PerformanceTrack
Corporate Leader
U.S. Environmental Protection Agency

2008 Application Form

Name of corporation
Xerox Corporation

Street address (U.S. Corporate Headquarters)
45 Glover Avenue
P.O. Box 4505

Street address (continued)
Norwalk, Connecticut 06856-4505

City/State/Zip code

Please give us information about your contact person for the
Performance Track Corporate Leader designation.
Catherine Reeves
Name _____

Manager, Environmental Management Operations
Title _____

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Catherine.Reeves@Xerox.com
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www.Xerox.com
Company Website _____

Section A

Tell us about your company.

Why do we need this information?
EPA needs background information on your Corporation to evaluate your application.

What do you need to do?

Provide background information on your corporation.

1   What products or services does your company provide?

Digital systems that include color and black-and-white printing and publishing systems, digital presses and "book factories", multifunction devices, laser and solid ink network printers, copiers, and fax machines. Xerox also provides expertise in helping businesses develop online document archives, analyzing how employees can most efficiently share documents and knowledge in the office, operating in-house print shops or mailrooms, and building web-based processes for personalizing direct mail, invoices, brochures and more. Xerox also offers associated software, support, and supplies such as toner, paper, and ink.

2   List the North American Industrial Classification System (NAICS) codes that you use to classify business at your company.

333315

Section B

Tell us about your level of facility membership in Performance Track or similar state performance-based environmental programs.

Why do we need this information?

Companies must be actively and substantially

involved in Performance Track to be designated

a Performance Track Corporate Leader.

We're also interested in your membership in
similar state performance-based environmental
programs.

What do you need to do?
Tell us what percentage of your company's U.S.
Operations are members of Performance Track
or similar state performance-based environmental
programs.

1 Approximately how many significant facilities or sites
does your company operate in the U.S.?

5

Performance Track	or	Similar State Programs

2 How many of these facilities are members of Performance

5 N/A - applicable States have not yet established performance-based programs

Track or similar state performance-based environmental
programs? The threshold criterion is that you have at least
five facilities that are members of Performance Track.

3 What number of your U.S. operations are members of
Performance Track or similar state performance-based
environmental programs? The threshold criteria are that at
least 25% of your operations (based on number of facilities
or employees) or at least 25 of your facilities are members
of Performance Track and similar state performance-based
environmental programs. A minimum of five of your
facilities must each be a Performance Track member.

Use only one of these six options based on number of
facilities or employees in the U.S. to report your membership:

	Number of Facilities	Members of Performance Track	or	Members of Similar State Programs

a. Facilities in U.S.:
       i   Manufacturing,
       ii   "Major," or   _____   _____   _____
       iii   All;   ____5_____   ___5_____   N/A - applicable States have not yet established performance-based programs

or

	Number of Employees	Employees at Facilities in Performance Track	or	Employees at Facilities in Similar State Programs

b. Employees (FTEs) in U.S. facilities:
       i   Manufacturing,   _____   _____   _____
       ii   "Major," or   _____   _____   _____
       iii   All.   _____   _____   _____

Section C

Why do we need this information?

Companies need to show they have systems in place

to manage and improve environmental performance throughout their operations.

Tell us about your management of environmental issues.

What do you need to do?
Rate the systems you use to manage and improve your environmental performance. Refer to the Application Instructions for further explanation to determine the appropriate rating. Please summarize your ratings.

Governance, goals, structure, and partnerships

1   A Board of Directors committee or top management-level committee   1 2 3 4 **5** N/A
exists in our company that establishes and oversees our environmental commitment and reviews the environmental performance of the corporation and its facilities at least annually, including both regulatory compliance and performance toward the company's environmental goals.

Since Xerox's inception, the company has operated under the guidance of six core values. One of these principles (Corporate Citizenship) is the foundation of Xerox's work on environmental sustainability. The principles are organized around five themes that capture the essence of our citizenship efforts.

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

The Xerox Board of Directors represents our shareholders' interest in the company's successful operation. The Board provides oversight of the company's role as a corporate citizen and ensures that our actions are aligned with core values and priorities for citizenship. It embraces ethics, human rights, supplier responsibility, planning for business continuity, and the environment.

The Board is also responsible for approving corporate performance goals for sustainability and greenhouse gas reductions. Our CEO (Anne Mulcahy) has included environmental performance criteria in her corporate 2008 objectives. The CEO's objectives are cascaded to Xerox employees. Employees are expected to develop objectives that link to the CEO's objectives.

There is at least one annual meeting of Xerox's most senior management where environmental performance and sustainability goals are discussed. At this year's global Xerox Senior Manager's Meeting in February hosted by our CEO, the Vice President of Xerox Environment, Health & Safety (Patricia Calkins) was one of the keynote speakers and presented Xerox's Environmental Sustainability Strategy.

Xerox's top management including the CEO (Anne Mulcahy) and the President (Ursula Burns) include the topic of environmental sustainability during internal and external meetings, presentations, workshops and industry group meetings. Top Management speaks of the importance of incorporating environmental sustainability in our work practices and processes. We recognize that sustainability is a race without a finish that must be driven by continual improvement and innovation.

The CEO has monthly staff meetings with environmental sustainability on agenda items. Wim Appelo, the tier II official responsible for Xerox Environmental Program attends these meetings and later debriefs his staff on the discussion highlights and action items from the meeting. Wim asks his staff to cascade the information throughout their respective organizations.

In 2008, Xerox established a Sustainability Steering Committee and Environmental Marketing Committee. Both committees include a senior manager from each Xerox Business Unit (e.g. R&D, Marketing, Product Development, etc.). The Sustainability Steering Committee is responsible for establishing strategic priorities that align with corporate goals. The Integrated Marketing Council which also includes senior management representation is responsible for ensuring that a consistent, accurate and effective messaging platform on Xerox's environmental sustainability efforts is developed. Together, the Sustainability Committee and the Integrated Marketing Council provide direction and support for Xerox's sustainability program and bring credibility and the ability to leverage our sustainability programs across the value chain.

Xerox CEO Anne Mulcahy serves as a chairperson of the Corporate Governance task force for Business Roundtable, an association of chief executive offices of leading companies in the United States. Ursula Burns is a member of the U.S. Climate Section Partnership and Business Roundtable S.E.E. (Society, Environment, Economy) Change. We joined the US Climate Action Partnership, a coalition of business and not-for-profit groups to develop an action plan to enact federal legislation to reduce greenhouse gas emissions and provide Congress recommendations for a cap and trade system.

2	Our corporate environmental policy, or its equivalent, at a minimum, assigns corporate priority to environmental issues and commits us to meeting all applicable regulations and commitments, preventing pollution, continually improving our environmental performance, and sharing information about our environmental performance with the public. *(Please attach a copy of your policy.)*	1 2 3 4 **5** N/A

Xerox EH&S Policy (next page) applies worldwide and is communicated both internally and externally.

Xerox Environment, Health, and Safety Policy

Xerox Corporation is committed to the protection of the environment and the health and safety of its employees, customers, and neighbors. This commitment is applied worldwide. The following principles shall govern all business practices in the design, manufacture, procurement, marketing, distribution, maintenance, reuse/recycling, and disposal of products and related services:

- Protection of the environment and the health and safety of our employees, customers, and neighbors from unacceptable risks takes priority over economic considerations and will not be compromised.
- Xerox operations must be conducted in a manner that safeguards health, protects the environment, conserves valuable materials and resources, and minimizes risk of asset losses.
- Xerox is committed to designing, manufacturing, distributing, and marketing products and processes to optimize resource utilization and minimize environmental impacts.
- All Xerox operations and products are, at a minimum, in full compliance with applicable governmental requirements and Xerox standards.
- Xerox is dedicated to continuous improvement of its performance in environment, health, and safety.

The Policy is signed by Wim Appelo, a Tier II official. Our corporate EH&S Policy comprehends environmental management, safety, and health. The Policy is made available to the public via the Xerox Global Corporate Citizenship Report and is accessible on our external website at http://www.xerox.com/downloads/usa/en/c/corp_EHS_policy.pdf.

3   We have established corporate environmental goals, quantitative   1 2 3 4 **5** N/A
where possible, that apply to all our operations over a specific time
period and go beyond the requirements of regulatory compliance.

Xerox has established four environmental challenges with strategic goals, objectives, metrics and targets as noted in the table on the next page. Xerox consulted with the leaders of Xerox Business Divisions (R&D, Manufacturing, Strategy, Marketing, etc), customers, strategic partners and NGOs when developing these goals. For a list of public and private organizations who Xerox dialogues with on this topic, please see the answer to question #6 of this section.

The goals apply to all Xerox Operations. The goals are communicated to the public through presentations made by Xerox Senior Managers at various speaking opportunities, articles published by our Corporate Communications Department, and our widely distributed Global Corporate Citizenship Report that can be accessed from our external website at http://www.xerox.com/Static_HTML/citizenshipreport/2007/home.html

Employees are expected to develop annual environmental objectives (as appropriate) with measurable targets that link to the CEO's environmental objectives. Senior Management evaluates progress toward the targets at routinely scheduled Review Meetings with Operations personnel and through the monthly progress reporting process. On a monthly basis, Xerox employees prepare a report to status their manager on the progress they are making in achieving their annual objectives. Status reports are bottoms up, with the final status of objectives occurring at the highest level of management. Progress to environmental goals is also provided each quarter during the ISO14001 reviews managed by the Corporate EH&S Group. If performance is lacking, employees are expected to report on the root

cause, the countermeasures that will be implemented, and the associated implementation dates. The Company has trained its employees to use disciplined, quantitative analysis in troubleshooting and develop the most effective and efficient counter measures. Xerox employees are required to complete basic Lean Six Sigma Training ("Yellow Belt") at a minimum. Through this training, employees acquire practical training on the use of six sigma tools such as 5-why analysis and Failure Mode Effect Analysis (FMEA) that is key to problem solving. Employees are also strongly encouraged to complete the next level of six sigma training ("Green Belt"). Green belt training is included in the list of criteria that are considered when promoting an individual to a higher grade level.

Two of Xerox's Performance Track member facilities (El Segundo and Wilsonville) have Persistent Bioaccumulative Toxic reduction targets for lead. Xerox's commitment to the EPA National Partnership of Environmental Priorities includes reduction goals for tetrahydrofuran and Cadmium.

Xerox Corporate Environmental Sustainability Goals

The Challenge	Strategic Goal	Objective	Metric/Target
Climate Change	Carbon-neutral	• Reduce company-wide greenhouse gas (GHG) emissions.	• Reduce GHGs 10% from 2002 to 2012 – **Achieved**. New target of 25% has been announced.
		• Help customers meet their printing needs with most energy efficient document management solutions.	• Obtain the 2007 ENERGY STAR for 90% or more of new product launches by 2010.
		• Move Xerox employees to take action to reduce their environmental footprint at work and at home.	
Preserve Biodiversity and the World's Forests	Sustainable paper cycle	• Certify Xerox-branded paper to standards for sustainable forest management.	• Maintain supplier adherence to Xerox requirements for sustainable forest management.
		• Improve forest management among Xerox suppliers through our partnership with The Nature Conservancy.	• Obtain Forest Stewardship Council and Pan European Forest Certification Chain of Custody certifications for Xerox operations in 2007.
			• Launch first Forest Stewardship Council (FSC) & Program for the Endorsement of Forest Certification (PEFC) certified papers in 2007, increasing percentage in portfolio in 2008 and beyond.
			• Share findings and best practices resulting from partnership with Xerox suppliers in 2008/2009.
Preserve Clean Air and Water through Reducing Use of Toxics and Heavy Metals	Zero persistent, bioaccumulative, toxic (PBT) footprint	• Reduce PBT footprint throughout supply chain.	• Xerox's five National Environmental Performance Track facilities achieve goals by 2008/2009.
			• Life Cycle Analysis to prioritize areas for future technology development.
			• Reduce use of PBTs in Xerox supply chain through adherence to Xerox and Electronic Industry Code of Conduct (EICC) requirements by 90% of suppliers (based on spend) by 2012.). EICC is a standards-based approach for monitoring suppliers' compliance across several areas of social responsibility, including labor, health, safety and environmental activity.
Waste Prevention and Management	Waste-free facilities and products	• Reduce material footprint of Xerox equipment and supplies.	• Continued investment in "cartridge-free" solid ink technology that produce 90% less waste than conventional office printers.
			• Maintain >90% reuse or recycling of recovered Xerox equipment and supplies offerings.

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equipment and supplies offerings.

- Expand ISO 14001 environmental management certification to Xerox U.S. supplies warehouses in 2008 and additional operations and geographies 2009-2011.

4 Our top management official, whose main responsibility is to address 1 2 3 **4** 5 N/A
environmental or environmental, health, and safety issues, reports
directly to a senior management official.

Ursula Burns and Anne Mulcahy are considered to be in the top management tier (i.e. Tier I). Wim Appelo, President, Xerox Strategic Services Group and a Corporate Officer reports to Ursula Burns, President Xerox and is considered Tier II.

Patricia Calkins, Vice President of Environment, Health, and Safety reports to Wim Appelo as a Tier III executive. They meet on a regular basis and as needed to discuss the company's environmental performance. Patricia Calkins has global responsibility for Xerox's EH&S Program.

At this year's global Xerox Senior Manager's Meeting in February hosted by our CEO, the Vice President of Xerox Environment, Health & Safety (Patricia Calkins) was one of the keynote speakers and presented Xerox's Environmental Sustainability Strategy. The Vice President of EH&S also leads two steering committees whose members include the most senior management. The committees are chartered to drive initiative that enable achievement of Xerox's environmental strategic initiatives and ensure accurate and appropriate marketing messages.

The EH&S Organization is charged with ensuring company-wide adherence to Xerox's environment, health, and safety policy. Although the EH&S Organization today resides within Xerox Strategic Service Group, it has global responsibility and support all facets of the business (e.g. product development, workplace safety, customer safety, manufacturing, etc.). EH&S uses a governance model used to accomplish this objective and sets corporate wide strategic goals and develops global EH&S performance based standards for Xerox Operations and suppliers. To maintain and achieve regulatory compliance, EH&S maintains a well established audit program that measures our success in implementing Corporate Standards and Guidelines. EH&S is empowered to stop product launches if the new product does not meet the company's EH&S Standard. The same empowerment applies to Workplace Safety and Environmental Management.

Patricia Calkins, Vice President Xerox EH&S is a recognized Xerox "Thought Leader" in matters of sustainability. For information on Xerox Thought Leaders and their messages, please visit our external website at http://www.xerox.com/ and select "Thought Leadership." Throughout the year, Patricia Calkins completes pod casts, interviews, and messages that are available to all Xerox employees and highlighted often on the Xerox web board ("homepage").

At this year's, global Xerox senior manager's meeting in February hosted by our CEO, the Vice President Xerox Environment, Health, & Safety (Patricia Calkins) was one of the keynote speakers and presented Xerox's Environmental Sustainability Strategy. This annual meeting is attended by Xerox's top 300 executives worldwide.

5 We have a corporate-wide commitment to promote environmental 1 2 **3** 4 5 N/A

improvement in the communities where we operate.

We communicate this commitment via our EH&S Policy that encompasses the environment of employees, customers, and neighbors globally. The Xerox internal and external websites feature the community involvement of employees and the Policy and the Guidelines of the "Xerox Foundation". In 2006, we invested 30.8% of our grants in employee and community affairs to organizations like the Inner City Foundation for Charity, the Cincinnati Youth Collaborative and the Greater Rochester Enterprise. Two-thirds of our investments in this category were directed to 137 United Ways around the country, including $1 million to the United Way of Rochester, to which Xerox people donated an additional $1.4 million of their own money and 1,400 Xerox people volunteered for the United Way's annual Day of Caring. Many of our community projects are reported publicly in our Global Citizenship Report.

Here are examples of community involvement at the grass roots level:

☐ "Adopt a Highway"- Employees from the Xerox Plant in Webster, New York volunteer to remove debris from main highways and clean nearby forever wild areas.

☐ "America Recycles Day"- Xerox employees from Xerox Operations in New, Ohio, California, and Oregon partner with local recycling vendors to hold a recycling event once a year in recognition of national "America Recycles" holiday. Xerox employees and retirees are encouraged to bring their electronic waste from their homes to the Xerox site where it is collected by a recycling vendor at no cost (or benefit) to Xerox or its employees and retirees.

☐ Participation in the "Keep America Beautiful Program which enhances a community's commitment to physical and social responsibility.

Under the umbrella of employee and community affairs, the Foundation manages two employee volunteer programs: Social Service Leave and the Xerox Community Involvement Program. Social Service Leave enables a select group of employees – eight in 2006 –to volunteer full-time while receiving full pay. Their assignments included: updating a fire department's training records system, encouraging minorities to pursue careers in engineering and design, providing training and technical assistance for Indian legal services, advocating for abused and neglected children, and working with the deaf and hard of hearing. Xerox invested more than $500,000 in the Social Service Leave Program in 2006.

The Xerox Community Involvement Program combines the voluntary spirit of our people with the company's financial support to help improve the communities where we live and work. In 2006, the Foundation invested approximately $900,000 in the program, and 9,303 Xerox people participated in 602 projects. In addition, Xerox people give their time and talent to encourage the next generation of scientists and engineers by mentoring teams of students who compete in the FIRST robotics program. For 40 years, Xerox people have volunteered at elementary schools to teach classes that show the "gee whiz" creativity of science and technology. The company also sponsors an invention competition for elementary students that celebrate the ingenuity of children's innovative spirit. More that 20,000 students are touched by this effort each year. This year, Xerox is expanding its participation in FIRST to sponsor an all-girls engineering team in Rochester, N.Y., and a team of students from Wilsonville, Oregon, home to the second-largest population of Xerox people. In Switzerland, a project called "Ithaka" matches foreign adolescents with a mentor to assist them in their first job search. In Egypt more than 100 of our people joined 100 orphans from Al Amal (Hope) Village for a day of entertainment, lunch, gifts and free tickets to a theme park. In Canada, each employee is encouraged to spend at least one work day each year volunteering at a local nonprofit organization.

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In 2007, Xerox launched a team to improve environmental awareness and involvement of employees around the world. The EH&S Corporate Staff have formed a cross-functional, cross-organizational team to establish a corporate community and stakeholder outreach program that includes procedures to understand local community needs and work with local communities.

Employees are recognized for their participation by receiving 100% paid leave to work on community projects, Xerox Special Reward & Recognition awards, and Xerox "Earth Award" presented during annual "Earth Day" events celebrated annually at Xerox sites.

6   We partner with stakeholder groups (e.g., non-governmental community organizations, regional, national or international environment, health, or anti-poverty groups) to address environmental issues of mutual concern.   1 2 3 **4** 5   N/A

To advance global efforts to improve our environment, Xerox partners with these private and public organizations such as Rainforest Alliance and International Leadership Council of The Nature Conservancy.

Xerox invested $1M in an innovative 3-year partnership with The Nature Conservancy Center (TNC) to strengthen and advance practices used to conserve the world's forests. The goals of partnership are to provide lasting solutions for environmental sustainability and demonstrate measurable progress in protecting forests. We are working with TNC to develop information to support the development of the Canadian Boreal Data Center, develop standards to improve biodiversity components of international standard and increase certification use and develop tools and practices that will help advance conservation planning practices in the USA, Canada, Brazil, and Indonesia.

Xerox believes that collectively we can accomplish so much more that we can individually. This can only happen via two way dialogue in sharing ideas, perspectives, knowledge and expertise. Engaging a spectrum of stakeholders provides a diverse set of perspectives leading to richer dialogue and more effective initiatives. Learnings from our partnership experiences are very valuable input to decision making in Xerox. Whenever we talk about our leadership program, we identify innovation and partnerships as essential to pushing the frontier of what is possible.

We also initiate partnerships in some of the local communities where we operate. For example, in the Rochester, New York area, Xerox partnered with Kodak, Bausch & Lomb, Constellation Energy, the local chapter of The Nature Conservancy and others to form "Rochester Businesses for Conservation." In addition to providing a forum for networking and sharing information, we identify community based conservation initiatives in which company employees can contribute.

Operational management

7   Our corporate-level environmental management procedures provide a framework for facility-level environmental management procedures, which in turn are adapted to the individual circumstances of each facility.   1 2 **3** 4 5   N/A

All Xerox manufacturing operations are ISO14001 certified. This facilitates on-going compliance with regulations and Xerox Standards, identifies environmental impact and sets objectives and performance targets. The ISO14001 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.

New Plants are scheduled for certification as they become operational. In 2007, starting with our largest US Supplies Distribution Center, Xerox expanded the concept of Environmental Management System (EMS) beyond manufacturing. We will continue to roll out the EMS to all other US Distribution Centers in years 2008 through 2011 and roll-out to additional geographies over the next several years.

Xerox uses internal and external auditors to assess the performance of its Operations. Internal audits are performed by the Corporate EH&S Staff and results are shared as discussed in the answer to question #14, Section C. Operations also complete self audits throughout the year. ISO14001 certified Operations partner with another Xerox certified Operation to assess the other's EMS. All Xerox ISO14001 certified Operations are audited by a 3rd party auditor at least once annually. The Corporate EH&S Staff oversees the worldwide ISO14001 Program and holds meetings (at least once quarterly) to review Operations' year-to-date performance and follow-up on audit results, whether performed by a 3rd party or another Xerox certified Operation. The ISO14001 procedures are specified in Xerox EH&S ISO14001 Manual. It is the responsibility of EH&S to keep the manual up-to-date and to ensure Operations follows it accordingly. The Corporate EH&S Group has oversight responsibility for EMSs worldwide. This includes responsibility for tracking changes to ISO14001 Standard, working with new Operations to establish an EMS at their site, coordinating the 3rd party certification process, establishment of annual objectives (by Operation), monitoring progress meeting goals and ensuring corrective action development and closure for less than optimal performance.

Corporate EH&S establishes the framework of the annual objectives form (template). All Operations are expected to develop objectives that link to each of the four corporate environmental goals: climate change and energy reduction; waste free; clean air and water and conserve biodiversity.

Quarterly, Corporate EH&S schedules a meeting for ISO certified Operations to share progress in meeting their goals, status corrective actions and general information share. Operations express their progress in quantitative terms and use a visual (Red-Yellow-Green) for quick reference by the reader. Corporate EH&S maintains the intranet based document management site that contains meeting agenda, minutes, action items, year-to-date performance (by Operations) and Best Practices. This site is accessible by all Xerox Operations worldwide. Corporate EH&S is also responsible for collecting, analyzing, and summarizing Xerox worldwide environmental performance data. The environmental performance data is collected from all Xerox sites including offices, R&D (i.e. non-ISO certified Operations). The data is incorporated in the Xerox Global Citizenship Report. Some of this same information is collected during the quarterly ISO14001 meetings discussed above. The ISO certified Operations have the greatest impact in the numbers given the nature of their business. We can quickly summarize the worldwide totals because we have collected and analyzed performance of the key contributors throughout the year. Of particular value of course, is that we can influence positive change by ensuring that the root cause is correctly and quickly identified and that the corrective actions are developed and implemented.

8   Environmental performance is considered when evaluating and   1   2   **3**   4   5   N/A
rewarding performance of managers and staff.

A performance element for environmental sustainability and reduced greenhouse gas emissions is now included in the annual objectives of Chairman and CEO Anne Mulcahy. All employees are expected to develop annual objectives that cascade from and are linked to her objectives. All Xerox employees

use the same annual Objectives Template for consistency. The template has three columns: Organization Goal, Individual/Work Objectives, and Measures and Targets. Please see the next page for an example of the template. This is an excerpt of the 2008 Objectives of the Tier II Official to whom the Environmental function reports. The inclusion of environmental objectives on the annual objectives of the Corporation's most Senior Management, along with Xerox's practice of cascading the objectives throughout Organization, will lead to environmental objectives being included on the vast majority of employees' annual objectives. This, in turn, leads to pervasive evaluation of employees on their environmental performance. All employees are assessed on their performance (mid year and year end). Employees provide their managers with a status of each of their objectives. Managers provide employees with feedback in writing and it is reviewed with the employee in a face-to-face meeting. Employees are compensated on how well their objectives are met. This is measured by their performance relative to the annual target agreed upon with their manager. Employees are rewarded at the discretion of the Manager. Managers have an array of different reward and recognition tools they can use (e.g. monetary lump sum, gift certificate, plagues, etc.). On a monthly basis, employees report their progress in meeting their objective via the monthly reporting process as described in the answer to question 7, Section C.

Organization Goals	Individual/work Group Objectives	Measures & Targets	Employee Input Progress vs. Objectives	Manager's Assessment
Live Our Values	Provide Environmental leadership throughout the Corporation to ensure Xerox is nurturing a greener world through sustainable innovation and development, waste-free initiatives and energy reduction programs.	☐ Code of Conduct acknowledgement ☐ Quarterly reviews ☐ Audit percent satisfactory ☐ Global citizenship leadership attributes and behaviors ☐ % improvement in reducing greenhouse gas emissions ☐ Provide and support a safe workplace environment ☐ Reduce the environmental footprint of the Value Chain.		

9   We integrate environmental considerations into non-environmental corporate functions, such as research & development, product [1] and process design, marketing, strategy, finance, and accounting.   1   2   3   **4**   5   N/A

Xerox recognizes that the best results, both environmental and financial, are achieved when environmental priorities are considered from the outset of product design. Customer feedback, along with a forward-looking view of global trends in technology, regulations and ecolabels have led us to a comprehensive set of standards that encompass: energy efficiency, chemical management, parts reuse and recycling, electrical and mechanical safety, ergonomics, electromagnetic emissions, fire resistance, and materials safety.

We use life-cycle assessment to prioritize design and technology development initiatives. For example when the first Xerox LCA conducted in the early 1990's revealed that paper and energy during machine use were the primary contributors to over-all environmental impact, our design

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[1]   For purpose of this question, product design may also include packaging design.

community prioritized these areas for improvements. Products were designed to more efficiently duplex, run recycled content paper, electronically manage information, and reduce energy consumption. In the 1990's, we became aware that we could have the greatest impact by driving environmental improvements more deliberately throughout our value chain, from raw material sourcing to end-of-life disposition. This awareness also led to Xerox participation in working with USEPA and DOE in crafting the ENERGY STAR program. We have recently completed another LCA of both of our printing technologies (laser and solid ink) to define our next set of development priorities. The Xerox EH&S Organization works with product design teams to develop compliant and products and supplies that offer environmental sustainability value. EH&S is empowered to stop product launches if the new product does not meet the company's EH&S Standard. The same empowerment applies to Workplace Safety and Environmental Management.

More recently, in early 2006, we assembled a team of participants from across the company (organizationally and geographically) to define our next set of leadership goals. Members of the team included strategy, marketing, research, product development, branding, legal, public relations, supply chain, etc. The Strategy Officer for the Corporation sponsored the work. The team used an EMS approach by evaluating our environmental footprint across the value chain, identifying and prioritizing environmental aspects, and establishing goals to reduce impact. These are the goals identified earlier in this application (Section C, response to question #3). Our design standards are now in the process of being updated to incorporate this new information and each of the major business units within the Corporation are developing their respective priorities. Our research organization has subsequently established a "green innovation" team to prioritize areas for technology innovation.

In 2008, Xerox established a Sustainability Steering Committee and Environmental Marketing Committee. Each committee includes a senior manager from each Xerox Business Unit including R&D, Marketing, Product Development, etc.). The Sustainability Steering Committee is responsible for establishing strategic priorities that align with corporate goals. The Integrated Marketing Council which also includes senior management representation is responsible for ensuring that a consistent, accurate and effective messaging platform on Xerox's environmental sustainability efforts. Together, the Sustainability Committee and the Integrated Marketing Council provide direction and support for Xerox's sustainability program and bring credibility and the ability to leverage our sustainability programs across the value chain.

10   We apply internal corporate worldwide environmental standards that   1 2 3 **4** 5   N/A
        meet or exceed the regulatory requirements of the countries where we
        operate.

Xerox's worldwide EH&S standards are the primary tool for ensuring compliance with corporate policies and goals. These worldwide standards establish specific requirements for product safety, materials safety, packaging, environmental management and reporting, workplace safety, emergency response and asset protection. EH&S tracks federal and country requirements. The Xerox Standards require compliance with all federal, state, country, and local requirements. Operations at the facilities are responsible for tracking state and local regulations and developing procedures that ensure compliance with all regulations. The Corporate EH&S Staff monitors performance to the Standards and compliance at all levels through its EH&S Corporate Audit Program. Xerox Operations worldwide are included in the audit program. Operations are audited once every three years. We have also established company wide programs such as Zero Injury, Emergency Preparedness, and the Energy Challenge 2012 to engage and support employees worldwide.

11   If applicable, we have a corporate post-acquisition program designed   1 2 3 **4** 5   N/A
to bring newly-acquired facilities into compliance with our worldwide
environmental standards as soon as possible after acquisition.

EH&S participates in all significant acquisitions to ensure that the acquired company has a sound
environmental program as part of the corporate due diligence process. Once acquired, a plan is then
developed to integrate the company into the Xerox existing processes to ensure that they are in
compliance with all applicable regulations. Depending on the type of acquisition, it may also be
included into the Xerox ISO 14001 program or the corporate compliance audit program. The plan
consists of a gap analysis to determine current status against regulatory and Xerox standards. An
action plan would be developed to integrate the acquired company into Xerox processes and
procedures where appropriate. In recent cases some of the existing processes and procedures of the
acquired company remain in tact due to the inherent nature of the business and overall corporate
effectiveness. Xerox's most recent acquisitions have typically involved software and services-related
businesses with no manufacturing operations or meaningful waste-generation activities beyond typical
office waste. Accordingly, Xerox's ISO 14001 and auditing programs are not applicable to those
acquisitions.

Performance monitoring and review

12   We have corporate-wide measures to evaluate the environmental   1 2 3 **4** 5   N/A
performance of the corporation as a whole and of its individual
facilities.

Annually Xerox compiles environmental performance data from sites located in the United States,
Europe, Latin America, Canada and the Middle East. The results are reviewed with Top Management
results. The results for 2006 were incorporated into the Global Citizenship report pages 42-45. The
results are reviewed and published annually in Xerox Global Corporate Citizenship Report. Progress
for key metrics (energy, GHGs) is tracked throughout the year by Corporate EH&S using a web-based
data collection and reporting tool. Facilities worldwide with an ISO 14001 conforming system
develop objectives annually that align with Xerox's four corporate strategic goals. Facilities
worldwide have the ability to track their performance and those of other facilities using the tool's
flexible reporting option. These reports can be printed and posted in the Operations facilities or on
their intranet document management system. Quarterly, EH&S meets with the worldwide ISO14001
certified Operations to review performance. Using a red, yellow, and green scorecard, the Operations
status each of their objectives and provide explanations. In 2008, EH&S expanded the web-based
system to include all environmental performance data that is included in the Global Citizenship
Report. With this automated tool, EH&S is planning to collected and aggregate the data twice yearly.

13   We have in place corporate-level procedures to identify   1 2 3 **4** 5   N/A
environmental requirements that apply to our operations and/or
products to ensure they are met at the facility level.

Xerox has environmental workplace and product standards that apply worldwide. Adherence to
product environmental standards is incorporated in Xerox Time-to-Market Process and phase gate
reviews. Adherence to workplace environmental requirements is confirmed during the internal pre-
use inspection process. The Corporate EH&S Staff track federal and country requirements. The
environmental managers at each of the Operations around the world track local and state requirements.
All participants use one of the widely available web-based tracking services (e.g., Cyber Regs) as well

as widely distributed journals (e.g., BNA). Individuals also learn of proposed changes via their work with trade associations and industry groups. The information is shared with Operations/facilities through the ISO14001 Program that is managed by the Corporate EH&S Staff. At a minimum, the meetings are held quarterly. The agenda includes a review of proposed changes pertaining to Regulations and Standards.

14   We have a corporate compliance management and audit system   1 2 3 4 **5** N/A
      that is used to ensure facility-level environmental management
      functions are performed effectively and to ensure corrective and
      preventive actions are taken promptly when compliance issues are
      identified.

To maintain and achieve regulatory compliance, a well-established audit program measures our success in implementing corporate standards and guidelines. Xerox audits research, manufacturing and service operations around the world to identify environmental health and safety risks and potential areas of noncompliance. Audit frequency is based on each Operation's complexity, inherent risk and past performance. Operations, however, are audited at least once every three years. Facilities perform self-audits typically on a quarterly basis. The Xerox Audit Team evaluates Operations against Xerox standards, regulations and industry guidelines. With the assistance of the audit teams, local managers develop action plans to correct deficiencies. Audit findings, including non-conformances and best practices, are shared with other Xerox Operations. This provides a valuable opportunity for other Operations to acquire Best Practices and inspect their own Operations for these non-conformities.

The shared information includes the root causes for the nonconformances and the corrective actions. By sharing this information, other Operations can better evaluate their Operations and can act in a proactive manner to avoid the non-conformances in their Operation. The audit team also shares best practices that are uncovered as part of the audit. To maintain and achieve regulatory compliance, a well-established audit program measures our success in implementing corporate standards and guidelines.

To identify environmental, health and safety risks and potential areas of non-compliance, Xerox audits research, manufacturing and service operations on an average of once every three years. Xerox audit teams evaluate operations against Xerox standards, regulations and industry guidelines, and with the assistance of the audit teams, local managers develop action plans to correct deficiencies. Senior management pays particular attention to situations with the potential to pose a high risk of environmental damage, serious injury to employees, or regulatory non-compliance. In 2007, Xerox met its goal of resolution of these issues within 90 days, and has demonstrated that the audit program has become an important mechanism for identifying and correcting performance gaps.

15   We have a process in place to identify emerging environmental issues   1 2 3 **4** 5 N/A
      that may affect our company.

Emerging environmental issues are identified primarily by two organizations: Xerox Environment, Health, & Safety and Office of External Affairs. Both organization work together in stakeholder involvement as stated in the answer to #6 above and with trade associations in identifying emerging environmental issues.

Our process includes monitoring issues development and new scientific information, understanding where there may be links to Xerox and to which parts of Xerox. In instances where there is some potential impact to Xerox, a team is assembled which includes members from the potential impacted

organization to better understand implications. When appropriate, we engage external stakeholders and/or experts to assist in understanding the situation better. This information is incorporated into our annual "strategy contract" process. The strategy contract is an annual process at Xerox. A strategy contract is developed (or updated) by each Xerox Business Division annually and presented to the CEO and her staff. The strategy contract identifies the Division's proposed deliverables/output over the next 3 years. The Division also substantiates its proposal with customer and market data. Environmental sustainability is comprehended in the Strategy contract process. The CEO and her staff determine the elements of the contract which merit funding. The strategy contract precedes the annual financial planning process and is the basis for funding to various Business Divisions.

We use Life Cycle Assessment tools to identify relevant environmental issues. Based on results of an LCA study combined with concerns for old growth and sensitive forest lands, Xerox initiated a comprehensive commitment to driving environmental sustainability up the paper supply chain. We engaged several stakeholders on an informal basis in developing our paper supplier requirements. Once we had fully deployed our paper supplier requirement process, we then engaged The Nature Conservancy in a formal partnership to enable movement beyond our direct reach.

Xerox's collaborative partnership with external groups also offers an opportunity to identify emerging issues. Xerox holds a seat on the Advisory Board of the Center for Sustainable Systems at the University of Michigan and is engaged with Wharton School on Collaborative Efforts. The intent of partnerships is to develop policies to protect the world's resources. Xerox also partners with the Business Roundtable SEE Change, Business for Social Responsibility, California Climate Action Registry and Sustainability and Sustainability Institute at Rochester Institute of Technology.

Please let us know of anything that you believe distinguishes your corporate environmental commitment and how this commitment is implemented throughout your operations.

Xerox focused on environmental performance and sustainability long before it was popular to do so:

– Over 30 years ago, Xerox introduced the first paper with recycled content and the first machines that were capable of double-sided copying.

– In the 1980's, we were the first company to introduce power down features in our equipment to save energy.

– In 1985, Xerox conducted aggressive site mediation activities and in some cases developed state of the art technologies to remediate Xerox contaminated sites worldwide. These efforts began with a voluntary program that identified 68 potential sites. Today we have completed remediation at 55 sites and are on track to have 61 sites remediated by the end of 2008.

– We are the world's experts on the safety of toner having launched comprehensive health studies over 25 years ago, which are still in place today.

– In the 1990's Xerox pioneered remanufacturing for office equipment and helped shape the EPA's ENERGY STAR program for imaging equipment.

– Xerox was an early adopter of ISO 14001, an international standard for environmental management – all of Xerox's major manufacturing sites were certified to ISO 14001within one year of that standard's development (1996).

We continue to use innovation and leadership to push the boundaries of what is possible and drive environmental performance through our value chain. We share these findings and best practices with our customers to help them gain the benefits. Some examples:

▪ Carbon emissions: Xerox was among the first technology companies to set a company-wide target for reducing greenhouse gas emissions. We joined the US EPA Climate Leaders program in 2003 and

subsequently set a target to reduce total GHG emissions by 10% from 2002 to 2012. Xerox achieved its first goal 6 years early and then announced an even more aggressive goal – a 25% reduction in total GHG emissions from 2002 to 2012. In 2007, Xerox was the first technology company to join the U.S. Climate Action Partnership, a consortium of companies and environmental groups advocating for regulatory controls of carbon emissions in the U.S.

- Paper: Xerox has shown leadership in advancing responsible use of paper. Over 30 years ago, Xerox introduced recycled content paper for use in Xerox products. In 1991, Xerox introduced recycled paper with 30% postconsumer content that met Xerox's high level performance specification (>99% jam free). In 1991, Xerox invented 2-sided copying and our digital document management tools leads to efficient use of paper; we were among the first to issue comprehensive environmental requirements to our paper suppliers in 2003; established a 3 year partnership with The Nature Conservancy in 2006 to advance forest management practices and improve sustainable forest management programs; we introduced the first mechanical paper for digital applications – High Yield Business Paper – in 2007, using half the trees of conventional paper; and in 2008 we will launch our first papers that are certified to the world's most recognized sustainable management certification program – the Forest Stewardship Council.

- We participate in partnerships with industry and academic organizations including:
  - Business Roundtable Climate Resolve
  - Business Roundtable S.E.E. (Society, Environment, Economy).
  - Business for Social Responsibility
  - California's Climate Action Registry
  - Advisory Board of Golisano Sustainability Institute at Rochester Institute of Technology
  - Sustainable Energy Ireland
  - Advisory Board of the Center for Sustainable Systems at the University of Michigan

☐ By participation with USEPA-led initiatives such as ENERGY STAR, Climate Leaders, Performance Track, we benefit and contribute to the success of these programs. By providing input to program content, we strive to increase effectiveness. As one of the charter partners of the ENERGY STAR program, Xerox has continued to provide ideas for evolution of the program including moving from "operational mode" specification to "typical energy consumption". By actively participating, we also strive to be role model for others. Participation also provides a very valuable forum for engaging with others to share best practices and learning. Partnering in industry led initiatives such as the Business Roundtable Climate Resolve and Society, Environment, Economy (SEE) change forums provides opportunities to learn, benchmark, and share best practices. Partnering with Universities provides real world learning opportunities for students, partnering on leading edge technology innovation, and a feeder for future Xerox employees. We also partner with stakeholders having expertise that we don't possess in order to accomplish goals that we wouldn't have been able to do on our own. While Xerox has made great strides in driving environmental sustainability practices into our paper supply chain, we realized that we can accomplish even more by partnering with The Nature Conservancy which has a significant competency in the area of protecting biodiversity and the world's forests. Moreover, we leverage this partnership to engage more players in the supply chain in efforts to achieve a sustainable paper cycle. We also initiate partnerships in some of the local communities where we operate. For example, in the Rochester, New York area, Xerox partnered with Kodak, Bausch & Lomb, Constellation Energy, the local chapter of The Nature Conservancy, and others to form "Rochester Businesses for Conservation". In addition to providing a forum for networking and sharing information, we identify community based conservation initiatives in which company employees can contribute.

Xerox recently worked with the University of Pennsylvania's Wharton School and other companies to establish a new forum where effectiveness of stakeholder engagement is one of the key initiatives. We have named this initiative the "Initiative for Global Environmental Leadership" (IGEL).

Section D

Tell us about your past environmental achievement, future environmental goals, and plans to increase your facility membership in Performance Track or similar state performance-based environmental programs.

Why do we need this information?

Companies need to show they are committed to improving their environmental performance.

What do you need to do?

Companies need to describe past environmental achievement and make future environmental goals.

Part 1

First achievement

1   What Category and Indicator have you selected? (Please refer to the Corporate

     Category: Air Emissions
     Indicator: Total GHG emissions (CO_2 equivalents)
     Normalizing Factor: Revenue

2   What was your improvement (state in actual and normalized quantities, such as to production) over the past five years? How did you achieve it?

     Summary:

     18% absolute reduction in greenhouse gas emissions between 2002 and 2006
     2002 - 530 thousand tons
     2006 - 440 thousand tons

     In 2003, Xerox set a public goal to reduce greenhouse gas emissions – our carbon footprint – by joining the U.S. EPA Climate Leaders program. We adopted a goal of reducing our absolute greenhouse gas emissions by 10%, across all company operations, by 2012 from a 2002 baseline. 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 expresses its carbon footprint in terms of carbon dioxide equivalents (CO_2e). In fact, carbon dioxide accounts for more than 99% of its greenhouse gas emissions.

     Xerox's greenhouse gas 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.

By focusing efforts on energy efficiency, new technologies and business productivity, Xerox met this target six years early – in 2006. We reduced emissions by 87,000 tons of carbon dioxide equivalent. This is equivalent of taking more than 18,000 cars off the road. When normalized to annual revenue, this is a change from 30.7 metric tons of CO_2 per billion dollars in 2002 to 25.1 in 2006.

This was achieved by reducing energy consumption in our facilities, manufacturing operations and across our service and sales vehicle fleet. In 2006, energy consumption decreased 13% compared to 2005 and by 21% compared to 2002.

The results were validated by the U.S. Environmental Protection Agency and fulfill Xerox's commitments for participation in the EPA's Climate Leaders program. Achieving the reduction required Xerox to invest in equipment and process upgrades, but the company expects to reap long-term financial and environmental benefits.

Part 2

First goal

1   What Category and Indicator have you selected? (Please refer to the Corporate Environmental Performance Table for examples.)

Category: Air Emissions
Indicator: Total GHG emissions (CO_2 equivalents)
Normalizing Factor: Revenue

2   What is your improvement goal (state in actual quantities) over the next five years? (Please refer to the Corporate Environmental Performance Table for measurement units.)

Summary:

25% absolute reduction in greenhouse gas emissions between 2002 and 2012
2006 - 440 thousand tons
2012 - 400 thousand tons

In 2003, Xerox set a public goal to reduce greenhouse gas emissions – our carbon footprint – by joining the U.S. E.P.A. Climate Leaders program. We adopted a goal of reducing by 10% our absolute greenhouse gas 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 early – in 2006. Calculations of GHG emission reductions do not include customer savings. GHG savings were also achieved by improved management of Xerox's service and sales fleet. In the US and the UK, fleet size is currently 5000 (typically compact vans) and <1000 in California. Xerox worked to "right size" the fleet for improved gas mileage by switching from cargo vans to minivans and from minivans to small station wagons. In Xerox Europe, the entire fleet was converted to "clean diesel". Over 75% of Xerox fleet is E85 compliant. Xerox is evaluating hybrid vehicles at this time with the tentative plan of converting the hybrids once commercially available in the required size. Improved maintenance (e.g. frequent checks of tires to confirm proper inflation), improved call management (e.g. calls responded to by technicians within the immediate area rather than by technicians further away), minimized travel accomplished by GPS devices have also helped reduce GHG emissions across Xerox fleet. Other factors contributing to the significant reduction are improved product/part reliability (i.e. fewer service calls) and remote diagnostics that have eliminated the need for any travel at all.

Recognizing our obligation to do even more, Xerox will set a new and challenging goal to reduce our carbon footprint. Xerox believes that industry must do its part to protect our climate by reducing concentrations of greenhouse gas emissions (GHG) in the atmosphere and by responsibly using energy. We are committed to investing in technologies that reduce the energy & carbon footprint of our operations and those of our customers.

Xerox's 5 year goal: A 25% reduction in company-wide greenhouse gas emissions by 2012 from 2002 levels on an absolute basis. Xerox's greenhouse gas 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. GHG emission reductions will be measured in accordance with the US EPA Climate Leaders program. This is an absolute reduction goal. Company growth areas that result in increased demand for energy -- such as new Emulsion Aggregation toner plant(s) and Solid Ink manufacturing facility -- will need to be offset by savings elsewhere in order to meet this goal. This reduction is expected to result in a 25-37% drop in emissions intensity from 2002, when normalized on a revenue basis

Second goal

1   What Category and Indicator have you selected? (Please refer to the Corporate Environmental Performance Table for examples.)

Category: Waste to Landfill
Indicator: Non Hazardous Waste to Landfill
Normalizing Factor: Volume Annual Returns (customer/field returns and obsolete inventory)

2   What is your improvement goal (state in actual quantities) over the next five years? (Please refer to the Corporate Environmental Performance Table for measurement units.)

Summary Goals:
a) The current plan is to complete the baseline (solid waste and energy) for all Distribution Centers in years 2008 and 2009. Environmental Management Systems will be established immediately thereafter in years thereafter (years 2008 through 2010).
b) 25% reduction (absolute) in non-hazardous waste landfilled from Distribution Centers between 2008 and 2012. The goal is to be "waste free"
c) Expand on current recycling and reuse methods for customers' end-of-life products.

There are three types of Distribution Centers (Supplies, Equipment, and Spares Distribution Centers). There are a total of twelve Distribution Centers across the United States. There are seven Supplies, three equipment and two spares Distribution Centers.

Xerox effort to establish EMS at its Distribution Center began at the end of 2006. Xerox employees at the largest Supplies Distribution Center in the USA contacted EH&S after reading the environmental information that Xerox has increasingly communicated in the web casts and pod casts. The employees contacted E&S because they were going to purge a large portion of their obsolete inventory that had been stored in their facility for countless number of years. They realized that landfill was not the best and they turned to EH&S for help in identifying a more environmentally preferable management method. EH&S and the Distribution Center worked together and were able to divert

hundreds of tons of obsolete inventory from landfill. From this exercise was born the idea of establishing an EMS at the facility and find environmentally preferable management methods for items they send to landfill, almost daily. Best Practices are shared in multiple ways: site visits, conference calls, on-line interactive meetings and training.

The Supply Chain, which includes the Xerox Supplies Distribution Centers, is a growing part of the Business, in comparison to Manufacturing. The Supplies Distribution Centers are Xerox-owned "warehouses" that receive finished supplies from Xerox manufacturing sites. The Centers have the primary responsibility of filling customer orders. In running their Operation, the Centers generate waste supplies and consumables.

Xerox has adopted a policy that requires the Centers to manage the products in an environmentally responsible manner. Xerox is in the process of establishing baseline data but it is clear the significant environmental aspects are energy and solid waste. From the Fort Worth Distribution Center alone, annual volume of solid waste to landfill is estimated at 84 tons.

In this application, Xerox is setting a goal to reduce solid waste levels at its Distribution Centers across the USA by 25% over the next five years with the goal of establishing waste-free facilities. The goal will begin with the establishment of an Environmental Management System at each of the seven Xerox Supplies Distribution Centers in the United States during 2008. The plan is to establish an EMS at Xerox parts and equipment distribution centers located in Illinois, Texas, New York, Ohio, California, Washington, DC, and Georgia. Reducing solid waste volumes will require establishment and modification of current business practices and processes. In 2008, Xerox will establish baselines on solid waste for the Supplies Distribution Centers and begin to take measures to reduce solid waste volumes.

Xerox has been at the forefront of recycling, reuse, and remanufacturing and continues to look for ways to extend the practice both internally and throughout all Value Chain linkages. In 2007, Xerox announced that more than 2 billions pounds of Xerox waste had been diverted from landfill since the year 1991. The 2 billion pounds consisted of field-returned equipment, parts, and supplies from customer locations. Additionally, Xerox has a robust recycling process throughout its manufacturing operations. The reuse-recycle rate for its large manufacturing facilities has averaged 90% for several years. The operations continually look for opportunities to improve the program. Xerox encourages its employees to practice recycling at home and creates mechanisms to conveniently recycle their personal waste. Beginning in 2006, Xerox began participating in America Recycles Day, a campaign started to improve the awareness of recycling and the benefits of buying recycled products. Xerox provided its employees with an opportunity to recycle their electronic scrap, so they wouldn't have to throw it in their local landfills. In the two years Xerox participated, nearly 100,000 pounds of e-scrap has been collected from Xerox locations in California, New York, Oregon, Ohio, and Oklahoma.

On a related note, Xerox is encouraging customers to use its existing recycling/reuse mechanism and will make the process more efficient to encourage growing use. This will be accomplished by establishing recycling and reuse outlet for waste supplies for which none exists today. While there are no regulations that require this, Xerox is driven by its commitment to environmental satisfaction and customer satisfaction. There are complicated logistic considerations involved with establishing the method and various options that may be used (e.g. increased take-back from customer locations, establishment of collection points throughout the field, etc). Xerox will apply the Lean Six Sigma methodology to define the current state, understand the opportunity, and implement sustainable solutions that are beneficial from a life-cycle perspective.

Part 3

Please summarize your plan such that at least 50% of your U.S. operations or 50 of your facilities will be members of Performance Track (or similar state performance-based programs) within five years of being designated a Performance Track Corporate Leader.

We believe that we have met this requirement. All major Xerox facilities are Performance Track members. The States where these facilities are located have not yet established Performance-based Programs. We continue to track development of the State Programs and plan to apply once established.

In this application, we are setting a goal to establish an EMS at Xerox Warehouses across the United States. Once accomplished, the warehouses will meet a key prerequisite for Performance Track membership and we will pursue membership.

Section E

Why do we need this information?

Companies need to show how they are reducing the environmental impacts and/or improving the environmental performance of their value chain (includes suppliers, customers, transportation providers, and product[2] and service designers).

Tell us how you help to reduce the environmental impacts and/or improve the environmental performance of your value chain.

What do you need to do?
Companies need to describe past achievements and make future goals.
Please rate your systems to manage the environmental categories of your value chain. Refer to the Application Instructions for further explanation to determine the appropriate rating. Please summarize your ratings.

Part 1

Description

*1   Overall system to reduce the environmental impacts and/or improve
         the environmental performance of our value chain.*

    a   We have a system in place to help reduce the environmental   1 2 3 4 **<u>5</u>** N/A
        impacts and/or improve the environmental performance of our value chain.

        In the early 1990's, Xerox began Design for the Environment activities when it realized that the remanufacture process could be more easily performed and with greater yields if products were designed with remanufacture in mind. Xerox maximizes the end-of-life potential of products and components by considering reuse in the design process. Machines are designed for easy disassembly and contain fewer parts. Parts are durable – designed for multiple product life cycles. Coded with instructions on how to dispose, the parts are also easy to reuse or recycle. As a result, field-returned Xerox can be rebuilt to as-new performance specifications, reusing 70–90% of machine components (by weight), while meeting performance specifications for equipment with parts that are all new.

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

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[2]   For purpose of this question, product designers can also include packaging designers.

Xerox proposed the establishment of an international standard to set quality specifications for remanufactured equipment. Xerox joined with other interested parties to write ISO24700 Standard for remanufactured equipment. The international standard applies to office equipment that contains reused components, certifies said equipment is functionally equal to New Build equipment, ensures that equipment meets international equipment safety and environmental standards, and promotes the use of recyclable resources to achieve waste reduction and conservation of resources both nationally and internationally.

Improved forecasting of equipment returns has allowed Xerox to rely on previous generations of equipment as a source of components for products in development. A Xerox product whose designs are based on previous models may have 60% of its parts in common with previous equipment.

New products are developed that have positive environmental attributes. Xerox has used Life Cycle Analysis techniques and benchmarking to study the environmental impacts of its value chain. This has aided Xerox in identifying the most significant environmental aspects of its value chain and in setting priorities. This prioritization has resulted in initiatives such as our Sustainable Paper Cycle strategy, our partnership with the US EPA ENERGY STAR program, supplier standards to manage the chemical content of our products and a three-year partnership with The Nature Conservancy focusing on sustainable forest management. We believe innovations and commitment to environmental sustainability will provide us with a competitive advantage.

Xerox invented emulsion aggregation (EA) or chemical toner. This chemically produced toner – with Xerox patents behind it – uses 60% to 70% less energy per page than conventional toner. Key advantages of EA technology are the ability to control the size, shape, and structure of the particles, leading to improved print quality, less toner usage, less toner waste and lower energy usage for manufacturing toner and using it in printing. This new technology enables production of toner using 25-35 percent less energy/lb of toner. Combined with 40-50 percent less toner needed during printing, EA technology offers an estimated 60-70 percent energy saving per printed page. It also doubles the number of pages printed per pound of toner, thereby reducing waste. In September, 2007 Xerox opened a new five-story EA Toner plant in Webster, N.Y., Xerox's most energy-efficient building to date. It has more than 3,000 sensors that feed information about temperature, humidity, airflow and other variables into a networked system. Depending on what's happening in the plant, entire zones of the building may be shut off to reduce energy.

In addition, Xerox has changed the way we make certain conventional toners. In 2006, Xerox began using a special chemical ingredient known as an embrittling agent, reduces by up to 22% the energy needed to make certain toners. As a result, Xerox is well on the way to saving more than 30 million kilowatt hours of electricity by 2008 – enough power to light more than 24,000 U.S. households for a year.

Xerox R&D Groups are focused on developing processes and products with minimal environmental impacts. Developed by Xerox R&D Group and launched earlier this year, Xerox High-Yield Business paper is made through a process that uses half as many trees as paper made by chemical pulping. It is manufactured with less water and fewer chemicals, and it is made in a mill using hydroelectricity, which cuts greenhouse gas emissions by 75%. All production suppliers are required to meet these requirements. Xerox EH&S Product Safety engineers meet with acquired product suppliers to confirm understanding and conformance

compliance with Xerox EH&S Standards and EH&S 1001 is a term and condition in the generic Xerox Purchase Order and associated contract.

Xerox also works to reduce the environmental impact from its suppliers. In October 2006, Xerox became a coalition member of, and adopted, the Electronic Industry Code of Conduct (EICC), a standards-based approach for monitoring suppliers' compliance across several areas of social responsibility, including labor, health, safety and environmental activity. By adopting the voluntary Electronic Industry Code of Conduct, Xerox has further strengthened its commitment to ensure its suppliers are operating according to accepted industry standards for environmental management. Xerox believes that supplier adherence to Xerox and EICC requirements will reduce bioaccumulative toxic (PBT) footprint of the Supply Chain.

In 1998, Xerox began requiring its materials and components suppliers to meet specific environmental, health and safety requirements that ranged from parts marking to chemical use.

In 2004, Xerox issued updated requirements for Xerox suppliers to strengthen the control of the chemical content of our products. See the attachment "Controlling the Chemical Content of Xerox Products" and available on Xerox external website at http://www.xerox.com/downloads/usa/en/f/FILE_EHSA_XRX_INFO_REQUIREMENTS_1001_070104.pdf. Xerox uses various means to assess supplier compliance. This includes self certification, site visits, and requiring evidence of compliance (e.g. chain of custody documentation). Suppliers that do not meet the requirements may be removed from the approved supplier list or Xerox may work collaboratively with the suppler to help them confirm compliance. The nature of the nonconformance is taken into account when deciding the appropriate action. Xerox use Life Cycle Assessment to determine what areas to comprehend in Design for the Environment Efforts including R&D activities.

b	We have a system in place to encourage, mentor, and/or partner with our suppliers and/or customers to actively participate in EPA, state, private sector, and/or community programs to improve their environmental performance.	1 2 3 4 **5** N/A

Xerox's standards for suppliers require or encourage participation in voluntary certification programs such as ISO 14001, US EPA ENERGY STAR and Sustainable Forest Management standards. Xerox has made additional efforts to recruit other companies or facilities into partnership programs such as the US EPA Climate Leaders program and US EPA National Environmental Performance Track program.

Xerox Sales & Marketing Groups hold roundtables with customers throughout the year and around the world. The agenda covers topics of interest to the customers, including environmental sustainability. At these meetings, Xerox EH&S staff present the company's environmental sustainability strategy and encourage customers to participate in partnerships.

2   *Reducing product and service environmental impacts*

a   We have a system in place to account for and reduce the   1 2 3 **4** 5   N/A
environmental impacts of our new products and/or services
throughout their development process, including concept,
design, and research and development.

Xerox recognizes that the best results are achieved when environmental priorities are
considered from the outset of product design. Environmental design in integrated into our
Time To Market (TTM) product development process. Each phase of the TTM process has
clear phase gate criteria that need to be met prior to moving to the next phase. The
Corporation's EH&S Policy sets the corporate direction of how we will conduct our business.
We have developed standards that contain the specific requirements that must be satisfied and
will lead to fulfillment of the EH&S Policy by all employees. Tools such as LCA are used to
develop standards and guidelines. Standards and guidelines are used to ensure consistent
interpretation and practices. This is a requirement for the introduction of any new product.
Xerox comprehensive set of standards encompass energy efficiency, chemical management,
parts reuse and recycling, electrical and mechanical safety, ergonomics, electromagnetic
emissions, fire resistance, materials safety, and packaging. Feedback from development
teams and collaboration with our strategic partners, typically lead to best practices sharing
and updates to standards and guidelines. On an on-going basis, we track new customer
requirements and proposed regulatory changes. We modify our standards, as appropriate to
incorporate new requirements to fulfill regulatory requirements and to meet customer desires.

In addition, in 2007 Xerox built further on Life Cycle Analysis techniques established in the
early 1990s to re-evaluate the impact of its product designs and technologies. This
information helps to direct investment in research and technology development. In 2007, a
"green team" of Xerox researchers has identified more than 100 ideas for green tech
exploration. Based on customer focus groups to help set priorities, these ideas become the
foundation of our research investments that will continue to create breakthroughs in our
industry.

The Environment, Health & Safety (EH&S) organization is charged with ensuring company-
wide adherence to Xerox's environmental, health and safety policy. The EH&S worldwide
standards establish specific requirements for product safety, materials safety, packaging,
environmental management and reporting, workplace safety, emergency response and asset
protection. These standards are revised periodically as new opportunities for reducing
environmental impacts are identified and selected. In addition, broad commitments to energy
efficiency, responsible paper sourcing, resource conservation and prudent use of chemicals
encourage efforts to reduce the environmental impact of our products, services and operations
throughout the company.

Below are listed some examples of opportunities that have been acted on to reduce
environmental impact in existing products:

Begun in the early 1990s, Xerox pioneered the practice of converting end-of-life electronic
equipment and supply items into new products and parts. We have developed a
comprehensive process for taking back end-of-life products and supplies, and have
established a remanufacture, parts reuse and recycling program that fully support our waste-
free initiatives. Since 1991, remanufacturing and recycling have diverted two billion pounds
of potential waste from landfills.

Xerox invented emulsion aggregation (EA) or chemical toner. This chemically produced toner – with Xerox patents behind it – uses 60% to 70% less energy per page than conventional toner. Key advantages of EA technology are the ability to control the size, shape, and structure of the particles, leading to improved print quality, less toner usage, less toner waste and lower energy usage for manufacturing toner and using it in printing. This new technology enables production of toner using 25-35 percent less energy/lb of toner. Combined with 40-50 percent less toner needed during printing, EA technology offers an estimated 60-70 percent energy saving per printed page. It also doubles the number of pages printed per pound of toner, thereby reducing waste. In September, 2007 Xerox opened a new five-story EA Toner plant in Webster, N.Y., Xerox's most energy-efficient building to date. It has more than 3,000 sensors that feed information about temperature, humidity, airflow and other variables into a networked system. Depending on what's happening in the plant, entire zones of the building may be shut off to reduce energy.

In addition, Xerox has changed the way we make certain conventional toners. Thanks to a special chemical ingredient known as an embrittling agent, we're reducing by up to 22% the energy needed to make certain Xerox printer toner. As a result, Xerox is well on the way to saving more than 30 million kilowatt hours of electricity by 2008 – enough power to light more than 24,000 U.S. households for a year.

Launched earlier this year, Xerox High-Yield Business paper is made through a process that uses half as many trees as paper made by chemical pulping. It is manufactured with less water and fewer chemicals, and it is made in a mill using hydroelectricity, which cuts greenhouse gas emissions by 75%.

Life cycle analysis performed in the mid-90's identified energy usage as a significant environmental impact associated with product use. Consequently, Xerox has invested in product designs that have consistently achieved the ENERGY STAR rating – over 350 products since 1993. From 2001 to 2006, >95% of new product launches met ENERGY STAR. In 2007, the U.S. Environmental Protection Agency toughened its standards for ENERGY STAR® compliance. Fortunately, Xerox engineers were already at work integrating energy-reducing technologies into Xerox products. As a result, more than 50% of Xerox's product line now qualifies for ENERGY STAR designation versus an expected 25% for other office document systems. Just as Xerox helped the EPA develop its first set of ENERGY STAR standards for printing systems, we continue to work with the EPA in helping other companies comply with ENERGY STAR. We bring practical knowledge and experience to the table when changes to Energy Star Criteria are being considered. 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. Energy savings increase to 73% if a multifunction system replaces individual products that have not earned the ENERGY STAR rating.

b   We have a system in place to conduct reviews of our existing   1 2 3 **4** 5   N/A
       products and/or services periodically to identify opportunities
       to reduce their environmental impacts.

Xerox has a history of evaluating its products in order to identify opportunities to reduce their environmental impacts. Life cycle analysis performed in the mid-90's identified energy usage as a significant environmental impact. Consequently, Xerox has invested in product designs that have consistently achieved the ENERGY STAR rating – over 350 products since

1993. From 2001 to 2006, >95% of new product launches met ENERGY STAR. In 2007, the U.S. Environmental Protection Agency toughened its standards for ENERGY STAR® compliance. Fortunately, Xerox engineers were already at work integrating energy-reducing technologies into Xerox products. As a result, more than 50% of Xerox's product line now qualifies for ENERGY STAR designation versus an expected 25% for other office document systems.

Xerox recognized the energy impacts of the toner life cycle and responded with two design changes: a new toner manufacturing method ("EA") and a new process for the manufacture of conventional toner. Xerox invented emulsion aggregation (EA) or chemical toner. This chemically produced toner – with Xerox patents behind it – uses 60% to 70% less energy per page than conventional toner. Key advantages of EA technology are the ability to control the size, shape, and structure of the particles, leading to improved print quality, less toner usage, less toner waste and lower energy usage for manufacturing toner and using it in printing. This new technology enables production of toner using 25-35 percent less energy/lb of toner. Combined with 40-50 percent less toner needed during printing, EA technology offers an estimated 60-70 percent energy saving per printed page. It also doubles the number of pages printed per pound of toner, thereby reducing waste. In September, 2007 Xerox opened a new five-story EA Toner plant in Webster, N.Y., Xerox's most energy-efficient building to date. It has more than 3,000 sensors that feed information about temperature, humidity, airflow and other variables into a networked system. Depending on what's happening in the plant, entire zones of the building may be shut off to reduce energy. Xerox changed the way we make certain conventional toners. Thanks to a special chemical ingredient known as an embrittling agent, we're reducing by up to 22% the energy needed to make certain Xerox printer toner. As a result, Xerox is well on the way to saving more than 30 million kilowatt hours of electricity by 2008 – enough power to light more than 24,000 U.S. households for a year.

In 2007, Xerox built further on Life Cycle Analysis techniques established in the early 1990s to re-evaluate the impact of its product designs and technologies. This information helps to direct investment in research and technology development. Some of Xerox's current product platforms are evaluated using these tools. In 2007, a "green team" of Xerox researchers has identified more than 100 ideas for green tech exploration. Based on customer focus groups to help set priorities, these ideas become the foundation of our research investments that will continue to create breakthroughs in our industry.

Over the past few years, Xerox has worked aggressively to remove heavy metals from its equipment and parts. This effort was initially undertaken by the EU ROHS Directive applicable to Xerox Operations in Europe. Although not required in other geographies, Xerox applied the reformulation and removal of heavy metals from all its product lines, regardless of the market area.

Xerox's effort to do the right thing and Design for the Environment is made challenging when the new feature/function/attribute can not be easily incorporated in the product platform. There are sometimes technical and/or financial difficulties. The design requirements that would lead to a product meeting new Energy Star criteria could not easily incorporated in some field returned machines (for the purpose of Remanufacture), Xerox lost out on the remanufacture aspect and had to establish a new platform capable of matching ES Standards. Another barrier to Xerox's remanufacture was ROHS regulatory requirements that did not allow for the reuse of parts. Xerox lobbied heavily for an exemption but it was not granted.

c   We have a system in place to reduce the transportation   1   2   3   **4**   5   N/A
impacts of getting our products and services to and from the
market to reduce their total environmental footprint.

We recognize that further work with our transportation suppliers to proactively reduce their environmental impact is an opportunity for Xerox. This will be explored in 2008.
We have worked and continue to work with our primary carriers to identify a wide range of strategies to reduce our supply chain transportation footprint. We have developed a plan to reduce our supply chain transportation and logistics footprint and have demonstrated a reduction in our supply chain footprint. Xerox is in the process of quantifying its transportation footprint. Since 2004, we have aggressively worked to reduce distances traveled and increase cube utilization to achieve efficiencies and cost savings. We have reduced the impacts through efficient transportation routes based on the locations of our primary facilities where customer returns are received and remanufactured/recycled/reused. The improvements have been accomplished by Lean Six Sigma Quality Teams and special projects. Thanks to their efforts, the distance traveled has decreased approximately six million miles since 2005 (while revenue has remained relatively flat). The means to accomplish this include:

◻ Elimination of carrier routes and warehouse staging to direct ship to the customer
◻ Standardized use of 53 ft trailers instead of 48 ft trailers to increase shipping capacity
◻ Reduced level of packaging allow increased cube utilization

3   *Working with suppliers* [3]

a   We have supplier environmental requirements or   1   2   3   **4**   5   N/A
qualifications that go beyond regulatory compliance.

In 1998, Xerox began requiring its materials and components suppliers to meet specific environmental, health and safety requirements that ranged from parts marking to chemical use. In 2004, Xerox issued updated requirements for Xerox suppliers to strengthen the control of the chemical content of our products. See the attachment "Controlling the Chemical Content of Xerox Products (EH&S-1001)". At the current time, our purchasing procedures do not include specific environmental considerations. We have not audited supplier conformance to EH&S-1001 but we recognize the value of such a system. In 2008, we hope to start building the framework for auditing supplier conformance to EH&S-1001.

In 2006, by adopting the voluntary Electronic Industry Code of Conduct (EICC), Xerox has further strengthened its commitment to ensure its suppliers are operating according to accepted industry standards for environmental management. One of the Value Chain Goals in this application is to conduct on-site assessments of supplier conformance to EICC.
As the largest distributor of cut-sheet paper in the world, Xerox recognizes its obligation to source paper responsibly. On a voluntary basis, from 2003 to 2005, Xerox phased in stringent requirements for companies that provide paper to Xerox for resale. That covers all aspects of papermaking, from forest management to production of finished goods. On an

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[3]   The term "supplier" as used here is defined broadly to include anyone from whom your company purchases a product or a service. It includes contract manufacturers, raw material suppliers, and service providers.

annual basis, Xerox suppliers submit detailed documentation that verifies compliance. In 2006, suppliers representing more than 90% of the paper Xerox supplies to customers met these requirements. Xerox continues to work with our suppliers to increase the rate of compliance to 100%. Suppliers that do not meet the requirements may be removed from the approved supplier list or Xerox may work collaboratively with the suppler to help them confirm compliance. The nature of the nonconformance is taken into account when deciding the appropriate action. Xerox use Life Cycle Assessment to determine what areas to comprehend in Design for the Environment Efforts including R&D activities.
Xerox proposed the establishment of an international standard to set quality specifications for remanufactured equipment. Xerox joined with other interested parties to write ISO24700 Standard for remanufactured equipment. The international standard applies to office equipment that contains reused components, certifies said equipment is functionally equal to New Build equipment, ensures that equipment meets international equipment safety and environmental standards, and promotes the use of recyclable resources to achieve waste reduction and conservation of resources both nationally and internationally.

b   We partner with our suppliers to develop ways to reduce the   1 2 3 **4** 5   N/A
environmental impacts from our value chain.

Xerox works with its suppliers directly through deployment of our environmental standards – educating, training and providing leadership. And in some cases, Xerox makes a special effort to reach out to our suppliers on certain issues.

We recognized that one of the challenges that paper companies face in meeting Xerox's requirements is to demonstrate that they are safeguarding forest areas of significant ecological or cultural importance. Xerox fully supports multi-stakeholder efforts to strengthen certification programs and to develop information sources and tools that will help suppliers identify these areas on their own forest lands and in their procurement of wood raw materials from third-party lands. That is why Xerox approached The Nature Conservancy to form a partnership to address these issues. Xerox is in its second year of a three year, $1 million grant to The Nature Conservancy to fund efforts to advance sustainable forest management. The Xerox/Nature Conservancy partnership is focusing on forest management in Brazil, Canada, Indonesia and the U.S. It is identifying and promoting best practices that will enable environmental scientists, forest managers and paper suppliers to work cooperatively toward sustainable forest management. In the first year of the partnership, Xerox supported the launch of the Canadian Boreal Data Center linking Boreal Forest data and information to diverse users to improve resource management, monitoring and conservation planning. In 2008, Xerox will work proactively to bring the value of this partnership to its suppliers in North America and Europe.

The Xerox High Yield Business Paper™ is a mechanical fiber paper developed by scientists and engineers at the Xerox Media and Compatibles Technology Center, a lab devoted to paper innovation located in Webster, N.Y. Xerox High Yield Business Paper is made through a "greener" process than standard paper used with digital printers. The sheet is produced by mechanically grinding wood into papermaking pulp instead of using a traditional chemical pulping process for producing digital business papers. For example, 90% of the tree by weight ends up in the High Yield Business Paper versus only 45% in creating traditional digital printing paper. In addition, High Yield Business Paper requires less water and fewer chemicals and is produced in a plant using hydroelectricity to partially power the pulping process.

Over the past few years, Xerox has established relationships with its suppliers. There are three categories of Xerox suppliers: Production, Service (includes transportation carriers) and Supplies/Consumables (includes paper). Xerox has established strategic relationships with suppliers to ensure services are designed to reduce the environmental impacts. This is best demonstrated with Xerox's relationship with its primary carrier. Xerox and the primary carrier have an agreement that allows the carrier to broker unused truck space on Xerox's behalf. For example, a full truck is used to transport product from point A to point B. In the past, the truck may have returned empty since there were no Xerox goods to place in the truck returning to point A. But now with the brokering agreement, the carrier can broker the truck space on Xerox behalf, find a company that has a need to transport their goods to point A. The outcome is a full truckload returning to Point A. Xerox has also worked closely with suppliers globally to achieve elimination of heavy metals in products per the European RoHS Regulations. Xerox applied this requirement globally despite the fact that it was only mandatory for the European marketplace. In the process, Xerox educated numerous suppliers on the regulatory requirements and worked with them to replace the heavy metals and qualify the reformulated product. This effectively introduced a new product the supplier could offer its customers and reduce heavy metal concentrations in the environment.

4   Working with customers/users

a   We have a system in place to work with our customers to   1 2 3 4 **5** N/A
ensure that they use our products or services in an
environmentally-appropriate manner.

Xerox products have many design features that reduce environmental impacts. Examples include ENERGY STAR features, duplex and auto duplex capability, parts reuse, electronic document management and supplies and equipment return and recycling. The capabilities of these features are included in customer manuals, web sites, brochures and presentations. Xerox managed services employees implement these features directly at customer sites.

Customer acceptance of reused/recycled parts was a significant challenge for Xerox's program throughout the 1990s. We educate customers about the quality and reliability of reused parts and whenever necessary, we promote environmentally responsible purchasing policies and practices. Through education of our customers, we find that far fewer customers share the misperception that products with reuse/recycled parts are inferior.

We are actively educating our customers on the environmental and financial benefits of using the environmental features of our products and services. We have developed a guideline entitled "Seven Ways to Green Your Office" which educations about recycling paper, using recycled paper, duplex printing, specifying ENERGY STAR, recycling/remanufacturing cartridges, using scan to email, replacing single function & personal devices with multifunction devices. Additionally we have incorporated these elements into our "office optimization" service where we assist customers with substantially reducing the number of machines in the offices which can deliver in excess of 50% reduction in energy consumption. In the very near future, we will be launching a life-cycle based tool for customers to track the environmental benefits of incorporating the "Seven Ways to Green Your Office".

b   We partner with our customers to develop ways to reduce the   1 2 3 **4** 5 N/A
environmental impacts from our value chain.

In response to customer requests, Xerox developed our cartridge take-back program in the mid-1990s. This was the primary driver for incorporating remanufacturing into the design of our cartridges. The Xerox Green World Alliance reuse/recycle program for imaging supplies is central to our commitment to waste-free products. This partnership with Xerox customers has resulted in more than 2.7 million cartridges and toner containers being returned in 2006.

Xerox works with customers to optimize their print environments. By replacing old and less-efficient equipment and individual machines with a single system that prints, copies, scans, e-mails and faxes, customers can cut their energy consumption in half, reducing energy cost, emissions and reduce waste.

The Vice EH&S and her staff communicate stakeholder comments during Xerox internal reviews and strategic planning discussions. Xerox strategic plans are developed to comprehend customer and stakeholder requirements. The Vice President is increasing the number of customer roundtables that now include sustainability as one of the key discussion topics. The roundtables are taking place through out all our market areas- not only in the United States. These roundtables are attended by the most senior levels of management of the Customer's Organization.

Xerox also uses its stakeholders' input in its reviews and strategic planning. Stakeholders include customer representatives from governmental and nongovernmental groups that Xerox partners and collaborate with on a proactive manner. Xerox tracks inquiries from customers and stakeholders and comments through our customer EH&S support "hotlines" in North America and Europe. We also hear from customers through focus groups and we hear from the larger community by participating in a number of external organizations. Stakeholders include customer representatives from governmental and nongovernmental groups that Xerox partners and collaborate with on a proactive manner. The Vice EH&S and her staff communicate stakeholders' comments during Xerox internal reviews and strategic planning discussions. Xerox strategic plans are developed to comprehend customer and stakeholder requirements. The Vice President is increasing the number of customer roundtables that now include sustainability as one of the key discussion topics. The roundtables are taking place throughout all our market areas -- not only in the United States. These roundtables are attended by the most senior levels of management of the Customer's Organization.

Lastly, Xerox periodically conducts customer focus groups, customer surveys, and participates in multi-client market research studies. In 2007 we conducted 3 customer focused group sessions with two in the United States and one in Europe; a "customer insight" market survey; and started efforts to participate in a multi-client study that will be completed in 2008. Based on research to date, customers are most concerned with solid waste associated with our products and services. As a result, we are working on longer life cartridges/consumables; expanding our cartridge-free solid ink technology; and reducing packaging.

Another recent example is in response to customers' request for certified paper, Xerox has recently achieved chain of custody certification to the Forest Stewardship Council (FSC) program. This is pre-requisite to our intent to launch FSC certified papers in the near future.

c	Where appropriate, we have a system in place for our customers to provide for the appropriate end-of-life management of our products and packaging through reuse, recycling, or proper disposal.	1 2 3 4 **5** N/A

Begun in the early 1990s, Xerox pioneered the practice of converting end-of-life electronic equipment into new products and parts. 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. We have also developed Design for the Environment Guidelines for Product Development Teams to follow. These guidelines will facilitate the remanufacture, recycle, and reuse of end-of-life equipment, parts, and supplies in a cost efficient and effective manner. Since 1991, remanufacturing and recycling have diverted two billion pounds of potential waste from landfills. Xerox routinely incorporates take-back and recycling as criteria in its design of new products. Downstream, customers are encouraged to recycle or return used products and we provide programs to facilitate take-back or recycling. Through a program we call "Green World Alliance", prepaid postage labels allow customers to return spent materials to Xerox for reuse and recycling. Upon receipt, the end-of-life cartridges are reused, recycled or remanufactured following the strategy that was developed prior to placing the product on the market.

Part 2

First achievement

1 What Category and Indicator have you selected? (Please refer to the Corporate Environmental Performance Table for examples.)

Category: Waste to Landfill
Indicator: Non Hazardous Waste to Landfill
Normalizing Factor: Revenue

2 What was the improvement over the past five years? How did you help achieve it? (Please refer to the Corporate Environmental Performance Table for examples of measurement units.)

Summary:

From 2002-2006, worked with customers to divert 72 million pounds of non-hazardous solid waste from landfills

From year 2002 through 2006, Xerox Green World Alliance Reuse/Recycle Program has led to 72 million pounds of solid waste being diverted from landfills. The Xerox Green World Alliance reuse/recycle program for imaging supplies is central to our commitment to waste-free products. This partnership with Xerox customers has resulted in more than 2.7 million cartridges and toner containers being returned in 2006. Xerox processed 1.3 million pounds of post-consumer waste toner for reuse, and the plastic bottles customers used to return waste toner to Xerox – nearly 100,000 of them – have been recycled.

Application for Performance Track Corporate Leader Designation

Part 3

First goal

1   What Category and Indicator have you selected? (Please refer to the Corporate Environmental Performance Table for examples.)

Category: Supplier Performance
Indicator: % audited; % in compliance with EICC
Normalizing Factor: Total # of strategic production spend suppliers

2   What is the improvement goal over the next five years? (Please refer to the Corporate Environmental Performance Table for examples of measurement units.)

Summary:

a) Require suppliers to adhere to Electronic Industry Code of Conduct.
b) Conduct environmental audits at strategic suppliers.
c) Incorporate EICC compliance language in contracts with suppliers.
d) Require corrective action plans where non-conformances are observed.

In October 2006, Xerox became a coalition member of, and adopted, the Electronic Industry Code of Conduct (EICC), a standards-based approach for monitoring suppliers' compliance across several areas of social responsibility, including labor, health, safety and environmental activity. Xerox believes that supplier adherence to Xerox and EICC requirements will enable achievement of the corporate strategic goal of zero persistent bioaccumulative toxic (PBT) footprint. Xerox requires suppliers to complete the EICC self assessment and return to Xerox. Xerox reviews their responses. In this application, we are committing to develop a formal assessment process and roll it out to all of our strategic production suppliers. Xerox has validated its compliance with all EICC guidelines and has committed to ensure compliance by our key vendors that contribute to the manufacturing of Xerox systems. We also participate in EICC quarterly conferences, where members share industry best practices for managing the supply chain. More information on the EICC Code of Conduct can be found online at www.eicc.info.

We have also developed a process that measures suppliers' compliance and incorporates EICC activities into our communication plans. In 2007, in conjunction with the EICC coalition, we participated in third-party audits of 17 suppliers, five of which are current providers to Xerox. In 2007 Xerox began establishing the EICC standards compliance and audit process. We are currently working to develop and pilot our supply chain initiative. All production suppliers are required to meet these requirements. Xerox EH&S Product Safety engineers meet with acquired product suppliers to confirm understanding and conformance compliance with Xerox EH&S Standards and EH&S 1001 is a term and condition in the generic Xerox Purchase Order and associated contract.

Suppliers that do not meet the requirements may be removed from the approved supplier list or Xerox may work collaboratively with the suppler to help them confirm compliance. The nature of the nonconformance is taken into account when deciding the appropriate action. Xerox use Life Cycle Assessment to determine what areas to comprehend in Design for the Environment Efforts including R&D activities.

Xerox proposed the establishment of an international standard to set quality specifications for remanufactured equipment. Xerox joined with other interested parties to write ISO24700 Standard for remanufactured equipment. The international standard applies to office equipment that contains reused components, certifies said equipment is functionally equal to New Build equipment, ensures that equipment meets international equipment safety and environmental standards, and promotes the use of recyclable resources to achieve waste reduction and conservation of resources both nationally and internationally.

Xerox's top four suppliers represent 60% of our supply chain all of whom are EICC members. Through this process, EICC members are required to have their suppliers conform to the EICC and validate by 3rd party audit.

By 2008 Xerox will begin implementation of this supply chain initiative. Our goal will be to perform the below activities and metrics by 2013:

 Conduct on-site EICC audits at 100% of our strategic production spend suppliers (10-12 suppliers / yr.)

 Incorporate EICC compliance language into our business terms/conditions for 100% of our strategic production spend suppliers (10-12 suppliers / yr.)

 Require corrective action plans where non-conformances are observed

Xerox's strategic Production Suppliers will be defined as high spend suppliers that drive 90% of Xerox's total production spend which equate to 50-60 key suppliers. In addition, Xerox will work with its suppliers to implement continuous improvements. (EPA's Green Suppliers Network will be considered as means to identify and implement changes.)

Second goal

1   What Category and Indicator have you selected? (Please refer to the Corporate Environmental Performance Table for examples.)

Category: Supplier Environmental Performance
Indicator: % paper supply in compliance with Xerox sustainable paper requirements
Normalizing Factor: Tons of paper sold

2   What is the improvement goal over the next five years? (Please refer to the Corporate Environmental Performance Table for examples of measurement units.)

Summary:

a) Strengthen environmental standards applied to paper suppliers.

b) Launch first paper products certified to sustainable forestry standards; will set goal for % of paper to be certified.

c) Identify opportunities for continuing partnership with The Nature Conservancy and/or other groups to improve forestry management.

d) Actively educate customers about life-cycle aspects of paper.

Note: Xerox is also committing to launch its first FSC and PEFC certified papers in 2008 and to grow the percentage of paper offerings meeting third party sustainable paper certification from a 2008 year end baseline. The goal will be set by year end 2008.

<u>Xerox's 5 year goals for a Sustainable Paper Cycle</u> is:

☐ In 2006, 90% of Xerox paper supply was in compliance with our current sustainable paper requirements. In this application, Xerox is establishing a goal to set more stringent requirements than we currently have for our paper suppliers and their suppliers (e.g. paper mills) in 2008 and achieve the 90% adherence within 5 years.

☐ Xerox is the largest distributor of cut-sheet paper in the world. Xerox will be introducing papers that comply with Forest Stewardship Council (FSC) standards, the world's strongest system for guiding sustainable forest management. These papers use raw materials from a 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 Smart Wood program. Xerox has also earned Program for the Endorsement of Forest Certification (PEFC). The PEFC Council (Program for the Endorsement of Forest Certification programs) is an independent, non-profit, non-governmental organization, founded in 1999 which promotes sustainably managed forests through independent third party certification. The PEFC provides an assurance mechanism to purchasers of wood and paper products that they are promoting the sustainable management of forests. PEFC is a global umbrella organization for the assessment of and mutual recognition of national forest certification programs developed in a multi-stakeholder process. These national programs build upon the inter-governmental processes for the promotion of sustainable forest management, a series of on-going mechanisms supported by 149 governments in the world covering 85% of the world's forest area. Xerox is setting a goal to launch its first FSC and PEFC certified papers in 2008 and to grow the percentage of paper offerings meeting third party sustainable paper certification from a 2008 year end baseline. A target will be set by year end 2008.

☐ To successfully conclude the 3-year partnership with The Nature Conservancy in 2009 and share findings and best practices resulting from partnership with Xerox suppliers in 2008 and 2009. To identify additional opportunities for multi-year partnerships in support of the sustainable paper cycle in 2009.

☐ To actively educate Xerox customers and employees about the responsible and efficient use of paper. In 2008, we will be launching educational tools and developing partnerships to advance this goal. Metrics and targets will be established in 2008.

We are in the process of gathering information to understand how best to strengthen our standards. One area of focus is mill environmental management and understanding the environmental footprint associated with pulp and paper manufacturing including energy, water and air emissions.

Xerox is conducting a workshop to determine how to work together (with partners) to influence the standard-setting bodies (e.g., SFI, FSC). These Xerox meetings will push the state-of-the-art.

Xerox's work on high-yield paper fits in well with sustainable forestry. It is believed this product has a strong sustainability position.

Section F

Why do we need this information?

Companies need to demonstrate their commitment
and identify appropriate mechanisms in place to
publicly report their environmental performance.

*Tell us about your
public outreach and
reporting of your
environmental performance.*

What do you need to do?

Describe what information you report to the public
regarding your environmental performance. Refer
to the Application Instructions for further explanation
to determine the appropriate response.

Public outreach

1   Do you have a corporate system to identify and respond to community   **Yes**/No
and stakeholder concerns? If Yes, please describe.

The Xerox Customer Hotline is one of the primary ways we respond to inquiries or comments from
our community and stakeholders. The internal and external websites are available and very useful in
educating interested parties on environmental performance. We also engage our community through
participation in Greater Rochester Business for Conservation and through our Sales & Marketing
Organizations. Throughout the year and around the world, EH&S are discussed at roundtables
conducted with. We respond to our stakeholders and the community by these same means and by the
new product designs we undertake to satisfy their requests.

2   Are there ongoing citizen suits related to environmental issues at any   Yes/**No**
of your facilities or your company as a whole? If Yes, please explain the
circumstances.

Public environmental report

1   Please explain your mechanisms to make environmental data available to the public.
The Report on Global Citizenship is published annually and shared with Xerox Stakeholders. The
report is also available online through Xerox's public website
(http://www.xerox.com/downloads/usa/en/x/Xerox_Global_Citizenship_Report_2007.pdf).

If your company releases an environmental report:

a   How frequently is this report published?   Once annually

b   When was this report last published?   4Q2007

c   Is an up-to-date version of your report available on your   Yes/No
website? (*Please share the website address and attach five copies of report, if available.*) The Xerox Global Citizenship Report is available at http://www.xerox.com/downloads/usa/en/x/Xerox_Global_Citizenship_Report_2007.pdf

d   How do you verify the contents of your environmental (hard copy or electronic) report?

Each year a reporting form is sent to Xerox Supplies Plants worldwide in order to collect environmental data. Explanations describing changes in year-to-year data are required in each category where there is a significant change from the previous year. The forms are reviewed by the Worldwide Performance Program Manager and Xerox employees completing the forms through a period of Q&A.

e   To what extent does the environmental report or other mechanism to report your environmental performance to the public describe your performance in the following areas:

Eco-efficiency measures:

i	Materials use intensity/raw materials use	**1**	2	3	4	5	N/A
ii	Energy use	1	2	3	4	**5**	N/A
iii	Water use	1	2	3	4	**5**	N/A
iv	Packaging use	**1**	2	3	4	5	N/A
v	Product life environmental performance	1	2	**3**	4	5	N/A

Releases and transfers to the environment:

vi	Recycling	1	2	3	4	**5**	N/A
vii	Solid waste disposed	1	2	3	4	**5**	N/A
viii	Air releases	1	2	3	4	**5**	N/A
ix	Greenhouse gas emissions	1	2	3	4	**5**	N/A
x	Water releases	1	2	**3***	4	5	N/A
xi	Toxic releases	1	2	3	**4****	5	N/A
xii	Hazardous waste recycled	1	2	3	**4**	5	N/A
xiii	Hazardous waste disposed	1	2	3	4	**5**	N/A
xiv	Eco-efficiency measures	**1**	2	3	4	5	N/A

Absolute Data provided

Conservation and habitat preservation:

xv	Conservation activities/land use	1	2	3	4	**5**	**N/A**
xvi	Biodiversity preservation	1	2	3	4	**5**	N/A

Environmental accounting:

xvii	Environmental expenditures and savings	1	**2***	3	4	5	N/A
xviii	Revenues associated with environmental activities, products, or services	**1**	2	3	4	5	N/A

Beyond-the-fenceline performance:

xix	Community outreach activities	1	2	3	4	**5**	N/A
xx	Supplier environmental performance	1	2	3	**4**	5	N/A

Negative performance:

xxi	Spills, exceedances, sanctions	1	2	3	**4*****5		N/A

Other:

Product Impacts (Energy, Emissions)		1	2	3	**4**	5	N/A

<u>Footnotes</u>:
*Collected but not reported
**Embedded in Air Emissions data
***Only one year of data provided

2   How will you make your environmental goals and performance as a Performance Track Corporate Leader available to the public?
The Xerox internal and external websites and in the annual Corporate Citizenship Report.

Additional information

Is there anything else about your company's environmental programs or performance that was not covered by this application and you would like to tell us?

In the words of Xerox CEO, Anne Mulcahy as stated in the Xerox 2007 Global Corporate Citizenship Report:

Xerox people take great pride in the culture they have created – a culture that values Xerox as a profit-making enterprise *and* an institution that strives to be a positive force in the world around us. You will see that philosophy running throughout this report. It's organized around five themes that capture the essence of our citizenship efforts:

- Conducting our business with integrity and transparency builds credibility and attracts investors.

- Aligning our resources around customer need provides the revenue stream that enables investment in innovation and future growth.

- Nurturing a greener world through sustainable innovation and development saves money, creates value and helps develop new markets.

- Creating a great workplace for our people strengthens our competitiveness.

- Leveraging our resources to make our world better improves the quality of life for our people and the economic climate for our customers.

If you conclude that we are satisfied with our progress, let me assure you that nothing could be further from the truth. I hope you will sense in this report a certain restlessness – a healthy disdain for the status quo and a realization that as good as we may be today we must be even better tomorrow and not by a little but by a lot. As one of my predecessors at the helm of Xerox, David Kearns, used to say: "We're in a race without a finish line." We don't shrink from the challenge; we embrace it.

At Xerox, we clearly don't have all the answers. We may not even ask the right questions. What we do have is a group of people who are passionate about their responsibilities to make our world better, a corporate culture that is committed to continuous improvement, an innovation community that feeds on harnessing the

potential of technology to the promise of a better world, an abiding belief that our best days are yet to come and an assumption that by working together everything is possible.

Application for Performance Track Corporate Leader Designation

Section G

On behalf of Xerox Corporation *Application and Membership Statement*
        [my company],

I certify that:

I have read and agree to the terms and conditions for Application and Membership as a designated Performance Track Corporate Leader, as specified in the *Performance Track Corporate Leader Guide* and in the *Application Instructions.*

I have personally examined and am familiar with the information contained in this Application. The information contained in this Application is, to the best of my knowledge and based on reasonable inquiry, true, accurate, and complete, and I have no reason to believe the company would not meet all program requirements.

I agree that EPA's decision whether to accept companies into or remove them from the Performance Track Corporate Leader designation is wholly discretionary, and I waive any right to challenge EPA's acceptance or removal decision. I also understand that my company=s membership in the program will not be considered to be legally relevant in any enforcement proceedings for violations of environmental requirements.

I am a senior executive of the company to whom the environmental function reports and am fully authorized to execute this statement on behalf of the company applying for the Performance Track Corporate Leader designation.

Signature / Date	Wim Appelo
Printed Name / Title	President, Xerox Strategic Services Group
Phone Number / E-mail	585-422- 4527 Wim.Appelo@xerox.com
Company Name	Xerox Corporation
Company Street Address	800 Phillips Road (Mail Stop: 105-48C)
City / State / Zip Code	Webster, New York 14580

The National Environmental Performance Track is a U.S. Environmental Protection Agency program. Please direct inquiries to Dan Fiorino, 202-566-2869, or e-mail fiorino.dan@epa.gov.

To submit your membership application:

1) E-mail the completed form to fiorino.dan@epa.gov,

and

2) Fax the completed and signed participation statement (not the entire form) to 202-566-2985.

If you cannot e-mail the membership application, mail a hard copy of the entire completed form to:

Dan Fiorino
Director, Performance Track Program
U.S. Environmental Protection Agency
Office of Policy, Economics, and Innovation (1807T)
1200 Pennsylvania Avenue, NW
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