xerox ®

2012 Environment,
Health and Safety Report

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This information from our 2012 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/citizenshipreport2012

Environmental Goals & 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."

We have conducted a comprehensive review of those environmental impacts and opportunities and identified four commitment areas where we can make a significant impact. These priorities are reviewed on an annual basis and, while the commitment areas remain unchanged, the goals and objectives have been updated as necessary.

Our 2010 acquisition of Affiliated Computer Services (ACS) more than doubled our workforce, added hundreds of new facilities, and added many new lines of business to our company. Accordingly, we made a significant effort to understand the environmental, health and safety aspects associated with the former ACS operations. We prioritized areas of greatest impact and put plans in place to develop solid management processes and reporting. Reporting processes are more mature in some areas than others and the sections of our report clearly identify whether information comprehends all of Xerox or a subset of operations. Integration progress is also reported in applicable areas.

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 solutions we offer to our customers.

- 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 office 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; and avoid the release of hazardous air emissions from our products and 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. By investing in innovation and sound management practices that deliver measurable benefits to the environment, our customers and society, we can increase shareholder value. We recognize the importance of creative partnerships with suppliers, customers and other stakeholders to achieve these benefits and maximize their profitability.

The following table summarizes our key environmental and safety performance indicators, including our goals and performance over the past five years. Additional detail is included in the corresponding section of this report.

Metrics Reporting

2011 Environmental Sustainability Performance: Metrics Reporting

Products	Goal	2007	2008	2009	2010	2011
Reducing Energy Use and Protecting the Climate	90 % of eligible product launches achieving Energy Star					
% of newly launched eligible products achieving ENERGY STAR		80 %	80 %	92 %	100 %	100 %
Preventing and Managing Waste: Customer Returns (1000 metric tonnes)	Zero waste to landfill					
Equipment and Parts[1]						
Remanufacture, Reuse, Recycle, Energy from Waste		70	67	69	61	74
Landfill		1.4	1.1	1.5	1.2	0.6
Supplies						
Remanufacture / Reuse		3.9	3.4	2.7	3.3	3.3
Recycle		ND	ND	0.1	0.1	0.1
Energy from Waste		ND	ND	0.2	0.2	0.1
Landfill		ND	ND	0.2	0.2	0.2

Operations		2007	2008	2009	2010	2011
Greenhouse Gas Emissions and Energy Consumption (1000 metric tones CO2e)	25 % Reduction in energy consumption and combined Scope 1 and 2 GHG emissions by year end 2012 (2002 baseline)					
Direct/Scope 1 (technology business)		164	177	162	163	149
Indirect/Scope 2 (technology business)		229	213	184	184	168
Indirect Scope 2- data centers globally (Service Business)		ND	ND	ND	ND	88
% Reduction in combined Scope 1 and 2 Emissions from Baseline Year (2002)		21	20	31	31	36
Scope 3 Emissions- Employee business air travel		ND	24	12	14	12
% Reduction in energy consumption from Baseline Year (2002)		16	13	20	21	27
Preventing and Managing Waste (1000 metric tonnes unless indicated otherwise):	Non-hazardous waste-to-landfill reduction of 50 % by 2015 and 85 % by 2020 (2009 baseline) • 95 % recycle rate by 2015 • 98 % recycle rate by 2020					
Hazardous waste		3	2.7	2.6	2.5	0.8
Nonhazardous waste:		63	61	61	57	54
• Remanufacture, Reuse, Recycle, Energy from Waste		58	56	57	52	51
• Landfill/Incineration		5	5	4	5	3
• Nonhazardous waste landfill diversion rate (% of total produced)		92 %	92 %	93 %	92 %	94 %
• % waste-to-landfill reduction from baseline year (2009)					25 %	25 %

Operations	Goal	2007	2008	2009	2010	2011
Preserving Clean Air and Water	• 21 % reduction in water consumption by 2014 (2009 baseline) •50 % reduction in Reportable Releases by 2014 (2007 baseline) • Zero Persistent Bioacculumative Toxins (PBTs) in processes, products and Services					
Air emissions (metrics tonnes unless indicated otherwise):						
Production-related volatile organics (total)		38	39	32	27	20
• VOC		23	25	22	17	13
• Non-VOC		16	14	10	10	7
NOx[2]		ND	ND	ND	ND	35
SOx[2]		ND	ND	ND	ND	0.3
TRI and PRTR Reportable Toxic Releases		475	346	238	203	173
Reduction in Reportable Releases over baseline year (2007)			-27.2 %	-49.9 %	-57.3 %	-63.6 %
Water (million litres)						
Water consumption		2,746	2,342	2,189	2,030	1,725
Water discharge to sanitary sewer		2,413	2,553	2,310	2,274	1,912
Total volume of water recycled and reused		N/A	N/A	N/A	39	TBD
Percentage total volume of water recycled and reused		N/A	N/A	N/A	1.9 %	TBD
Ensuring Environmental and Workplace Safety	Total Recordable Incident rate 0.9; Days Away From Work rate 0.49					
Total Recordable Incident (TRI) Rate		0.98	0.97	0.9	1.06	1.05
Days Away from Work (DAFW) Rate		0.47	0.51	0.49	0.51	0.54
Workplace fatalities		0	0	0	0	0
Compliance	Zero fines and violations					
Safety non-compliance fines ($ / #)		$0.5K / 1	$0 / 0	$4K / 2	$0 / 0	$300/1
Environmental non-compliance fines ($K / #)		$9K / 1	$6K / 1	$0 / 0	$0 / 0	$0 / 2

ND=Not Determined

[1] Equipment and parts includes returns processed through Xerox's worldwide asset recovery centers.

[2] NOx and SOx emissions are calculated using emission factors applicable to small boilers from EPA's AP-42, Vol.1, CH1.4: Natural Gas Combustion
(http://www.epa.gov/ttnchie1/ap42/ch01/final/c01s04.pdf)

Answering to the Planet

Taking care of the planet is built into our corporate structure. The Global Environment, Health, Safety and Sustainability (EHS&S) organization is charged with ensuring company-wide adherence to our 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 Chairman and Chief Executive Officer. 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.

In 2011, our environmental sustainability governance structure evolved to align with our progress on the journey toward embedding all aspects of environmental sustainability into business strategy and operational processes. We established an Environmental Sustainability Steering Committee that is co-chaired by the President of Xerox Global Technology Delivery Group and the President of Corporate Operations, and includes executive representation from across the business. This Steering Committee champions and guides the corporate environmental sustainability program to establish strategic priorities that align with corporate goals and ensure that environmental sustainability is considered in key business decisions.
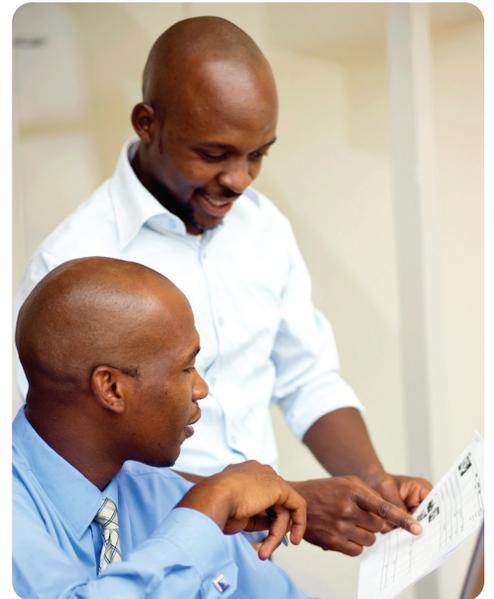
Standards and Programs

Environmental, health and safety standards are our primary tool for enabling 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 employees worldwide.

Supplier Management

As a critical element of supply chain governance, Xerox extends environment, health and safety requirements across our supply chain. Since 1998, we have asked our 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 our products, parts and supplies throughout the supply chain. The Xerox standard, "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. The standard also requires that suppliers utilize socially responsible supply chain due diligence practices including but not limited to mining and smelting operations.

Further, by adopting the Electronic Industry Citizenship Coalition's Code of Conduct, we have strengthened our commitment to ensure that our suppliers are operating according to accepted industry standards for environmental management. Since 2003, we have extended the requirements to companies that provide

paper to Xerox for resale. In 2009, through our Socially Responsible Procurement Policy, we formally began extending social responsibility requirements, such as ethics, labor, environmental, health & safety and security controls across our supply chain.

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, we audit 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. Beginning in 2012, our services operations (formerly ACS) will be included in the audit schedule. Xerox audit teams evaluate operations against our internal 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 2011, 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, we make employees aware of how our operations affect the environment and employee safety. Beginning with our new hire orientation, employees are made aware of the environment, health and safety requirements that are relevant to all employees. As appropriate, employees receive training 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 topics, 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.

Our environmental policy is posted in our facilities and on our internal website. We utilize a variety of processes to deploy environment, health and safety goals to all our operations, including integration into the product development process and services deployment process. Through our ISO 14001 environmental management system, employees are routinely involved in identifying the environmental aspects associated with their responsibilities. In 2011, a significant number of facilities management personnel responsible for our recently acquired ACS facilities were made aware of our environmental sustainability and compliance programs and trained on how to identify sustainability opportunities and perform regulatory applicability assessments. This training included both Xerox facilities personnel and those from our third party management company.

Stakeholder Outreach

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. We track 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. We conducted dozens of sustainability forums with customers and other stakeholders in 2011, 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."

Our Environmental Partnerships

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

Business:
- Business Roundtable Climate RESOLVE
- Business Roundtable S.E.E. (Society, Environment, Economy) Change
- Business for Social Responsibility
- Sustainability Innovators Working Group
- EcoPatent Commons
- Corporate EcoForum
- U.S. Chamber of Commerce Business Civic Leadership Center Environmental Innovation Network

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

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

Sustainable 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 program that is based on global standards complemented by quantitative analysis.

How We Design for The Environment

Our product standards encompass: 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 our products at each stage of the 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 (LCA) – in accordance with ISO 14040 series standards – are conducted for products where a significant technology difference indicates their utility. For example, full peer-reviewed LCA have been conducted on our solid ink products (8860, 8870, 8700, 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 LCA, 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. In 2011, we launched a tool developed by Xerox for use in our materials research group to evaluate aspects of Safety, Energy, Materials and Sustainability (SEMS). It compares the current design to a future proposed design. The tool challenges designers to think about the whole lifecycle of the products and recognize early any positive or negative impacts to the environment. By using SEMS we can quantify energy reductions, reduce risk of regulated materials and track progress over time. SEMS was designed to be used in early research and development stages

to understand tradeoffs and help make decisions early in the product lifecycle. The tool aids Xerox researchers to understand cost, performance and environmental impact to improve our work process analysis.

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. In 2011, 100% of all of our new eligible product introductions achieved ENERGY STAR. 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.

The ENERGY STAR program will continue to raise the standard over time with tougher requirements, with the next revision expected in early 2013. While our goal remains to have 90% of new product introductions achieve this ecolabel under the current standard, our target may be adjusted in the future based on the details of the revised standard.

"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 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 customer's document technologies have on the environment, and allows them to see how it can be reduced by "right-sizing" their print environment. Utilizing a lifecycle approach, it evaluates the current office environment of printers, copiers and multifunction devices and then estimates environmental benefits that could be achieved in terms of energy and paper use, solid waste, water, air and greenhouse gas emissions. While results are dependent on the specific parameters, 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.

Controlling the Chemical Content of Xerox Products

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 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

- Since 2005, we have nearly eliminated the use of lead and mercury from our new products

- We tightly manage chemicals in our supply chain to ensure compliance with our strict requirements.

Xerox requirements for minimizing toxic materials govern our product design and materials selection. Our toxicologists conduct a comprehensive assessment of new materials in our products to ensure conformance 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

We have made good progress in eliminating the use of mercury. Mercury-containing lamps that scan images and backlight user displays will be phased out as alternatives become available. Xerox requires 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.

These materials safety and supplier processes enable us to meet global regulations governing chemical use. Since 2007, Xerox's newly launched products have been designed to meet the European RoHS 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.

Similar types of legislation continue to be implemented in many other market regions. We expect to be fully compliant with all aspects of these regulations as the provisions become effective and applicable.

Machine Emissions

Consistent with the world's most stringent ecolabels, we design 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.

We publish emissions data on each product's Product Safety Data Sheet, available at www.xerox.com/environment.

Product Takeback and Recycling

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 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%.

Consumables Takeback and Recycling

The Xerox Green World Alliance (GWA) reuse/recycle program for imaging supplies is central to our commitment to waste-free products. Xerox currently has more than 35 countries participating in the Xerox Green World Alliance. Each has its own GWA country page that either describes the processes available to the customer or the appropriate points of contact for more information. Worldwide, our customers returned more than 3.43 million cartridges, toner containers and other used supply items in 2011. Although Xerox's consumables returns programs have been in existence for two decades, we continue to enhance our program. Major improvements in the U.S. program in 2010 were followed by similar changes in Canada in 2011. Further information on Xerox's consumables returns program is available at the Green World Alliance website: www.xerox.com/gwa.

Returned products are sorted, and items suitable for remanufacturing are cleaned, inspected and then remanufactured. Remanufactured cartridges, containing an average of 90% reused/recycled parts, are built and tested to the same performance specifications as new products. Items that are not suitable for remanufacturing are recycled or recovered through energy from waste.

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.

Equipment Take-Back and Recycling

In the early 1990s we 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 support our waste-free initiatives.

In 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.

How Xerox Enables Reuse

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 4% of our total returns in the U.S. in 2011.

- 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 30% 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 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

Total Waste Diverted from Landfills from Cartridges, Bottles and Waste Toner through Reuse/Recycle and Energy from Waste

Year	Thousand of Metric Tons
2007	3.9
2008	3.4
2009	2.9
2010	3.5
2011	3.5

processes after their original machine has been designated for disposal. In the U.S. in 2011, over 250,000 parts were stripped off of used machines and sent back out to the field for reuse either in manufacturing or as repair parts representing a 27% increase over 2010.

- 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 77,000 metric tons of waste from entering landfills in 2011 alone.

Changes in volumes of 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 Waste Electrical and Electronic Equipment (WEEE) programs. In geographies where Xerox exercises direct control over the end-of-life management of equipment, return rates are high. For example, approximately 79% of all U.S. equipment installs are ultimately returned to Xerox for end-of-life disposition, a figure that rises to 100% for leased equipment.

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, we continue to operate our European take-back program to enable equipment remanufacturing and parts reuse. We also participate, 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.

Xerox and Paper
As one of the largest distributors of cut sheet paper for office printers and copiers, we recognize our obligation to responsibly source paper and enable efficient paper use. Our strategy begins upstream with the fiber source, and continues on to processing and manufacturing, through use to end of life. We utilize a multi-pronged approach, through partnerships with our customers, suppliers, The Nature Conservancy and other stakeholders including Non-Government Organizations (NGOs), government agencies and academia. Our long-term goal is to support a sustainable paper cycle and minimize environmental impacts while meeting our customers' exacting business needs.

Waste Diverted from Landfills through Equipment Remanufacture and Parts Reuse

Thousand of Metric Tons

Year	Value
2007	6.8
2008	4.9
2009	5.4
2010	6.0
2011	6.1
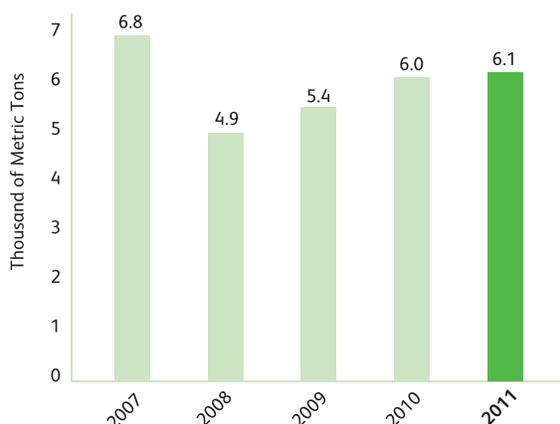
Paper Sourcing Guidelines

In 2003, we implemented stringent requirements for companies that provide paper to Xerox for resale. The requirements cover all aspects of papermaking, from forest management to production of finished goods. On an annual basis, our suppliers are required to certify their compliance and provide supporting documentation. Suppliers are also required to report on the environmental impacts of their operations and associated goals.

Our requirements seek to ensure that suppliers have the following key elements in place:

- Commitment to comply 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 with objectives for continual improvement in environmental performance above and beyond regulatory compliance.

- Programs to reduce energy, greenhouse gas emissions, water use and waste generation.

- An effective procurement process to:
  – Exclude illegally harvested wood raw materials.

  – Exclude 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.

  – Encourage all suppliers of wood raw materials to practice sustainable forest management

  – Prohibit the use of hazardous materials, including elemental chlorine, in the processing and content of Xerox papers.

We recognize that one of the challenges paper companies face in meeting our requirements is to demonstrate that they are safeguarding forest areas of significant ecological or cultural importance. Xerox supports multi-stakeholder efforts such as The Nature Conservancy (TNC) 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. We encourage our suppliers to take full advantage of these resources as part of their efforts toward sustainable forestry.

Our Partnership with The Nature Conservancy

Beginning in 2006, a partnership between Xerox and The Nature Conservancy (TNC) was formed to focus initially on enabling sustainable forestry practices with an objective of enabling greater supply of certified fibers and subsequent products. Since certified products are typically more costly than non-certified versions, the vision is to eliminate this price difference through enabling ubiquitous sustainable forestry practices. As our relationship evolved and scientific evidence grew around the importance of forest carbon, we expanded our partnership to include efforts toward realizing forest value in climate change dynamics. This initiative is intended to lay critical groundwork to enable "quantification" of forest carbon value. TNC scientists estimate that adopting improved forest management practices can reduce forest destruction and emissions by as much as 35% without reducing the timber taken to market. This approach can also support community and regional economic development goals.

Sustainable Forest Management-Certified Papers

We have 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 our papers, we 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 we reduce the environmental impact of our papers – offering papers ranging from 20-100 % 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 our equipment.

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

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. The "earth smart" feature, integrated into the Xerox global print driver, brings several resource-saving settings together at the single click of a button. These features, such as duplex, n-up, proof print and toner saving modes, make 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 CiPress printer achieved a "Good Deinkability" rating from INGEDE, the international association of the deinking industry.

Xerox Services

Xerox offers a variety of services that lead to reduced energy consumption and environmental impact. For example, Xerox's transportation solutions reduce congestion by providing demand management, parking guidance, and analytics to manage parking resources. Electronic toll collection technology increases throughput and thus decreases mobile emissions at toll plazas. Xerox also provides technology that makes public transit payment systems more efficient and convenient for their riders – making public transportation more attractive.

Reducing Our Impact

Management of the environmental aspects of our operations is fundamental to our commitment to environmental responsibility. We continually assess our manufacturing processes, facilities and vehicle fleet and seek ways to reduce their impact.

Data in this section on environmental performance represent total quantities for Xerox's manufacturing, research, development and equipment recovery/recycle operations in seven countries. Normalized values for 2010 forward have been calculated using Xerox revenue figures inclusive of ACS. 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 increase the accuracy of the data reported.

Integrating Environmental Priorities into Manufacturing and Distribution Operations

All of Xerox's manufacturing and distribution operations employ an ISO 14001-conforming environmental management system. This management system approach establishes a framework to ensure compliance with regulations and Xerox standards, identify environmental impact, and set 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; U.S. equipment distribution centers achieved

certification in 2010. New plants are scheduled for certification as they become operational. Quarterly status meetings and integration with a newly deployed scorecard promote visibility, best practice sharing and innovation.

Reducing Our Company-Wide Carbon Footprint: "Energy Challenge 2012"[1]

We believe that Xerox, like all global businesses, should do its part to reduce the risks of climate change. In 2003, we made a public commitment to reduce greenhouse gas (GHG) emissions – our carbon footprint – by joining the U.S. EPA Climate Leaders program and
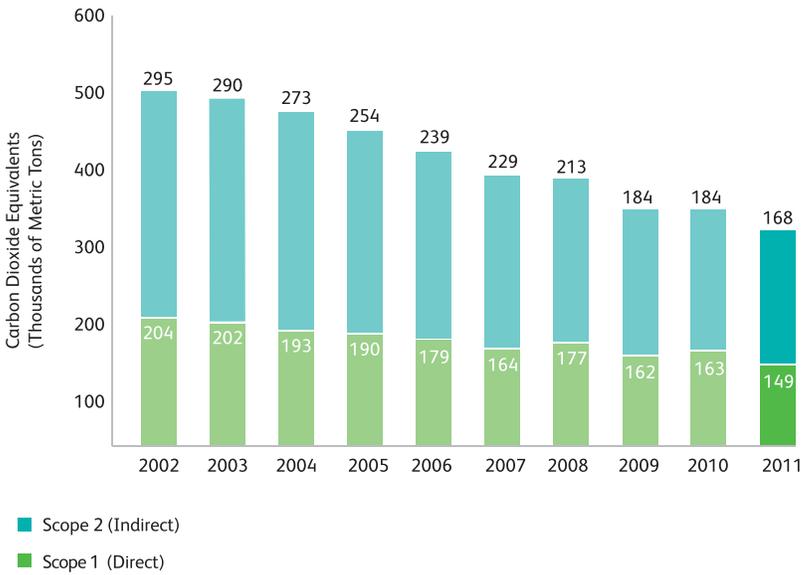
launching an internal program known as Energy Challenge 2012. We adopted a goal of reducing by 10% our absolute GHG emissions across all company operations, by 2012, from a 2002 baseline. We met this target six years ahead of schedule and in 2007 we set a new and challenging goal to reduce our GHG emissions by 25% by 2012, from the 2002 baseline. Through 2011, we have cut emissions by 36%, or 182,000 tons of carbon dioxide equivalents (CO2e) and energy consumption was down 27% compared with 2002. In 2010, we began the effort of establishing the GHG emissions inventory for ACS. The new corporate goal to be announced in 2012 will be inclusive of ACS.

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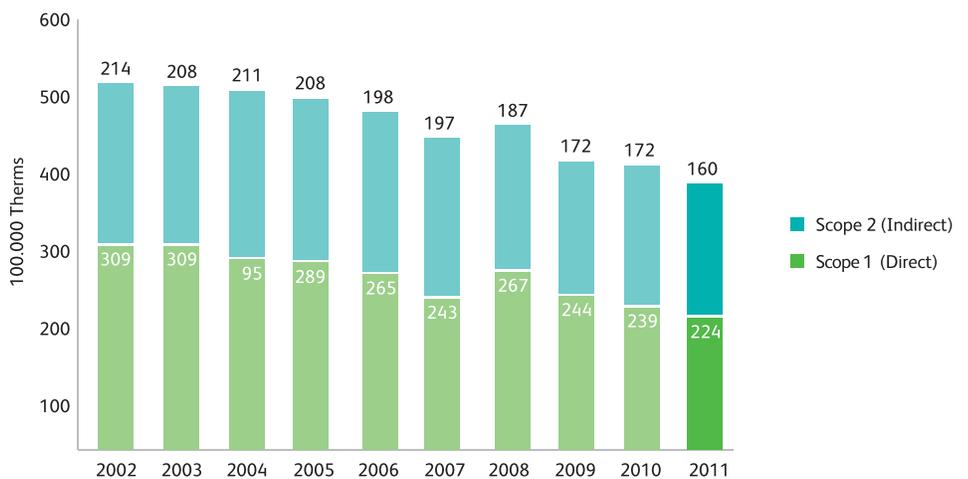
[1]Energy and GHG emissions totals are associated with fuel consumption by company-owned fleet and natural gas/electricity consumption in facilities with square footage of 17,500 or greater. Vendor invoices from utility and fuel providers are the preferred source of data; when unavailable, estimations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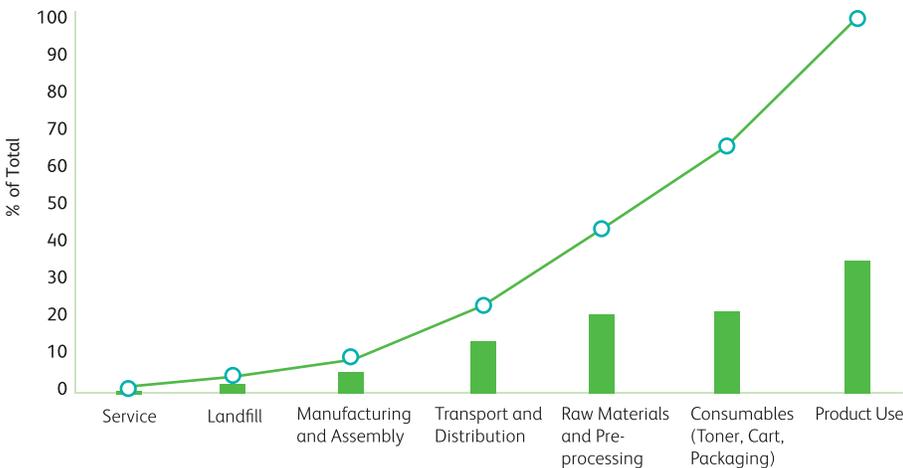
Greenhouse Gas Emissions

Carbon Dioxide Equivalents (Thousands of Metric Tons)

Year	Scope 2 (Indirect) total	Scope 1 (Direct)
2002	295	204
2003	290	202
2004	273	193
2005	254	190
2006	239	179
2007	229	164
2008	213	177
2009	184	162
2010	184	163
2011	168	149

■ Scope 2 (Indirect)
■ Scope 1 (Direct)

Relative carbon impact of value chain (representative product)

% of Total

Service · Landfill · Manufacturing and Assembly · Transport and Distribution · Raw Materials and Pre-processing · Consumables (Toner, Cart, Packaging) · Product Use

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, we track the six major GHGs: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydro fluorocarbons (HFCs); perfluorocarbons (PFCs); and sulfur hexafluoride (SF_6). We express our carbon footprint in terms of carbon dioxide equivalents (CO_2e). Energy sources account for more than 99% of our GHG emissions. Our 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. We have expanded our GHG tracking to include Scope 3 emissions, beginning with employee business travel.

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. 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.

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.

In 2011, Xerox GHG emissions totaled 317,000 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 72 % of our GHG emissions. The remaining 28 % are emissions from our service and sales vehicle fleet and other mobile sources.

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 Green House Gas emissions by lowering the energy intensity of our operations. Xerox is finding success with the following approaches:

Sources of Greenhouse Gas Emissions

40 %
31 %
29 %

- Office/Warehouse
- Manufacturing
- Mobile
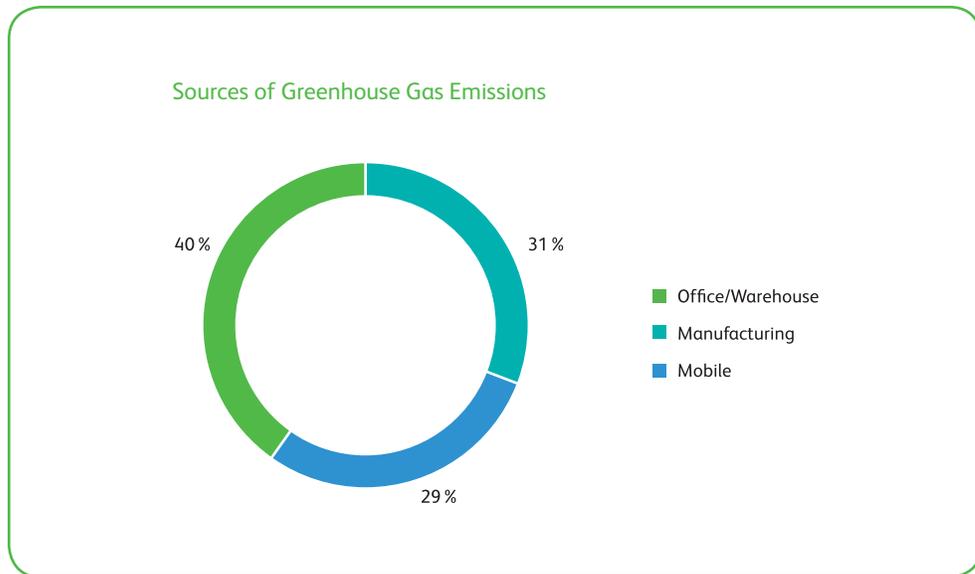
- Shifts Toward More Energy-Efficient Technologies, such as emulsion aggregation (EA) technology, which is estimated to generate 28 % fewer GHG emissions in the manufacturing process than conventional toner.

- Process Improvements, such as using digital multifunction systems in our workplaces instead of stand-alone printers, copiers, fax machines and scanners. In our locations worldwide, employees depend on networked Xerox systems for virtually all document management needs.

- Increased Reliability of Xerox Equipment and Parts 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.

- Equipment Upgrades and Energy Management Programs such as more efficient boilers and digital control of HVAC systems. Some of our 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 further reduces GHG emissions. For example our facilities in the U.K. are 100 % powered by Green Energy. Other facilities, such as Webster, New York, and Wilsonville, Oregon, voluntarily use 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. We 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 business continuity plan will be executed. It covers communication with employees and customers, management of employee health and safety issues, business resumption processes, as well as interaction with government organizations.

Air Emissions

Xerox has significantly reduced manufacturing air emissions over the past 20 years and continuous improvement remains a priority.

Most of our 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 20 metric tons of volatile organic process emissions were emitted to the air from these production activities in 2011, a 26 % decrease from 2010. Approximately 13 metric tons of these process air emissions were volatile organic compounds (VOC). In addition, 7 metric tons of methylene chloride and acetone, which are excluded from EPA's definition of VOC due to negligible photochemical reactivity, were emitted and are reported in the graph below as "non-VOC." These reductions demonstrate the success of our design initiatives to minimize environmental impact: year-over-year emission reductions came primarily from lower production

volumes of legacy products coated using organic solvents, and production declines attributable to longer-life components. A subset of these volatile organic process emissions is defined by the United States Environmental Protection Agency (EPA) as hazardous air pollutants (HAP). In 2011, Xerox reported worldwide air emissions of approximately 12 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.

2011 HAP Air Emissions
(As reported under National Toxic Release Regulations)

22 %
11 %
9 %
1 %
0 %
57 %
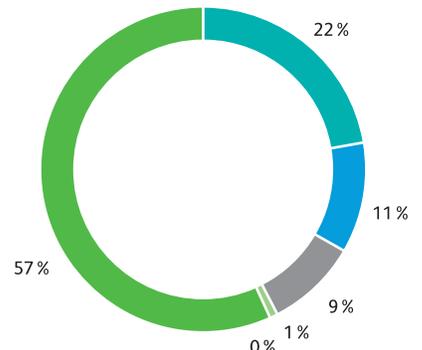
- Methylene Chloride
- 1,3- Butadiene
- MIBK
- Styrene
- Other
- Methanol

12 Tonnes (total)

Volatile Organic Process Air Emissions

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.

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 2011 were 15% lower than 2010 levels and 64% lower than 2007 levels.
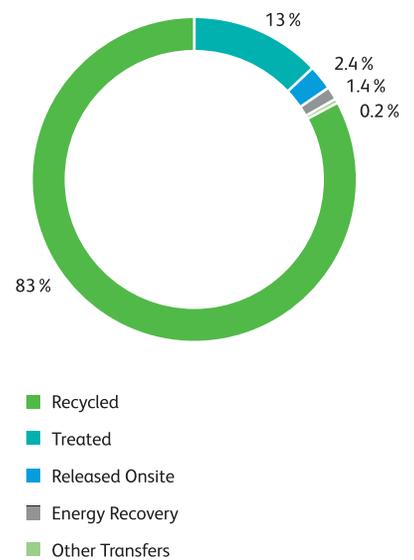
Xerox strives to beneficially manage these materials whenever possible. In 2011, over 84% of materials reported under national toxics reporting programs were beneficially managed on site or at approved treatment, storage and disposal facilities.

In 2011, all operations with on-site reportable toxic chemical releases to the air, land, or water in amounts of greater than one metric ton established goals, targets and objectives related to those releases. Progress against these goals will be reported annually commencing with Xerox's 2013 Global Citizenship report.

2011 Management of Report Toxic Chemicals

Goal	Baseline Year	Target Year	Baseline Value	Baseline Unit
Reduce by 10% the normalized amount of virgin MIBK used in fuser roll manufacturing by distilling and re-using spent MIBK.	2010	2014	0.399	Lbs./part
Reduce by 5% the total amount of methylene chloride used to produce Xerox photoreceptor components.	2010	2014	1,038,000	Lbs.
Maintain normalized 1,3-butadiene air emissions from toner resin manufacturing at or below expected baseline.	N/A	2012	<6.9	Lbs./Batch

2011 Management of Reported Toxic Chemicals

- 83%
- 13%
- 2.4%
- 1.4%
- 0.2%

- ■ Recycled
- ■ Treated
- ■ Released Onsite
- ■ Energy Recovery
- ■ Other Transfers

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

Metric Tons

- 2007: 475
- 2008: 346
- 2009: 238
- 2010: 203
- 2011: 173
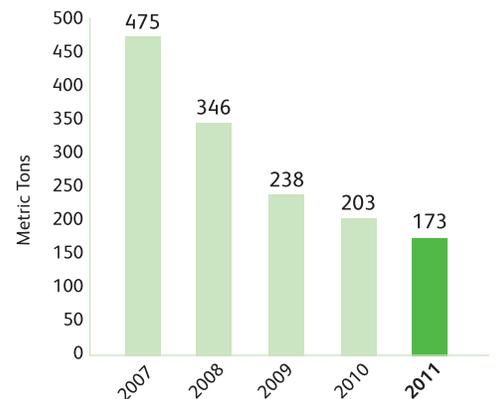
Spills and Accidental Releases

Preventing environmental releases of regulated materials to air, soil and water is our goal. In 2011, our North American operations identified ten reportable accidental spills/releases compared with 8 in 2010. Two of the ten events in 2011, however, were unrelated to Xerox operations (e.g., from an employee-owned vehicle but occurring on Xerox property).

Corrective actions were taken in all cases. The ten events included:

- 5 petroleum spills/leaks totaling approximately 76 liters

- 3 refrigerant leaks totaling 2100 kg

- 1 4 liter solvent leak

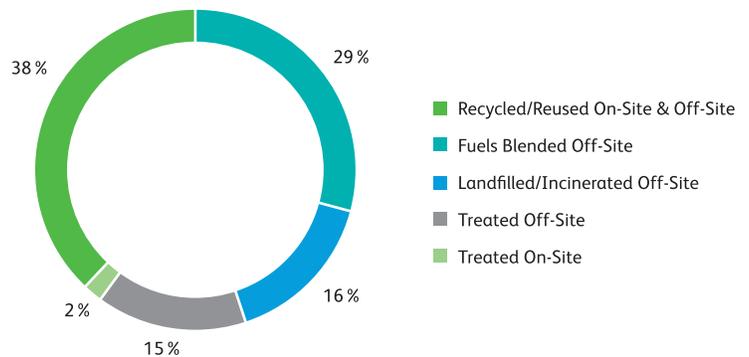- 1 49,000-liter water discharge resulting from a rapid snowmelt condition.

Hazardous Waste

We strive 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 67 % between 2010 and 2011, primarily due to reducing process water contamination for an electroplating operation at our Wilsonville, Oregon facility and production decreases at certain U.S.-based operations. 84 % of hazardous waste generated in 2011 was beneficially managed via treatment, recycling, energy recovery or fuels blending. The volume of hazardous waste incinerated or disposed of in permitted landfills decreased 38 % in 2011 (163 tons vs.100.75 tons),

2011 Hazardous Waste Generated

2011 Hazardous Waste Management

- Recycled/Reused On-Site & Off-Site
- Fuels Blended Off-Site
- Landfilled/Incinerated Off-Site
- Treated Off-Site
- Treated On-Site
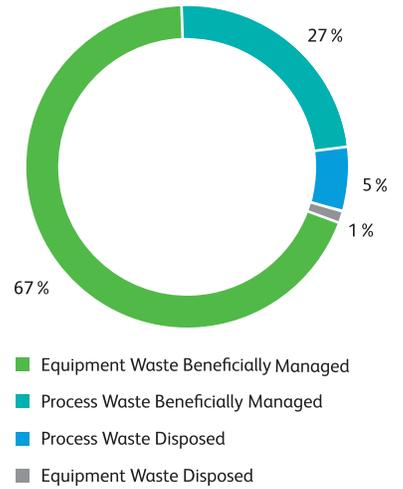
Non-hazardous Solid Waste

Our manufacturing operations generated 54,000 metric tons of non-hazardous solid waste in 2011 compared to 57,000 metric tons in 2010.

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. End-of-life equipment and parts that are returned to Xerox for processing made up 70% of the non-hazardous solid waste managed by Xerox operations in 2011. We have had waste reduction efforts in place for many years, which include reusable boxes, pallets and containers for parts delivery,
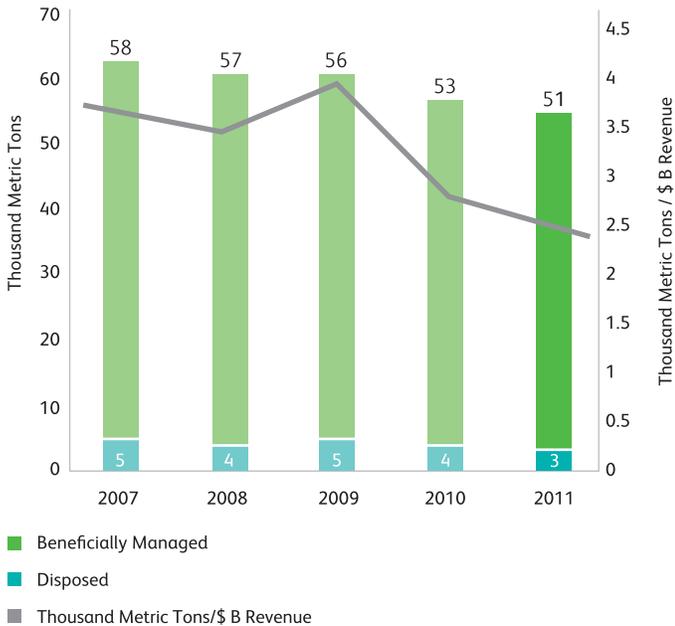
reuse of toner that is outside the acceptable size range during manufacturing, and reusable totes for recycling scrap metal and paper.

We recycled 94% of our non-hazardous solid waste in 2011. The facilities in Wilsonville, Oregon and Venray, Netherlands joined the Emulsion / Aggregation Toner manufacturing operation in Webster, NY achieving zero waste to landfill. The Fuser Manufacturing operation is nearing that goal as well.

2011 Non-hazardous Solid Waste Management: Distribution by Type

27%
5%
1%
67%

- Equipment Waste Beneficially Managed
- Process Waste Beneficially Managed
- Process Waste Disposed
- Equipment Waste Disposed

Process Waste: Manufacturing, Equipment Recovery, Research and Development

- Beneficially Managed
- Disposed
- Thousand Metric Tons/$ B Revenue

### 2011 Non-hazardous Solid Waste Recycling Rate

Water Consumption and Treatment

As part of our commitment to conserve resources, we monitor water consumption across our manufacturing, distribution and R&D facilities worldwide. We have set a corporate goal to reduce water consumption by 21 % by 2014 (against a baseline of 2009) and are in the process of establishing a long-term goal. Water consumption is down 15 % in 2011 compared to 2010.

The decrease has many contributing factors including process improvements, facilities maintenance, and production decreases in manufacturing. 2011 was a year in which many water conservation projects were implemented and began to contribute to a reduction in the amount of water used by our operations group. Project examples include:

- Webster, New York: several operations buildings had cooling systems optimized, right sized, or converted in a way that eliminated the use of single pass cooling.

- Wilsonville, Oregon: a water intensive component part manufacturing line was studied and optimized, reducing the overall water usage by more than 9 million liters (30 %).

- Dundalk, Ireland: the innovative use of water softening techniques improved the efficiency of our cooling water towers yielding a 60 % reduction in the amount of water required to support operations.

The water discharges at manufacturing

Process Waste: Manufacturing, Equipment Recovery, Research and Development
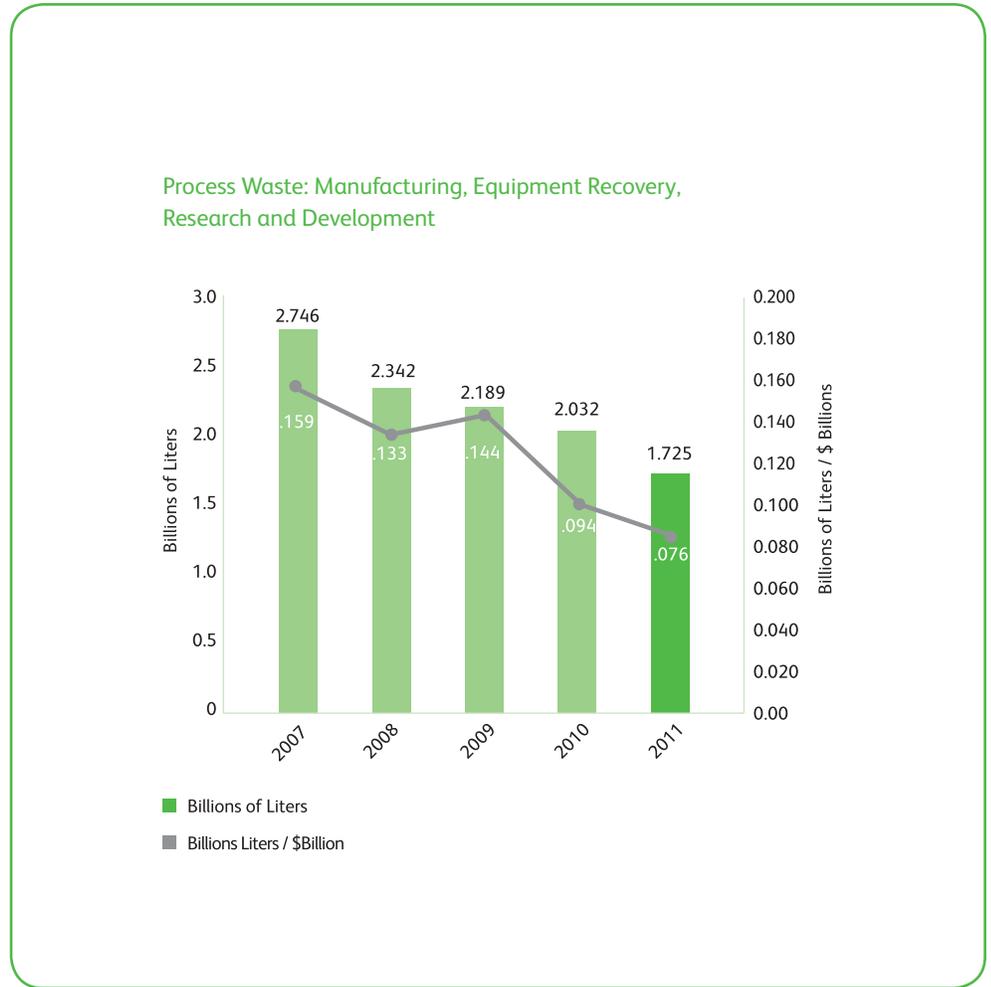
sites are monitored to validate compliance with local sanitary sewer discharge limits. Wastewater from manufacturing processes is treated, as necessary, before being discharged into local sanitary sewers. The treatment includes adjusting pH and, as necessary, removing suspended solids. In addition, the 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.

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.

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. It is anticipated that two additional sites will complete active remediation in 2012.

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.

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 one instance where it was subject to a compliance penalty in 2011 – a $300 fine for Injury and Illness Prevention Program deficiencies and obstructed sprinkler head in San Francisco, California. All issues have been abated as necessary, closed out with the relevant authorities, and appropriate controls enacted to ensure ongoing compliance.

Making Safe Products

Safety has always been a cornerstone of our work in product development. For each product we bring to market, we have a comprehensive Product Safety Plan that details the specific safety requirements.

Assessments are made for all potential hazards and the ways in which they might interact. In addition to assessments for electrical, mechanical, chemical, biological, radiation, heat, emissions and noise, all 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, therefore our policy requires that our products meet safety standards at least as strict as those of government regulations.

More than 30 years ago, Xerox initiated a comprehensive investigation of the safety of inhaled xerographic toner. These ongoing 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. Customers are encouraged to review product safety information and understand the environmental profile of Xerox devices. 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.

Xerox has robust processes for tracking any compliance issues with regulatory violations or voluntary codes and labels associated with our products or materials. In 2011, 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.

Since the acquisition of ACS in 2010, the products and processes associated with their 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.

Aim for Zero Injuries

We strive toward a goal of zero injuries, with continual improvement in safety performance in both injury frequency and severity. Reporting and monitoring of injury frequency rates occurs for different geographies and organizations.

Zero Injury Program

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 2011, there was a small reduction in the frequency of injuries (1 %) when compared to 2010 performance. Since 1996 there has been significant overall improvement, including a 56 % reduction in total recordable injury rate and 48 % reduction in day away from work case injury rate. Xerox experienced no work-related fatalities in 2011.

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. With our acquisition of ACS, a number of ACS' safety management processes have been transitioned into Xerox's corporate wide processes, including injury recordkeeping, accident investigation, fire and property inspections, and emergency preparedness. This integration has standardized our safety processes and helped characterize the injury causals and mitigation plans.

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 2011 corporate injury rate target was established
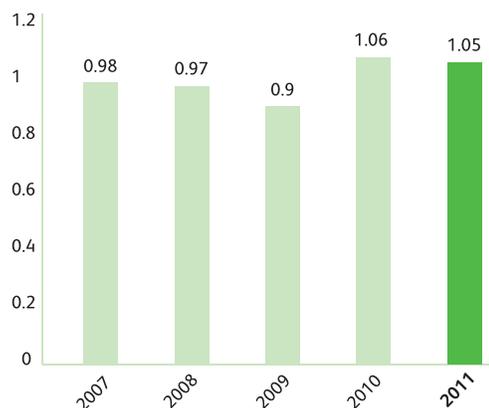
to focus the operations on resuming the exceptional performance in 2009.

In 2011, several operations demonstrated very good performance. Most notably, our U.S. managed print services business had a 13 % reduction in recordable injuries and a 12 % reduction is day away from work case injuries. Our European operations had an 11 % reduction in day away from work case injuries and Developing Markets Operations had 4 % reduction in recordable injuries. Although performance in the U.S. did not meet our ambitious goals, the recordable injuries were reduced by 6 % overall. However, our U.S. days away from work injuries increased by 9 %.

Xerox Day Away from Work Case Rate

Year	Rate
2007	0.47
2008	0.51
2009	0.49
2010	0.51
2011	0.54

Xerox Recordable Injury Rate

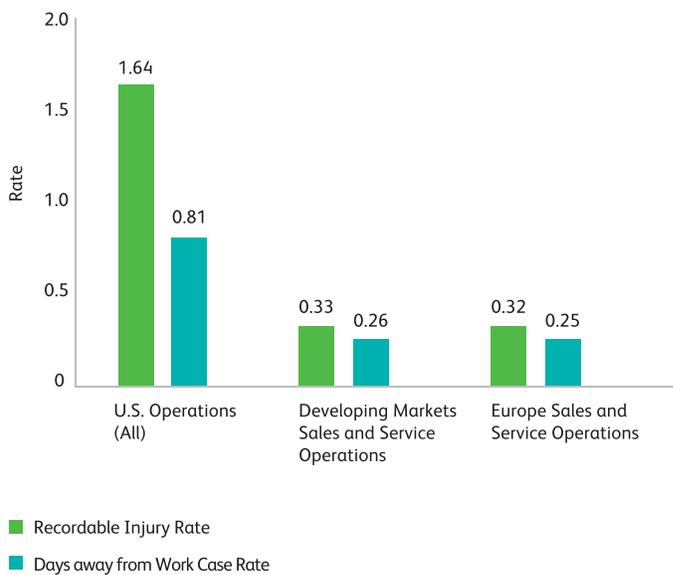| Year	Rate
2007	0.98
2008	0.97
2009	0.9
2010	1.06
2011	1.05

Priority Focus Areas

We continue to prioritize safety improvement efforts in those areas that have the greatest opportunity both in terms of injury rate and population. In particular, some of our technology operations have unique challenges in hazard recognition and control. Technicians travel 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, ergonomics and motor vehicle accidents are focus areas to improve technicians' safety, as well as improving overall health and safety awareness. In 2011, a health/safety/wellness communications program was fully implemented to our technician workforce. This included weekly messages on safety/health/wellness topics to help our people recognize the behaviors needed for their safety during traditional technician work, in addition to on and off the job practices to improve their overall health and wellness.

Xerox Injury Rate Performance, by Geography

- ■ Recordable Injury Rate
- ■ Days away from Work Case Rate

Motor Vehicle Safety

With our technicians and sales representatives depending on their vehicles to get their jobs done, motor vehicle safety is a key component of our safety initiatives. We have a company car program that specifies motor vehicle safety requirements of drivers, and accident prevention and reporting processes. We also review employee-driving records on a regular basis and deliver remedial safety training to improve awareness and competency.

A comprehensive safety review is conducted on any vehicle prior to it being accepted as part of the Xerox fleet. 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 continue to represent about one-half of our work-related injuries and illnesses, which is why we have strong processes to reduce ergonomic stresses in the workplace. Since 1992, we have achieved a 50% decline in reported musculoskeletal disorders within our U.S. 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.

How Our Health and Safety Organization Promotes Ergonomic Awareness.

- 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 risk of 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.

The integration of the ACS operations into the Xerox ergonomics program continues. Over the past year several key initiatives have been begun:

- Furniture selections for new and refurbished workplaces have been standardized facilitating unified ergonomic solutions.

- Monthly review of musculoskeletal injuries has been established to monitor injury trends.

- Characterization of risks for specific job classifications continues so that proactive measures, which minimize ergonomic risk factors, can be implemented.

- Computer Based Training on ergonomics principles and practices was developed for use within call center environments. This method of training enables employees to go through needed training programs at a time that minimizes business interruptions.

Emergency Preparedness

Xerox's emergency preparedness and response program helps protect the safety of our employees, the surrounding communities and the environment. It requires all of our 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 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 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. Depending on the size and type of operation and proximity to hazardous operations (i.e. nuclear power plant, chemical plant, etc.), "shelter-in-place" plans have been developed and drills are conducted in addition to the traditional evacuation plans and drills.

Monitoring Workplace Exposures

To protect employees from unsafe exposures to chemicals, noises and radiation, we define 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 (IH) 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 2011, approximately 97 % were within Xerox limits, and all were well within regulatory limits.

Connecting With Us

If you have questions or comments about any of the topics covered in this report, here's how to reach us.

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

Products and Service
www.xerox.com or by phone:
800.ASK.XEROX (800.275.9376)
🐦 @XeroxSupport

Additional Information
The Xerox Foundation:
203.849.2478
Email: evelyn.shockley@xerox.com

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

Minority and Women-Owned Business
Suppliers:
585.422-9531
www.xerox.com/supplierdiversity

Follow us on:
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in www.linkedin.com/company/xerox

Ethics Helpline:
866.XRX.0001
North America; International
numbers and Web submission
tool on www.xerox.com/ethics
E-mail: ethics@xerox.com

Environment, Health and Safety
Progress Report:
800.828.6571, prompts 1, 3
www.xerox.com/environment

Governance:
www.xerox.com/governance

Questions from Students and Educators:
Email: nancy.dempsey@xerox.com

Xerox Innovation:
www.xerox.com/innovation

To comment on this report:
Email: citizenship@xerox.com