjet printer achieved a “Good Deinkability” rating from INGEDE, the international association of the deinking industry.

For more information on Xerox paper, visit

www.xerox.com/sustainablepaper.

Preserving Our Planet through Sustainable Innovation and Development

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:

- Over 30 years ago, we began forming requirements and evaluating the health effects of materials
- 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. Since 2007, Xerox's newly launched products have been 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 goal 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 goal as described in the "Environmental Performance in Xerox Facilities" section of this report.
- Xerox is investing in technologies that reduce the creation of waste. 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. For laser-based products, materials innovation has extended the life of critical replaceable components by up to 50%.

Webster toner plant achieves zero waste-to-landfill.

The Webster Emulsion Aggregation (EA) toner plant has achieved zero waste-to-landfill status. This accomplishment was realized through a combination of waste reduction and beneficial management efforts. The plant implemented process redesign and operational practices to significantly reduce the quantity of waste generated during manufacturing of toner. In addition, their existing waste handling system was re-designed to enable ALL waste streams that had previously been sent for landfill disposal to be co-collected with the existing energy-from-waste recovery. Today, ALL manufacturing and office waste is reused, recycled or sent for energy-from-waste recovery.

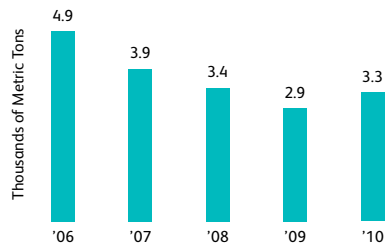
Xerox Green World Alliance

The Xerox Green World Alliance (GWA) reuse/recycle program for imaging supplies is central to our commitment to waste-free products. This partnership with Xerox customers resulted in more than 3.4 million cartridges, toner containers and other used supply items being returned in 2010. Although Xerox's consumables returns programs have been in existence for two decades, Xerox continues to evaluate customer needs and implement improvements to the program. For example, in early 2010, two new bulk returns processes were introduced in the U.S. The pallet returns process enables customers to return 30 or more cartridges in a single shipment. Eco-Box returns allow the customer to order free bundles of Eco Boxes that hold from five to 12 cartridges per return, depending on the size of the item. These enhancements simplify the customers' role while enabling the return of a wider variety of items. Xerox continues to monitor global customer feedback and industry best practices to stay on the path of continuous improvement.

Xerox takes another step toward waste-free.

In late 2010, Xerox partnered with Close the Loop, one of the world's largest recyclers of imaging supplies that specializes in cartridge returns. Close the Loop collects U.S. customers' returns and manages the recycling on behalf of Xerox using a patented material separation process that recovers used materials for reuse in new printer cartridges and other products. These processes enable virtually all material returned through the program to be beneficially managed. This partnership both simplifies the returns process for customers and also allows more of the return stream to be recycled into useful products.

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



Well-Established Collecting and Reprocessing Methods

Xerox customers now have three options for returning spent consumables to Xerox for reuse and recycling at no charge – individual unit returns for select items, the Eco Box program and pallet returns. Returned products are sorted, and items suitable for remanufacturing are cleaned, inspected and then remanufactured. Those which cannot be remanufactured are recycled. Remanufactured cartridges, containing an average of 90% reused/recycled parts, are built and tested to the same performance specifications as new products.

Recycled waste toner and toner reclaimed from manufacturing that qualifies for reuse may account for 25% of the weight of new toner, without compromising toner functionality. Reusing waste/reclaimed toner saves several million dollars in raw material costs each year.

Xerox currently has more than 30 countries participating in the Xerox Green World Alliance. Each has its own GWA country page which either describes the processes available to the customer or the appropriate points of contact for more information. Further information on Xerox's consumables returns program is available at the Green World Alliance website: www.xerox.com/gwa.

Cartridge remanufacturing reduces cost and carbon impact.

A cross-functional Xerox team identified an opportunity to remanufacture field-returned cartridges from Xerox-branded multifunction printers. By developing, qualifying, and implementing the remanufacturing processes, significant cost and environmental benefits have been realized: cost productivity in excess of \$1M, nearly 300 metric tons of waste avoidance, and carbon footprint reduction of almost two million kg of CO₂e compared to virgin cartridges.

Preserving Our Planet through Sustainable Innovation and Development

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.

Xerox takes very seriously the environmental philosophy of reduce/reuse/recycle throughout the product life cycle of our equipment and parts. As early as the design phase, machines are designed with the minimum number of required parts and with high durability and reuse capability, in order to encourage multiple product life cycles. During the active phase of a product, all returned equipment is evaluated for reuse opportunities throughout the Supply Chain. Finally, during the end-of-life/end-of-service phase of the product life cycle, since the parts are coded with disposal instructions, they are easy to recycle in the most effective manner.

Xerox enables reuse according to the following hierarchy:

- Reuse of complete end item as used or new, depending on the condition of the machine. This requires the least reprocessing, transportation and energy usage. This reuse method comprised an average of 6% of our total returns in the U.S. in 2010.
- Remanufacturing or conversion into a newer-generation product or part. Product families are designed with a high level of commonality to enable maximum reuse in this manner. This allows us to remanufacture to “as new” performance specifications while reusing 70–90% of the machine components by weight without degradation of quality or performance. Nearly 40% of machines returned in the U.S. are sent for remanufacturing of some sort.
- Reuse of major modules, subcomponents, and parts for spares or manufacturing. Machines which have otherwise outlived their useful life are stripped of useful parts and components prior to the scrap/reclaim process. Used spare parts returned from the field are also considered for this reuse stream. Xerox is continually looking to increase the number of components that are reused in upstream and downstream processes after their original machine has been designated for disposal. In 2010, almost 200,000 parts were stripped off of used machines and sent back out to the field for reuse either in manufacturing or as repair parts.
- Material recycling. Any remaining portion of a machine after the above processes have been followed is stripped of any recyclable material (e.g., plastics, copper wire) and material requiring special disposal services, such as PWBs, batteries and lamps. The remainder of the machine is then crushed and sent to a scrap metal reclaim facility.

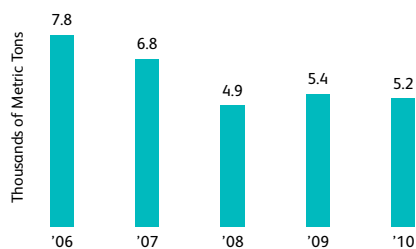
Our approach to managing products at end-of-life translates into significant environmental and financial benefits. Globally, our combined returns programs (equipment remanufacture in conjunction with parts and consumables reuse and recycling) prevented nearly 46,000 metric tons of waste from entering landfills in 2010 alone.

Xerox’s manufacturing approach focuses on sustainable strategies to extend the lifespan of equipment.

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, and carry the same guarantees, warranties and service agreements as Xerox equipment made from all-new parts. With more than a decade of proof, the misperception that products with reused/recycled parts are inferior to those built from all-new parts has diminished. A recently concerning trend, however, has been the inclusion of requirements for “all-new parts” in some public sector bids and tenders, in many cases running counter to those governments’ own green procurement principles. We continue to educate customers about the quality and reliability of equipment containing reprocessed content. Focusing on the quality and performance of products, regardless of recycled content, eliminates barriers to reuse.

The annual trend in reduction in waste diverted from landfills 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

While Xerox has long been committed to responsible end-of-life management of equipment, the proliferation of e-waste regulations has created a need for multiple programs in different countries and even states. The subtle differences in requirements among these regulations pose challenges from a process consistency and efficiency standpoint. For example, with the implementation of the European Union's Waste Electrical and Electronic Equipment (WEEE) Directive, Xerox continues 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.

We carefully manage suppliers that provide recycling and waste disposal services. A waste vendor approval process assesses the safety and environmental practices as well as compliance history of each vendor. 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 to developing nations for processing.

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 seven countries.² Energy consumption and greenhouse gas emissions are reported across all legacy Xerox 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.

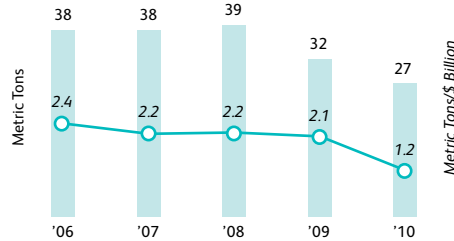
The data presented in this section are based on actual measurements to the extent possible. In situations where direct measurements are not available, engineering calculations or estimates are used as a proxy. We continue to strive to improve the accuracy of the data reported.

Air Emissions

Xerox has reduced manufacturing air emissions by more than 95% over the past 20 years, and continuous improvement remains a priority.

Most of Xerox's non-combustion air emissions originate from manufacturing operations related to the production of imaging supplies such as toner, photoreceptor drums and belts, and fuser rolls. Approximately 27 metric tons of volatile organic process emissions were emitted to the air from these production activities in 2010, a 16% decrease from 2009. Year-over-year reductions came primarily from facility consolidation and product mix, including lower production volumes of legacy products coated using organic solvents, and production declines attributable to longer-life components.

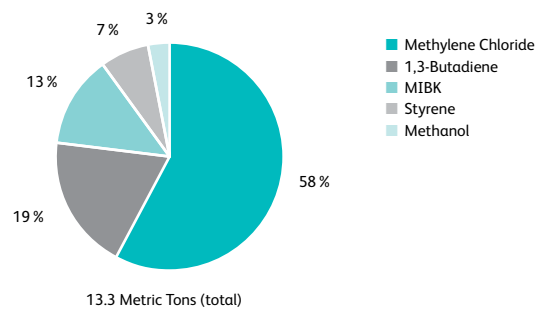
Volatile Organic Process Air Emissions



A subset of these volatile organic process emissions is defined by the United States Environmental Protection Agency (EPA) as hazardous air pollutants (HAP). In 2010, Xerox reported worldwide air emissions of approximately 13.3 metric tons of HAP under national toxic chemical release regulations, including the United States' Toxic Release Inventory (TRI) program. Methylene chloride, methyl isobutyl ketone and 1,3-Butadiene represent approximately 90% of these HAP emissions.

2010 HAP Air Emissions

(As reported under National Toxic Release Regulations)



Ozone-Depleting Substances

Xerox policy prohibits the use of ozone-depleting substances (ODS) as ingredients in products, spare parts, accessories and packaging. Ozone-depleting substances are used as refrigerants in facility and vehicle air conditioning systems and various food/equipment cooling systems. Although ODS may be released during the normal operation and failure of these systems, the total amount released is not significant from a company-wide perspective. Elimination of ODS as refrigerant is managed in a fashion consistent with government phase-out programs.

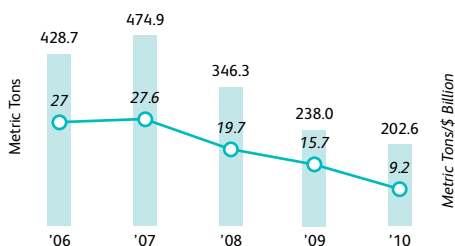
²The ACS acquisition did not add operations within these categories. Normalized values for 2010 were calculated using Xerox revenue figures inclusive of ACS.

Preserving Our Planet through Sustainable Innovation and Development

Xerox Worldwide Reporting – Toxic Chemical Releases

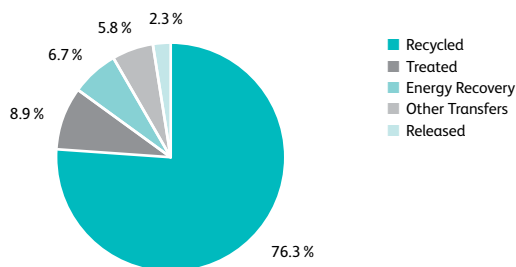
Releases to the environment of materials used in Xerox’s worldwide operations must be annually evaluated and reported to government agencies under national toxic chemical release reporting regulations, such as the Toxic Release Inventory (U.S.), the National Pollution Release Inventory (Canada) and Pollutant Release and Transfer Registers (Europe). Xerox’s reported releases in 2010 were 15 % lower than 2009 levels and 52 % lower than 2006 levels.

Reportable Toxic Chemical Releases and Transfers (Includes North American and European Operations)



Xerox strives to beneficially manage these materials whenever possible. In 2010, over 97 % of materials reported under national toxics reporting programs were beneficially managed on site or at approved treatment, storage and disposal facilities.

2010 Management of Reported Toxic Chemicals



Spills and Accidental Releases

In 2010, Xerox’s North American and European operations identified eight reportable accidental spills/releases compared with 12 in 2009. Two of the eight events, however, were unrelated to Xerox operations (e.g., from an employee-owned vehicle but occurring on Xerox property). Total volume of the eight spills was 75 gallons of oil and 65 pounds of volatile organic compounds. Corrective actions were taken in all cases. Preventing environmental releases of regulated materials to air, soil and water is our goal.

Hazardous Waste

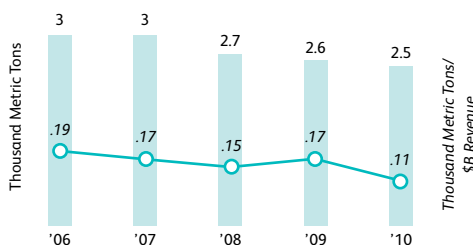
Xerox strives to minimize the generation of hazardous waste, and to employ beneficial treatment methods when hazardous wastes are generated. The company does not export hazardous waste to developing nations.

Worldwide hazardous waste volumes decreased 4 % between 2009 and 2010, primarily due to the closure of plants in the United Kingdom and India, and production decreases at certain U.S.-based operations. 93 % of hazardous waste generated in 2010 was beneficially managed via treatment, recycling, energy recovery or fuels blending. The remaining 7 % (a slight increase over 2009 related to one-time closure projects) was incinerated or disposed in landfills permitted to accept hazardous waste.

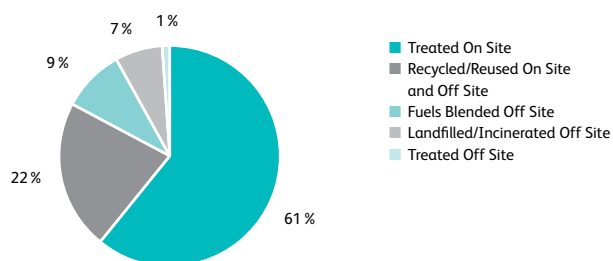
The largest reported hazardous waste stream in 2010 was electroplating wastewater treated via elementary neutralization prior to discharge to the municipal sanitary sewer under a wastewater discharge permit.

Hazardous Waste Generation

2010 Hazardous Waste Generated



2010 Hazardous Waste Management

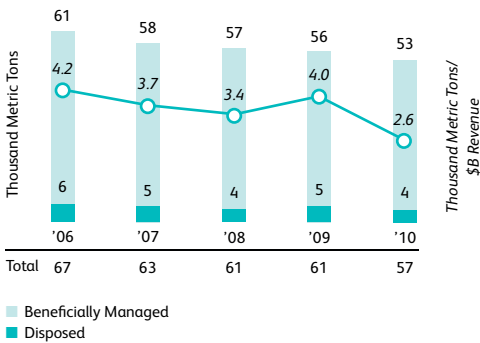


Non-hazardous Solid Waste from Xerox Operations

Xerox manufacturing operations generated 57,000 metric tons of non-hazardous solid waste in 2010 compared to 61,000 metric tons in 2009. While there was a decrease in manufacturing in 2010, Xerox also underwent a large effort to consolidate operations. This resulted in decommissioning activities for facilities in Monroe County, New York, Mitcheldean, U.K., and Rampur, India, which generated a large amount of one-time waste.

Process Waste

Process Waste: Manufacturing, Equipment Recovery, Research and Development

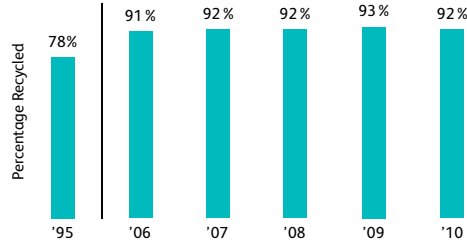


The waste stream consists primarily of paper, wood pallets, plastics and packaging waste such as corrugated cardboard. It also includes manufacturing-related wastes such as scrap metal, waste toner, waste batteries and lamps, and miscellaneous trash. Xerox has had waste reduction efforts in place for 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.

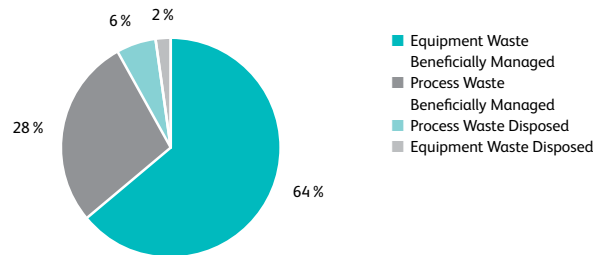
In addition to typical solid waste generated from manufacturing, construction and maintenance, Xerox manages end-of-life machines returned to Xerox equipment recovery/recycle facilities. Returned equipment and parts that cannot be reused through remanufacturing, which we classify as “equipment waste,” made up 66% of the non-hazardous solid waste managed by Xerox operations in 2010.

Xerox recycled 92% of its non-hazardous solid waste in 2010, a 1% decrease from 2009. The primary driver of this reduction was an increased volume of solid waste sent to landfill as part of the decommissioning activities associated with site closures. In addition, 2010 data reflect one waste stream from the Xerox Venray operations which was not previously reported.

2010 Non-hazardous Solid Waste Recycling Rate



2010 Non-hazardous Solid Waste Management: Distribution by Type



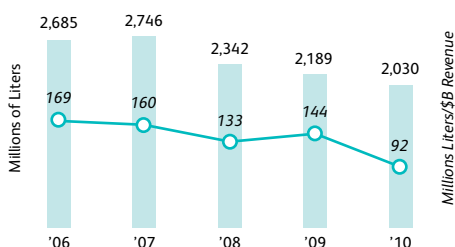
Water Consumption and Treatment

As part of our commitment to conserve resources, Xerox monitors water consumption at its facilities worldwide. Water consumption decreased 7.2% in 2010 compared with 2009. This was attributable to process improvements in manufacturing and facility maintenance, production decreases and seasonal variation at several sites.

The waters discharged are monitored under permits which require strict adherence to local sanitary sewer discharge limits and regulations. 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.

Preserving Our Planet through Sustainable Innovation and Development

2010 Water Consumption



Environmental Remediation and Compliance

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. As a result of our extensive remedial efforts, some sites have been remediated to the point where they no longer require corrective actions and have subsequently allowed our Corporate Real Estate Department to sell some of these as excess properties for redevelopment or to terminate active leaseholds.

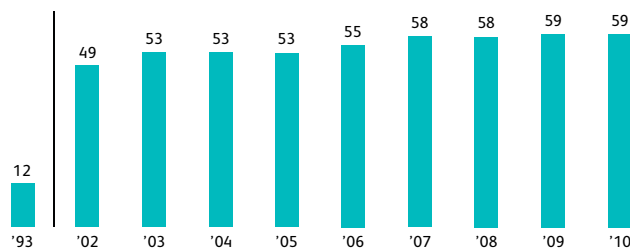
ACS helps Lima, Peru, implement a leading-edge mass transit system.

Faced with pollution and organizational problems, Lima, Peru, city authorities decided to overhaul its bus network and build a 30 km rapid transit (BRT) line. ACS designed and deployed a contactless, interoperable ticketing system backed by a satellite-based fleet management and passenger information system. The inauguration of the BRT in 2010 marked the beginning of a new era for Lima's eight million people.

Today, only nine of the original 68 sites require further remedial or control measures. The total number of sites was increased in 2010 by one as a result of a recent acquisition. Xerox fell short of meeting its goal of completing remediation activities at three sites in 2010 due to increased regulatory requirements and scope changes by property owners. 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.

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 no instances where it was subject to a compliance penalty in 2010.

PARC's Cleantech Innovation Program focuses on cost-effective, manufacturable solutions for some of the world's pressing energy needs.

PARC, an independent Xerox subsidiary, today leverages its deep competencies and decades of innovation experience in printing technology for Xerox to help address important and high-value environmental challenges for its numerous commercial and government clients. Expertise in diverse areas – such as co-extrusion printing; microfluidics and hydrodynamic separation; optical systems and semiconductor processes; and model-based planning, optimization and control – are being applied to cleantech solutions for battery and energy storage, clean water, solar electricity, data center energy optimization and more. In one success story, PARC scientists helped a solar concentrator

startup, SolFocus, Inc., achieve low-cost solar electricity; the company was incubated at PARC until it grew to 50+ employees and began its first commercial deployments. In another success story, PARC invented a novel “co-extrusion” printing approach that results in low-cost, non-contact, manufacturing-ready printing of multiple materials – the process results in intricate microscale geometric structures with multiple energy conversion and storage applications. To address low-cost solar electricity, PARC is already commercializing the technology with a major solar cell manufacturer to enable higher-efficiency PV cells (which in turn ensures lower cost per watt). To address energy storage, PARC is working on increasing both power and energy density without the typical power-energy tradeoff (which in turn enables affordable energy storage for widespread EV adoption).

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. Xerox policy requires that products meet safety standards at least as strict as those generally accepted by approval agencies and government regulations. For each product it brings to market, Xerox has a comprehensive Product Safety Plan that details the specific safety requirements. Assessments are made for all potential hazards: electrical, mechanical, chemical, biological, radiation, heat, emissions and noise. Possible interactions between hazards are also considered. Results of assessments must be satisfactory in all areas before any equipment can be shipped to the customer. In addition to these assessments, service procedures, service materials, special tools and the operator's manual must all be approved prior to customer shipments. Xerox takes a conservative position on potential health risks to its employees and customers, and our requirements are often more stringent than external consensus or regulatory limits.

More than 30 years ago, Xerox initiated a comprehensive investigation of the safety of inhaled xerographic toner. We did this because there was no scientific data about the biological effects of long-term inhalation of toners and other closely related materials such as polymer dusts. These on-going studies include the health of current employees and an assessment of the causes of death for people who worked for the company between 1960 and 1982. The analysis to date indicates that the health and mortality patterns of Xerox employees are consistent with a healthy working population. In October 2010, the mortality study was published in the peer-reviewed *Journal of Occupational and Environmental Medicine*.

We also consider the ergonomic aspects of our products from both a user and a servicing standpoint. 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 continually improve the usability features of new products.

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 (PSDSs) offer environmental, health and safety information specifically for each Xerox device. We also produce **Material Safety Data Sheets (MSDSs)**; they identify hazards associated with a specific material and describe how it can be safely handled, used and stored. Customers have access to these reports at www.xerox.com/environment. 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 and labels associated with our products or materials. In 2010, there were no such issues that resulted in fines or sanctions. 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, as well as monitored for trends. Corrective actions are implemented, as necessary.

The integration of ACS has brought another opportunity to apply our breadth of product safety knowledge. While ACS' business largely focuses on services, there are several offerings that include hardware elements. Since the acquisition, the products and processes associated with ACS solutions have been prioritized and are being validated. While this review will continue until verification is complete, thus far no significant issues with safety or compliance have been identified.

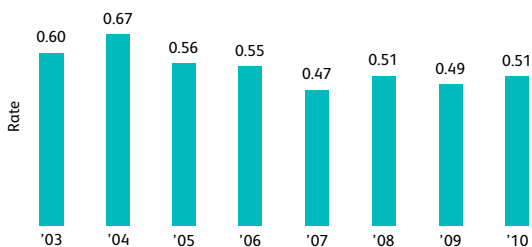
Preserving Our Planet through Sustainable Innovation and Development

Creating a Healthy Work Environment for Our Employees

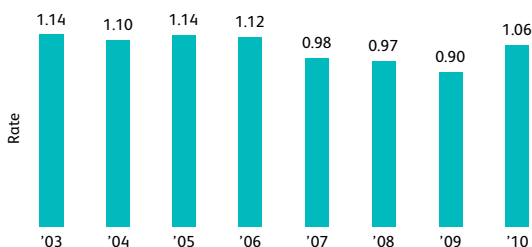
Zero Injury Program

Over 10 years ago, Xerox ramped up its safety processes in order to reduce workplace injuries to the optimum level, with an aspirational goal of zero injuries. We strive toward continual improvement in safety performance in both injury frequency and severity. Monitoring of injury frequency rates occurs for different geographies and organizations. The 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 2009, Xerox had exceptional performance in both recordable and day away from work case injury rates, which proved challenging to maintain in 2010. Although the 2010 rates (1.06 and 0.51 respectively) increased compared to 2009, since 1996 there has been significant overall improvement in performance (56% reduction in total recordable injury rate and 51% reduction in day away from work case injury rate). Xerox experienced no work-related fatalities in 2010.

Xerox Day Away from Work Case Rate (History)



Xerox Recordable Injury Rate

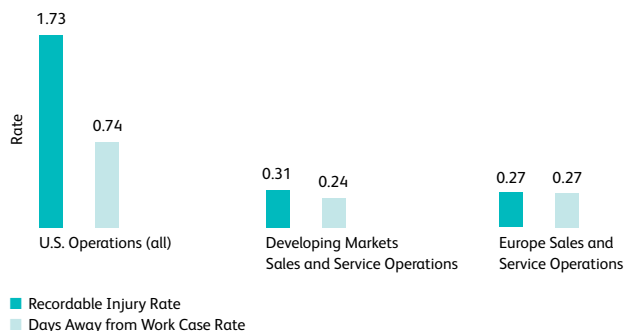


The basis of Xerox safety management is the integration of safety into business processes and a commitment to make safety a core value of each operation. Each calendar year, every operation's performance is reviewed and targets are set based on the nature of the operation and injury performance levels and trends. The overall corporate 2010 injury rate target was set on the basis of a 5% improvement in injury rates over the better of the last two years' performance.

While overall Xerox year over year performance did not meet 2009 levels, several operations did record exceptional improvement. For example, operations in Europe and Developing Markets achieved substantial improvements in injury performance when compared to 2009. Our Developing Markets Operations had a 38% reduction in recordable injuries and a 48% reduction in day away from work case injuries. Our European Operations had a 26% and 22% reduction in each of those metrics. Although performance in the United States was not favorable relative to 2009, those operations continue to show much better performance when compared to the average of our peers conducting business in the same or similar industries (38% better in recordable injures and 18% better in day away from work case injuries).

In 2010, the Xerox family of employees expanded dramatically with Xerox's acquisition of ACS and its employees. Since the acquisition, our focus with ACS has been on standardizing processes and requirements in priority areas, integrating them into existing Xerox processes where appropriate. Injury reporting and incident reviews are among the first areas identified for integration, and significant progress has been made toward that goal. ACS fire protection and facility safety reviews have also been aligned with Xerox safety processes and progress continues in coordination of emergency planning and business resumption processes.

Xerox Injury Rate Performance, By Geography



Priority Focus Areas

We have prioritized safety improvement efforts in those areas which have the greatest opportunity both in terms of injury rate and population. In particular, Xerox Service Operations have unique challenges in hazard recognition and control. The service technicians travel heavily to customer accounts and work in a large variety of customer facilities; often times, they don't visit a Xerox facility in the course of their job. Slips/trips/falls and motor vehicle accidents are focus areas to improve technicians' safety, as well as improving overall health and safety awareness. In 2010, we launched a health/

safety/wellness initiative to our service force that integrates employee wellness messages with our more traditional safety communications. On a weekly basis wellness educational topics are distributed to the workforce and programs are in place to support wellness practices.

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. We also continually benchmark with other companies that manage fleet vehicles to identify best practices to help improve our motor vehicle safety record.

Ergonomics

Musculoskeletal disorders represent about one-half of our work-related injuries and illnesses, which is why Xerox has strong processes to reduce ergonomic stresses in the workplace. Since 1992, we have achieved a 52% decline in reported musculoskeletal disorders within our US operations. 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 principles 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. The training is designed to provide simple ergonomic strategies, as well as awareness of the normal aging process, to reduce personal risk to employees. Additional training is underway to improve employee competency in ergonomic risk factors and procedures they can follow to maximize their safety.

Ergonomic support of ACS has been prioritized according to risk. For example, some ACS office operations have a greater potential for repetitive motion injuries than others. In these operations, actions are underway to improve the assessment, communications and controls to better characterize these exposures and mitigate the consequences.

Emergency Preparedness

Xerox's emergency preparedness and response program helps protect the safety of Xerox and ACS 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. Our planning has been tested by a variety of events including power outages, hurricanes and flooding. It is evident our plans have been successful in mitigating the consequences of these events.

As part of our emergency planning process, prospective facilities that will be occupied by Xerox or ACS employees undergo a comprehensive review of fire and life safety attributes. Upgrades are implemented as necessary to establish and maintain the safety of building occupants. We have also begun the process of bringing ACS into Xerox's Business Continuity program.

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 and 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 2010, 96% were within Xerox limits, and all were well within regulatory limits.

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