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 Xerox 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 impact.

- 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.

ABOUT THIS REPORT

Xerox's 2005 Environment, Health, and Safety Progress Report is the eleventh in a series of annual reports documenting our progress toward goals for protecting the environment and safeguarding the health and safety of Xerox employees, customers, and neighbors.

This report reviews worldwide performance during the 2004 calendar year. It also includes some discussion of 2005 goals and activities. Safety performance and greenhouse gas emissions data cover Xerox operations and subsidiaries during the 2004 time period. Environmental results show full-year performance of Xerox manufacturing, research and development, and equipment recovery/recycle operations.

This report supports our continued efforts to maintain an open dialogue with audiences interested in Xerox's environmental, health, and safety initiatives, including employees, customers, investors, government agencies, non-governmental organizations, and the media. Each year, Xerox strives to enhance the value of this report, incorporating international reporting best practices and feedback from readers. Please send your comments and suggestions to the Xerox contacts listed on the back cover of this report, or visit our web site at www.xerox.com/environment.
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Most Xerox people joined Xerox because of the core values the company stands for. We make the customer our priority among priorities, value diversity, are good stewards of the environment, place a premium on the people who work for the company, and invest financial and human capital in the communities in which we work and live.

These values were first articulated by our founder — Joseph C. Wilson — in the early 1960s. They have been nurtured and strengthened ever since and they have become ingrained in the Xerox culture. In this report, you will read about our progress in protecting the health and safety of our employees and in preserving our environment. You will see that:

• We are making progress and intensifying our efforts to attain benchmark employee safety levels through the use of Lean Six Sigma quality methodologies.

• We have committed to reduce our absolute greenhouse gas emissions by 10 percent from 2002 to 2012 and are on track to do so.

• We have deployed a stringent set of requirements to our paper suppliers to ensure that our paper is sourced from sustainably managed forests.

• We have strengthened our supply chain management to ensure proper control of the chemical content of our products.

• We diverted more than 142 million pounds of waste from landfills last year and saved Xerox several hundred million dollars through benchmark remanufacturing and parts reuse.

You will read about this and much, much more in the pages that follow.

To Our Stakeholders

A Message from the Chairman and Chief Executive Officer

During the past few years, Xerox has rightly received a good deal of praise for turning the company around and bringing it back from the brink of bankruptcy to the threshold of greatness. We are proud of that, of course, but I believe Xerox people are most proud of the fact that we have simultaneously turned the company around financially and strengthened our core values.

Sincerely,

Anne M. Mulcahy
Chairman and Chief Executive Officer

Xerox is recognized as a leader in sustainable development. We are proud to be listed among the 100 most sustainable companies in the world — proud but not complacent. We recognize that as good as we may be today, we must be even better tomorrow. Our customers expect it, our shareholders demand it, our employees are committed to it, and future generations depend on it.

We do not shrink from these expectations. We welcome and embrace them. To us, employee safety and sustainable development are races with no finish line. Both require leadership and innovation — leadership that sets high expectations and clear direction, and innovation that constantly pushes the frontier of what is possible.

You have the commitment of all Xerox people that we will continue to improve — it’s both a part of our heritage and of our future.
Executive Summary
2004 Highlights

Xerox maintained good performance toward key environmental, health, and safety goals in 2004 for the benefit of our customers, employees, and neighbors. The following summary of our progress links accomplishments to the goals they support.

Goal: Waste-Free Products
- Prevented 142 million pounds of material from entering landfills through the reuse and recycling of Xerox equipment and supplies.
- Enabled energy savings of 48 million therms (1.4 million megawatt hours) through the reuse of parts and the sale of ENERGY STAR® products.
- Ninety-seven percent of eligible new Xerox products met the requirements of the international ENERGY STAR and Canada’s Environmental Choice EcoLogo.
- All newly introduced products achieved Xerox’s strict standards limiting emissions of noise, ozone, and dust. In 2005, we launched our first products that meet the strict requirements of the European Union’s restriction on the use of hazardous substances directive (RoHS), which goes into effect July 2006.

Goal: Waste-Free Facilities
- Pledged to cut greenhouse gas emissions from worldwide operations by 10 percent from 2002 to 2012.
- Recycled 89 percent of non-hazardous solid waste generated in all Xerox facilities, compared with 85 percent in 2003.
- Achieved a 96 percent recycle rate with Xerox’s worldwide equipment recovery and recycle operations.
- Beneficially managed 99 percent of hazardous waste through treatment, recycling, or energy recovery by blending fuels.
- Maintained ISO 14001 certification for global manufacturing sites.

Goal: Safe Workplace and Healthy Workforce
- Fell short of our 10 percent year-over-year reduction targets. The Total Recordable Incident rate was reduced 4 percent while our Day Away From Work case rate increased by 10 percent. We are now using Lean Six Sigma quality processes to identify strategies to reach our goal of benchmark safety levels.
- Continued deployment of our emergency preparedness standard worldwide, verifying that all major sites have documented emergency response plans in place.

Recently, Xerox discovered an inconsistency in its reporting criteria for DAFW case rates, which has been corrected. Therefore, the 2003 information reflects a change in numbers from previous reports.
Vision and Goals

Xerox’s environmental, health, and safety policy, established in 1991, provides a solid foundation for the deployment of goals applicable to our global operations. Today, Xerox’s strategic environmental, health, and safety goals are organized into four categories: (1) Safe Workplace and Healthy Workforce, (2) Waste-Free Facilities, (3) Safe Products, and (4) Waste-Free Products. While there is still work to be done, we have made significant advances toward these goals as shown below.

A RECORD OF PROGRESS

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<th>Provide Value to Customers</th>
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<td>Safe Workplace</td>
<td>Safe Workplace and Healthy Workforce</td>
<td>Safe Products</td>
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<td>Results of the Zero Injury program, initiated in 1997:</td>
<td>Results of the Zero Injury program, initiated in 1997:</td>
<td>Design requirements for materials safety, mechanical and electrical safety, and ergonomics are integrated into the Xerox product development process. No product is launched until these criteria are satisfied.</td>
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<td>• 54% reduction in Total Recordable Injury rate.</td>
<td>• 38% reduction in Day Away From Work case rate.</td>
<td>Over 1.6 billion pounds of waste were diverted from landfills since 1991 through equipment end-of-life strategies.</td>
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<td>95% or more hazardous waste managed beneficially since 1999 through treatment, recycling, or fuels blending.</td>
<td>Improvement in non-hazardous solid waste recycling rate from 56% to 89% since 1999.</td>
<td>Product features such as duplex copying/printing help customers make efficient use of paper. One hundred percent of office and production products greater than 30 ppm introduced in 2004 offered duplex capability.</td>
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<td>31% reduction in water use since 1999.</td>
<td>91% reduction in air emissions from facilities that manufacture Xerox imaging supplies (our most chemically intensive operations) since 1991.</td>
<td>Up to 50% reduction in product energy consumption since 1992.¹</td>
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<td>Nearly 6% reduction in company-wide greenhouse gas emissions since 2002.</td>
<td>Nearly 6% reduction in company-wide greenhouse gas emissions since 2002.</td>
<td>Xerox has achieved its goal of minimizing product emissions of ozone and dust. Today’s emission levels are well below the strictest regulatory limits.</td>
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¹Energy consumption of the Xerox CopyCentre C3545 digital copier compared to the Xerox 5343 introduced in 1994. Customer use patterns affect energy consumption.
Xerox Working to Become a Sustainable Company
In moving toward a sustainable future, Xerox continues to extend the reach of our environmental, health and safety policies across the product life cycle. In 2004 and 2005, Xerox launched and expanded initiatives that strengthened supply chain management and made long-term commitments to further reduce the environmental impact of its operations.

Energy and Greenhouse Gas Reductions
For our own operations, we have strengthened our commitment to reduce energy consumption and associated greenhouse gas emissions by adopting a 10 percent absolute reduction in company-wide greenhouse gas emissions by 2012 from a 2002 baseline. See pages 26-27.

Controlling the Chemical Content of Xerox Products
In 2004, Xerox issued a new set of environmental, health, and safety requirements for Xerox suppliers to better control the use of chemicals in Xerox products. All new product designs refer to these requirements, and suppliers are expected to verify their compliance. See page 12.

Product Take-Back and Recycling
Xerox has operated an extensive equipment take-back and reuse/recycle program for many years. See pages 16-17. With the implementation of the European Union’s Waste Electrical and Electronic Equipment Directive, Xerox will continue to operate its European equipment take-back program to enable remanufacturing and parts reuse wherever possible. We will also take advantage, where it makes sense, of European member state collection and recycling programs.

Paper Supplier Requirements
In 2003, we began deployment of environmental, health, and safety requirements for companies that provide paper to Xerox for resale. The requirements went into effect over a two-year period with the most stringent requirements effective in 2005. See pages 14-15.
Governance and Policy Deployment

The Environment, Health, and Safety organization is charged with ensuring company-wide adherence to Xerox’s environmental, health, and safety policy. The governance model we employ to accomplish this task is illustrated below. Its central elements include clearly defined goals, a single set of worldwide standards, and an audit process that ensures conformance to these requirements. These are crucial for integrating environmental, health, and safety considerations into Xerox business.

Standards

Environmental, health, and safety standards are our primary tools for ensuring compliance with corporate policies and goals. Applicable to all operations worldwide, these standards establish specific requirements for product safety, materials safety, packaging, environmental management and reporting, workplace safety, emergency response, and asset protection. Xerox employees access these standards via the company’s internal web site.

Operational Programs

Effective deployment of environmental, health, and safety goals and standards relies on full integration into ongoing business practices. Five key programs serve this integration function throughout the company.

Zero Injury Program

The Zero Injury program is designed to ensure the safety of Xerox employees around the world. Our ultimate goal is benchmark safety performance. Launched in 1997, the program trains managers in safety management and holds them accountable for their organizations’ safety performance. The Environment, Health, and Safety organization develops awareness and training programs, tracks performance worldwide, and provides guidance as needed to correct deficiencies.

Emergency Preparedness

Xerox requires each of its operations to have a documented emergency response plan in place outlining actions to be taken in the event of potential emergencies. Training programs ensure that employees are aware of these plans and understand evacuation procedures and rescue and response methods. Routinely scheduled management reviews, drills, and corporate audits ensure that plans comply with Xerox standards and regulations.
ISO 14001 Environmental Management System
All company manufacturing operations employ an ISO 14001-conforming environmental management system to ensure compliance with regulations and Xerox standards, to identify environmental impact, and to set objectives and performance targets. Our major manufacturing operations have been certified to ISO 14001 since 1997. In 2002, we completed the certification of all current manufacturing operations. New plants are scheduled for certification as they are brought on-line.

Product Development Process
Xerox integrates environment, health, and safety into the earliest stages of Xerox product design and development. Products’ adherence to safety standards, ecolabel criteria, chemical content requirements, and end-of-life strategies is reviewed at each major phase of the development process. Failure to meet these requirements can delay product launch.

Supply Chain Environmental, Health, and Safety Management
Xerox extends environmental, health, and safety requirements across its supply chain. Since 1998, Xerox has asked its materials and components suppliers to meet specific environmental, health, and safety requirements. These requirements were strengthened in 2004. Starting in 2003, Xerox extended additional requirements to companies who provide paper to Xerox for resale. Supplier initiatives are described in more detail throughout this report.

Audit Program
A well-established audit program measures our success in implementing environmental, health, and safety goals and targets. Research, manufacturing, and service operations are scheduled for periodic audits. Auditing frequency is based on each operations’ complexity, inherent risk, and past performance. Xerox audit teams evaluate operations against Xerox standards, regulations, and industry guidelines to identify environmental, health, and safety risks and potential areas of non-compliance. Local managers, with the assistance of audit teams, develop action plans to correct deficiencies. Situations that pose a high risk of environmental damage, serious injury to employees, or regulatory non-compliance receive special attention from senior management and are tracked for resolution. The audit program has proven to be an important mechanism for identifying and correcting performance gaps. At the same time, it offers a valuable opportunity to share best practices among facilities.

BUSINESS ETHICS AND COMPLIANCE
Xerox’s code of conduct is deployed by the Xerox Business Ethics and Compliance Office. Annual training gives employees detailed guidance on maintaining a commitment to business ethics. As part of this effort, an annual ethics letter from the company CEO helps build employee awareness of their responsibilities to the corporate environmental, health, and safety commitment. Each employee must confirm his/her understanding of this commitment through a formal acknowledgment process and completion of refresher training. The program includes a helpline for employees to seek guidance and raise issues.

ENVIRONMENTAL PLANK OF XEROX’S ETHICS POLICY
Xerox is committed to protecting the environment and the health and safety of its employees, customers, and the communities where it does business. Xerox will operate in a manner that conserves natural resources and will comply with all laws regulating these matters.
Xerox made significant progress toward its Waste-Free goals in 2004, conserving both energy and materials throughout the product life cycle.

A number of sustainable product initiatives ensured conservation of energy and materials in 2004:

- Programs to remanufacture equipment and reuse or recycle supplies diverted 142 million pounds of material from landfills.

- Energy-efficient product features enabled energy savings of 37 million therms (1.1 million megawatt hours). Parts reuse saved an additional 11 million therms (320,000 megawatt hours).

- All newly introduced products achieved Xerox’s strict standards for minimal use of hazardous materials and emissions of noise, ozone, and dust.

Xerox engineering teams are incorporating into product designs increasingly challenging targets for energy efficiency, reuse/recycling, and minimized use of hazardous materials. For example, revised, more stringent standards for energy efficiency and the chemical content of parts and materials used in Xerox products are expected to drive progress in this area.

One measure of success is the number of Xerox products meeting the world’s most widely recognized environmental certifications: Canada’s Environmental Choice EcoLogo; Germany’s Blue Angel; and the international ENERGY STAR. Ninety-seven percent of Xerox’s eligible product offerings launched in 2004 met ENERGY STAR and Environmental Choice EcoLogo criteria. Because Germany’s Blue Angel criteria changed in late 2003, no Xerox products currently meet these requirements, but products are being designed to meet them in 2006.

The Gil Hatch Center for Customer Innovation showcase of digital production printing technology located in Webster, New York, opened in 2005.
Integrating Waste-Free Goals into Product Design

Xerox recognized early in its drive for Waste-Free Products that the best results — both environmental and financial — are achieved when products are designed from the outset with Waste-Free goals in mind.

Customer feedback, along with a forward-looking view of global trends in technology, regulations, and ecolabels, led us to a comprehensive set of standards that encompass more than Waste-Free goals. The standards also include requirements for electrical and mechanical safety, ergonomics, electromagnetic emissions, fire resistance, and materials safety.

Products being developed undergo a careful review by Xerox business teams and the Environment, Health, and Safety organization at each stage of Xerox’s Time to Market product development process. These ongoing reviews ensure that environmental, health, and safety requirements are fully satisfied by all Xerox products. Failure to fully meet these requirements can delay the introduction of a new product.

The following pages describe the sustainable product design practices that have been most significant in moving Xerox toward its Waste-Free Product goals.

Pounds of material diverted from landfills through Xerox equipment remanufacture and supplies reuse/recycle programs.

Xerox test facilities ensure that products comply with the strictest safety regulations. Our anechoic chamber in Webster, New York, measures product emissions of, and immunity to, electromagnetic radiation.

Products being developed undergo a careful review by Xerox business teams and the Environment, Health, and Safety organization at each stage of Xerox’s Time to Market product development process.

ECOLABEL-QUALIFIED PRODUCTS

Note: Percentages represent the proportion of product models introduced in a given year that are eligible for ecolabel certification (i.e., within the scope of an ecolabel program) and that meet ecolabel criteria.
Design for Energy Efficiency

Xerox follows a comprehensive approach to reducing product energy consumption. First, in the design phase, product teams take a systems approach to maximizing energy efficiency. Second, during the customer-use phase, features such as automatic power-saver modes lower the energy consumed. Finally, remanufacture and reuse programs do their part by requiring less energy than building new parts from raw materials. Together, these initiatives dramatically reduce energy needs, generating cost savings for Xerox as well as for its customers—and notable benefits for the environment.

Energy Technology Innovation

Xerox formalized its commitment to energy-efficient product design in 1993 by joining the U.S. Environmental Protection Agency’s ENERGY STAR Office Equipment program as a Charter Partner. Since then, the company has introduced more than 290 copier, printer, fax, and multifunction products that have earned ENERGY STAR status. Ninety-seven percent of eligible Xerox products introduced in 2004 met ENERGY STAR criteria.

A product’s ability to enter a series of power-saver modes, after a specified period of non-use, is a key factor in winning ENERGY STAR status. Because office equipment is often inactive for portions of a workday and may be left on overnight, this power-saver feature substantially reduces energy use.

A systems approach at Xerox coordinates advances in fusing technology and new electronics architectures to make today’s equipment significantly more energy efficient than comparable 1990 models, even while enhancing functionality, such as color capability. For example, the ENERGY STAR-qualified Xerox CopyCentre C3545 digital color copier consumes 80 percent less energy than the Xerox 5343, introduced in 1994.

In 2004 alone, Xerox ENERGY STAR equipment in customer locations around the world—several million machines—enabled energy savings of 37 million therms (1.1 million megawatt hours). These energy savings translate into avoided carbon dioxide emissions using conversion factors from the U.S. Environmental Protection Agency, the U.S. Department of Energy, and the International Energy Agency.

Note: Energy savings from parts reuse is the difference between energy required to build new parts and energy required to process parts for reuse (refer to footnote on page 17 for more details). Annual energy savings from ENERGY STAR features are calculated by comparing the annual energy consumption of Xerox ENERGY STAR-qualified product types to non-ENERGY STAR counterparts. Savings are aggregated across the estimated number of Xerox ENERGY STAR-qualified machines in customer locations worldwide. Energy reductions are translated into avoided carbon dioxide emissions using conversion factors from the U.S. Environmental Protection Agency, the U.S. Department of Energy, and the International Energy Agency.

1This calculation assumes that customers do not manually power off equipment at the end of each workday.
Production Systems

Xerox's production systems offer a wide range of features that provide high-capacity and print-on-demand capability for Xerox customers. Energy management in such technologically complex systems is challenging due to the products' large number of individual subsystems. Xerox's Nuvera 100/120 Digital Copier/Printer was designed from the ground up to meet ENERGY STAR and Environmental Choice EcoLogo specifications. It provides copying, scanning, and printing capability for mid-production applications of up to 500,000 images per month. The product's unique integrated printer controller optimizes the energy consumption of each subsystem, reaching power-saving levels previously achieved only by much-lower-speed machines. The product is designed to reach power-saving sleep-mode levels of fewer than 70 watts after a period of non-use. To accomplish this, the machine's power consumption must be reduced by 90 percent from its standby mode. The integrated printer controller coordinates the reduction in power consumption, turning off each subsystem while ensuring the machine's ability to “wake up” quickly.

Power consumption in other modes of operation have also been reduced. For example, the Xerox Nuvera 100/120 Digital Copier/Printer operates at standby power levels that have been reduced by 60 percent when compared to earlier Xerox offerings in this class, and operates at run-mode levels that have been reduced by up to 30 percent.

Multifunction Benefits

Xerox multifunction systems further reduce the amount of energy required to provide customers with copy, print, fax, and scan capabilities by combining the functions of multiple products into one machine. The annual energy consumption of a Xerox WorkCentre or WorkCentre Pro multifunction system is approximately 50 percent less than the combined annual energy consumption of the individual ENERGY STAR-qualified copier, fax, and printers it replaces. Energy savings increase to 73 percent if a multifunction system replaces individual products that have not earned the ENERGY STAR.
Low Emissions and Noise
Xerox designs its products to strictly control emissions of chemicals and noise, consistent with the criteria of the world’s strictest ecolabels. As a result, current products have achieved chemical emission levels that are well below global regulatory requirements — often at or near the detection limit of our measurement equipment — and are considered to have a negligible impact on customers’ work environments. Since 1991, ozone and dust emissions from office and production copying and printing systems have decreased by more than 50 percent. Future Xerox products will be developed to maintain these low levels.

Sophisticated noise prediction models developed by Xerox noise experts make it possible to identify potential noise sources in the earliest stages of product design, even before prototypes are available for testing. This modeling technology has proven to be a cost-effective way of designing low-noise equipment. State-of-the-art acoustical instrumentation facilitates troubleshooting and enhances advanced product development.

Minimal Use of Hazardous Substances
Xerox has long worked toward minimizing the use of hazardous substances in our products. Xerox has well-established requirements that govern product design and materials selection. Xerox toxicologists conduct a comprehensive assessment of new materials in our products to ensure conformance with these criteria. They include compliance with applicable global registration, hazard communication, and waste handling and disposal considerations. The requirements prohibit the use of materials that:

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

Concern about the use of hazardous materials in electronics has prompted many countries around the world to consider restricting the use of certain substances. Most notably, the European Union will require electronic products sold after July 1, 2006, to be free of lead, mercury, cadmium, hexavalent chromium, and certain brominated flame retardants unless feasible alternatives are unavailable. In 2004, Xerox issued updated requirements for Xerox suppliers to better control the use of chemicals in our products. All new product designs refer to these requirements and suppliers are expected to verify their compliance with these strict requirements.

In 1999, Xerox banned the use of the targeted flame retardants in our products. We have also made very good progress in eliminating the use of mercury. Remaining uses — mercury-containing lamps that scan images and back-light user displays — will be phased out as alternatives become available. The elimination of lead — used in virtually all electronic components — is a particularly challenging task for the electronics industry. Questions of reliability and functionality of lead-free components are serious concerns for companies such as Xerox who produce high-performance production-level equipment. Despite these challenges, Xerox is committed to reducing the use of these materials to compliant levels for new products in 2006.
Xerox Supplies Reuse and Recycling: The Green World Alliance

The Xerox Green World Alliance reuse/recycle program for imaging supplies makes up a central element of its strategy to achieve Waste-Free Product goals. This partnership with Xerox customers resulted in more than 3.2 million cartridges and toner containers being returned in 2004. Xerox remanufactured or recycled more than 90 percent by weight of the cartridges and toner containers returned in 2004.

Xerox also processed 2 million pounds of post-consumer waste toner for reuse. The plastic bottles customers utilized to return waste toner to Xerox — more than 100,000 in number — were recycled. At the same time, Xerox continued its practice of designing toner containers to incorporate post-consumer recycled plastic, achieving an average of 26 percent recycled content for toner bottles sold in 2004.¹

Well-Established Collection and Reprocessing Methods

Prepaid postage labels and packaging from new supplies allow customers to return spent materials to Xerox for reuse and recycling. And return labels for toner containers are available from Xerox upon request.

Returned products are cleaned, inspected, and then remanufactured or recycled. Remanufactured cartridges, containing an average of 90 percent reused/recycled parts, are built and tested to the same performance specifications as new products. Similarly, waste toners qualified for reuse may account for 25 percent of the weight of new toner, without compromising toner functionality. The reuse of waste toner saves several million dollars in raw material costs each year.

For one of Xerox’s most popular product families, a closed-loop recycling process enables scrap plastic parts from returned cartridges to be re-ground, re-qualified, and molded into the same parts. These parts, made of 100 percent recycled plastic, are used in manufacturing new cartridges. Each year Xerox recycles more than 115,000 pounds of post-consumer plastic scrap in this manner.

Recent Upgrades Strengthen Green World Alliance

- An updated web site makes it possible for customers to download return labels directly from the site rather than request them by phone or e-mail.
- A European web page added in 2004 enabled expansion of the supplies recycling program in 14 European countries.
- A number of new cartridges and waste toners, including color toners, were qualified for remanufacture.
- For black waste toners not suitable for remanufacture, efforts continued to identify reuse options. One such option involves reprocessing waste toner as a colorant in newly built plastic parts.

¹This figure is based on North American sales.
Paper Sourcing Requirements

As one of the largest distributors of cut-sheet paper, Xerox recognizes its obligation to reduce the environmental impact of paper. Starting with the source of the fiber used to make the paper, through its manufacture and use, Xerox strives to minimize the environmental impact while meeting its customers’ exacting business needs.

In 2000, Xerox adopted an environmental position on sourcing paper. The position states that our goal is to source paper from companies committed to sound environmental, health, and safety practices and sound environmental management. In support of this position, in 2003 we issued a set of stringent requirements for companies who provide paper to Xerox for resale. The requirements, which went into effect over a two-year period, cover all aspects of papermaking, from forest management to production of finished goods. The requirements are now included in our new supplier qualification process, and existing Xerox paper suppliers worldwide must meet these new requirements to continue doing business with Xerox.

Suppliers must also submit detailed documentation, on an annual basis, verifying conformance. More than 75 percent of our paper suppliers, representing in excess of 90 percent of the paper Xerox supplies to its customers, have committed to meeting these requirements. In 2005, stringent requirements for demonstrating sustainable forest management went into effect, and, as of this publication, suppliers representing 90 percent of Xerox paper have met these additional requirements.

Key Elements

Key elements of the requirements include:

• Commitment to compliance with all applicable environmental, health, and safety regulatory requirements, including forestry codes of practice and regulations governing legal harvesting of wood.

• An effective mill environmental management system and objectives for continual improvement in environmental performance above and beyond regulatory compliance.

• An effective procurement process that:
  – Ensures the exclusion of illegally harvested wood raw materials.
  – Ensures the exclusion of wood raw materials derived from forest areas of significant ecological or cultural importance, unless certified to a Xerox-accepted sustainable forest management standard.
  – Encourages all suppliers of wood raw materials to practice sustainable forest management.

• Strict limits on the use of hazardous materials, including exclusion of elemental chlorine, in the processing and content of Xerox papers.
Forest Areas Needing Protection
We recognize that one of the biggest challenges paper companies face in meeting these requirements will be to demonstrate they are safeguarding forest areas of significant ecological or cultural importance. Therefore, we fully support multistakeholder efforts to develop information sources and tools to help suppliers identify these areas on their own forestlands and in their procurement of wood raw materials from third-party lands. We encourage our suppliers to take full advantage of these resources as part of their sustainable forestry efforts.

Recycled Paper
Incorporating recycled content in our products is another important way Xerox reduces the environmental impact of its paper products. Xerox recycled papers use post-consumer waste in place of new pulp to conserve natural resources. For every ton of recycled fiber used, paper manufacturers avoid the use of 3.5 tons of virgin fiber.\(^1\) This not only saves trees but reduces pressure on natural forests.

Recycled products are designed for optimal performance in Xerox equipment and are required to meet the same strict performance specifications as virgin products. We offer multipurpose papers with up to 100 percent post-consumer recycled content. And our transparencies, tabs, colored papers, and several premium products designed especially for digital color printing applications contain 20 to 30 percent recycled content.

In 2004, Xerox expanded its recycled product offerings. Our Multipurpose Pastel, Premium Inkjet, and Premium Laser papers were converted from virgin content to 30 percent post-consumer waste. And we intend to continue expanding recycled product offerings in 2005.

Efficient Use of Paper
Xerox equipment and software are designed with features that allow customers to make efficient use of paper. Reliable two-sided (duplex) printing is featured in Xerox office equipment. Software products such as DocuShare®, FlowPort®, FreeFlow® SMARTsend®, and FreeFlow Digital Workflow Collection help Xerox customers reduce paper consumption by facilitating electronic data management, scan to e-mail, print-on-demand, and distribute-then-print workflows.

Xerox pioneered the practice of converting end-of-life electronic equipment into new products and parts. We developed a comprehensive process for taking back end-of-life products from customers in the early 1990s, establishing a remanufacture and parts reuse program that fully supports our Waste-Free initiatives. Ninety percent of Xerox-designed product models introduced in 2004 were developed with remanufacturing in mind.

Our approach to managing products at end-of-life translates into significant environmental and financial benefits. It prevents millions of pounds of waste from entering landfills each year — 128 million pounds in 2004 alone. Plus, the practice of reusing parts reduces the amount of raw material and energy needed to manufacture brand-new parts, generating several hundred million dollars in cost savings each year. We estimate that in 2004, energy savings from parts reuse totaled 11 million therms (320,000 megawatt hours) — enough energy to light more than 250,000 U.S. homes for a year.

Designing for Reuse

Xerox has been able to maximize the end-of-life potential of products and components by incorporating reuse considerations into the design process. Machines are designed for easy disassembly and contain fewer parts. Parts are designed for durability over multiple product life cycles. Parts are also easy to reuse or recycle and are coded with disposition instructions. As a result, equipment returned to Xerox at end-of-life can be remanufactured — rebuilt to as-new performance specifications, often reusing 70 to 90 percent of machine components by weight, while meeting performance specifications for equipment with all new parts.

Xerox has further extended its ability to reuse parts by designing product families around modular product architectures and a common set of core components. These advances offer Xerox multiple options for giving new life to 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 for parts for next-generation models.

Improved processes for forecasting equipment returns from customers have allowed Xerox to increasingly rely on previous generations of equipment as a source for components for products in development. Xerox products with designs based on previous models may have 60 percent of their parts in common with previous equipment. As the pace of technological innovation has shortened product life cycles, our ability to reuse parts across product generations has become increasingly important.
Ensuring Product Quality

Xerox has developed unique processes and technologies to ensure that all Xerox products, regardless of their reused or recycled part content, meet the same specifications for performance, appearance, quality, and reliability. Signature Analysis is one such technology. It enables Xerox engineers to determine the life expectancy of motors and other electromechanical components. Using this technology, we test new parts to determine a “signature” — an acceptable range for the noise, heat, or vibration that electromechanical parts produce while in use. We then test the same characteristics in parts from returned equipment. Only those parts having signatures consistent with those of newly built parts are approved and processed for reuse.

Xerox has been using Signature Analysis technology in its equipment disassembly and remanufacture operations since 1994. Prior to its introduction, the reuse potential of returned parts was predetermined based on average life expectancy data. Some parts were consistently scrapped, while others were consistently approved for reuse. Today, using Signature Analysis, we are able to identify unacceptable parts that might otherwise have been approved for reuse, improving equipment reliability and customer satisfaction. Xerox also identifies many useful parts that would otherwise have been scrapped, reducing unnecessary waste and eliminating costs associated with the purchase of new parts.

The full integration of equipment remanufacture and parts reuse processes with traditional manufacturing operations is another critical element of Xerox’s strategy for ensuring consistent quality for all products. Machines with reused or recycled parts are built on the same manufacturing lines as newly manufactured equipment, and they undergo the same rigorous quality assurance tests. As a result, products with reused or recycled parts carry the same Xerox guarantees, warranties, and service agreements as Xerox equipment made from all new parts.

Meeting Customer Requirements

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

Waste-Free Products

PRODUCTS DESIGNED FOR REMANUFACTURE

<table>
<thead>
<tr>
<th>Year</th>
<th>Numbers of Parts</th>
<th>Percentage of Xerox</th>
</tr>
</thead>
<tbody>
<tr>
<td>00</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>01</td>
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<td></td>
</tr>
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<td>02</td>
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<tr>
<td>03</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>04</td>
<td>90</td>
<td></td>
</tr>
</tbody>
</table>

Note: Percentages are the proportion of Xerox-designed product models introduced each year that are designed for remanufacture.

WASTE DIVERTED FROM LANDFILLS THROUGH PARTS REUSE/RECYCLE

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of Parts</th>
<th>Parts Recycled</th>
<th>Parts Reused</th>
</tr>
</thead>
<tbody>
<tr>
<td>00</td>
<td>91</td>
<td>49</td>
<td>42</td>
</tr>
<tr>
<td>01</td>
<td>142</td>
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</tr>
<tr>
<td>04</td>
<td>143</td>
<td>139</td>
<td>139</td>
</tr>
</tbody>
</table>

Note: These data cover the remanufacture and reuse/recycle of Xerox equipment and parts at Xerox facilities and those of our contract office equipment manufacturer, Flextronics.

REDUCTIONS IN ENERGY AND CO2 EMISSIONS FROM PARTS REUSE

<table>
<thead>
<tr>
<th>Year</th>
<th>Feedstock Energy Saved</th>
<th>Process and Transport Energy Saved</th>
<th>CO2 Emissions Saved</th>
</tr>
</thead>
<tbody>
<tr>
<td>91</td>
<td>17</td>
<td>109</td>
<td>16</td>
</tr>
<tr>
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</tr>
<tr>
<td>04</td>
<td>11</td>
<td>62</td>
<td>6</td>
</tr>
</tbody>
</table>

1 Energy savings represent the difference between the energy required to build new parts and the energy required to process parts for reuse, assuming an average machine composition of 60 percent plastic and 40 percent steel. Energy savings calculations encompass “feedstock energy” (the energy content of the petroleum and coal raw materials converted to plastic and steel, respectively) and energy required to process and transport materials throughout the life cycle. Life cycle energy data was obtained from Franklin Associates, Ltd. Energy savings were converted into avoided emissions of carbon dioxide using a U.S. energy profile and emissions factors calculated by the U.S. Environmental Protection Agency and Department of Energy. Feedstock energy was excluded from this conversion.
Xerox introduced a number of products and supplies in 2004 and 2005 with environmental features demonstrating its latest advances toward Waste-Free Product goals. Each new generation of products offers increasing functionality while conserving energy and materials throughout the product life cycle.

Digital Production Technology
Innovative design features coupled with digital technology make Xerox-designed production printing systems the environmentally preferable choice.

- Non-toxic dry inks deliver nearly 100 percent transfer efficiency to reduce potential for waste.
- Emissions of chemicals such as ozone and dust are strictly controlled to the same levels of Xerox office machines, well below regulatory requirements.
- Digital print-on-demand technology reduces paper use and excess inventory by making it economical to print books and brochures as they are ordered.
- Every part that is lifted, pushed, or pulled during machine assembly, operation, or service has been engineered and evaluated to minimize risk to Xerox employees and customers.

Xerox iGen3 Digital Production Press
Compared to traditional offset printing presses, the Xerox iGen creates little waste, emits 80 percent less noise, and neither generates hazardous waste\(^1\) nor uses hazardous materials. Up to 97 percent of the parts in this three-ton machine and 80 percent by weight of the waste it generates can be reused or recycled. This 80 percent figure includes the machine itself, empty toner bottles, waste developer, and packaging.

\(^1\)According to applicable national waste regulations.

Xerox Nuvera Digital Print-on-Demand and Publishing Solutions
Modular architecture and new technologies in the Xerox Nuvera 100/120 Digital Production System and Digital Copier/Printer, introduced in 2004, extend the life of machine components and make efficient use of materials and energy. For example, during the imaging process, a cloud of toner is suspended over the photoreceptor where the fine particles adhere only to the properly charged area of the belt. This ability to develop an image without contact extends the life of the photoreceptor and the developer.

In addition, innovative cleaning technologies minimize wear to the photoreceptor and extend the belt’s life by 200 percent. Because the system’s full-width array scanner captures light so efficiently, a lower-power xenon lamp replaces the typical mercury-containing lamp.
**Solid Ink Color Multifunction**

In 2005, Xerox introduced its first solid ink multifunction product, the WorkCentre C2424. Xerox also launched its fourteenth generation of solid ink printers — the Phaser 8500/8550. Solid ink devices use unique formulations which are solid blocks of ink at room temperature. During the printing process, these sticks are melted and jetted through piezoelectric print heads. Images are printed onto a rotating drum and offset onto paper in a single pass of the print engine, achieving nearly 100 percent ink transfer efficiency.

This simplified process requires significantly fewer supplies and maintenance items compared to laser machines, conserving valuable material resources. Solid ink printing also generates 95 percent less waste during use than a typical color laser product. Fewer consumables translate into lower operating costs, increased reliability, and easier use.

**Emulsion Aggregation Toner**

Emulsion aggregation technology, a breakthrough process for producing color and black toner, took over eight years to develop and carries more than 100 patents. The process builds toner particles to any desired shape or size using a chemical method. By contrast, traditional toner manufacturing involves mechanical grinding of large particles of solid colored plastic into smaller ones, followed by a classification process to sort out the desired size.

The extremely small size and round shape of emulsion aggregation toner particles make it possible to more uniformly charge the particles and transfer them efficiently and uniformly to receive paper. As a result, the system uses about 50 percent less toner per printed page and significantly reduces toner waste — all while producing sharper color images and fine lines.

In addition, emulsion aggregation toners exhibit image fixing capability at low temperatures, thus reducing energy consumption per page.

**DocuColor 8000 Digital Press**

We designed the DocuColor 8000 Digital Press with the environment in mind. In addition to meeting Xerox noise and emissions levels, its high-speed belt-nip fuser conserves energy. Color adjustment features allow use of a wide range of recycled papers and other media types. Plus, these machines are remanufactured and designed for recycle and reuse to save valuable resources.
Into the Future
Xerox’s research and development efforts are aimed at reinventing Xerox machines and systems, rethinking how people work, and redefining “the document.” Each of these areas is preparing Xerox for the sustainable product designs and solutions of the future.

Efficient Use of Materials and Energy
The company is a leader in developing Micro-Electro-Mechanical Systems (MEMS), which integrate electronics and mechanical systems to enable more intelligent systems based on sensing, control, and adaptive processes. Such advances will enable Xerox engineers to replace costly precision mechanical parts with electronics and modern controls, thus reducing the cost and improving the performance of Xerox marking engines. Development efforts are also focusing on system architectures and efficient fuser designs to directly reduce the energy required by Xerox products. These efforts should result in smaller machines with fewer and longer-life parts for more efficient use of materials and energy.

Innovative Materials
In the materials area, Xerox is pioneering applications of nanotechnology for use in printing and copying. Nanotechnology is the science of building materials and devices from elements in the nanometer-or-less size range. Emulsion aggregation toner, introduced by Xerox in 2002, is one example. It uses a process to grow micron-size particles from smaller nanometer-size constituents. This toner uses an estimated 25 percent less energy to manufacture than traditional toner. And because it is water-based and avoids the use of organic solvents commonly required to make particles in this size range, it is environmentally advantaged.

Xerox is also pioneering the development of solid ink technology. The inherent environmental benefits of solid ink include the efficient use of materials, typically producing 95 percent less waste than a comparable laser printer. We are currently researching innovative inks and print heads that will enhance the energy efficiency attributes of this technology.

Documents of the Future
Xerox is expanding the boundaries of today’s document. One area of research looks at how to create alternative document viewing media, such as electronic paper, which preserves desirable attributes of paper — portability, thinness, and low cost — while imparting the benefits of digital systems such as reuse and storage. Xerox established its first commercial venture marketing SmartPaper technology, via its subsidiary Gyricon LLC, in 2003.
Since the early 1990s, Xerox has managed environmental performance in its manufacturing operations to an internal benchmark known as Waste-Free Factory. Our commitment to the goals of this initiative, along with global implementation of an ISO 14001 environmental management system, has driven environmental performance improvements for over a decade.

ISO 14001 Environmental Management System
All company manufacturing operations are certified to the ISO 14001 environmental management system standard to ensure continuous environmental performance improvement, to identify environmental impact, and to set reduction targets and maintain compliance with regulations and Xerox standards.

The ISO 14001 system requires the integration of environmental planning and program management with day-to-day business activities. This process encourages the application of innovative engineering solutions, creative partnerships, and employee involvement. In 2004, changes were made to the ISO 14001 standard. Xerox anticipates having all certified facilities in conformance with these revisions in 2006.

Proactive Programs Achieved National and Local Recognition
The ISO 14001 approach has led to the development of programs that proactively reduce or prevent adverse environmental impact, and some have gained national recognition. For example, Xerox’s manufacturing facility in Oklahoma City, Oklahoma, was granted membership into the U.S. Environmental Protection Agency’s National Environmental Performance Track Program. The program awards facilities that voluntarily exceed regulatory requirements, implement systems for improving environmental management such as ISO 14001, work with their communities, and set three-year environmental performance improvement goals. Only facilities with a record of sustained compliance with environmental requirements are eligible to participate.

Xerox manufacturing sites have also gained recognition from local communities. The Xerox Technology Park in Dundalk, Ireland, won the Dundalk Chamber of Commerce Business Excellence Award for its environmental performance. The award, sponsored by Vhi Healthcare, demonstrates Xerox’s continued commitment to the protection of the environment.

ABOUT ENVIRONMENTAL PERFORMANCE RESULTS
Environmental performance data in this section represent total quantities for Xerox’s manufacturing, research and development, and equipment recovery/recycle operations located in 11 countries around the world. Energy consumption and greenhouse gas emissions are reported across all company operations. Starting in 2002, these data — with the exception of solid waste figures — do not include Xerox office equipment manufacturing operations outsourced in late 2001 to Flextronics, a global electronics manufacturing services company. Unless otherwise noted, all numbers represent worldwide totals and are reported in generally accepted international metrics.

XEROX RESEARCH AND MANUFACTURING SITE OPERATIONS

<table>
<thead>
<tr>
<th>Type of Operation</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research, Technology, and Development</td>
<td>Canada, United Kingdom, United States, France</td>
</tr>
<tr>
<td>Manufacturing, Engineering, and Assembly</td>
<td>Brazil, Canada, Egypt, India, Ireland, Mexico, Netherlands, Spain, United Kingdom, United States</td>
</tr>
</tbody>
</table>
### Air Emissions

Xerox facilities released 63 metric tons of chemicals and particulates to the air in 2004, a 1 percent increase from 2003. The increase came primarily from higher production of Xerox imaging supplies.

#### Over 90 Percent Reduction Since 1991

The majority of Xerox’s air emissions come from operations that manufacture Xerox imaging supplies—toners, inks, and photoreceptors. With a firm commitment to our Waste-Free Factory goals, these facilities have made tremendous progress in reducing air emissions over the last decade.

Reduction, reuse, and recycling strategies put in place by supplies operations between 1991 and 1996 were responsible for reducing air emissions by 87 percent during that period. Since that time, production level declines and continuous improvements in our processes have resulted in an additional 4 percent reduction by supplies operations, for a total of 91 percent reduction from 1991 levels.

#### High-Priority Target for Reduction

The single largest component of Xerox’s air emissions is dichloromethane (methylene chloride), a necessary solvent for the manufacture of organic photoreceptors. Efficiency improvements in manufacturing, along with state-of-the-art emission control technologies, have resulted in a 97 percent reduction of dichloromethane emissions to the air since 1991.

Whereas a third of the dichloromethane waste generated was released to the air in 1991, only 3 percent is released today. The remainder is captured for on-site reuse or off-site recycling. To date, we have not been able to identify a suitable replacement chemical, but the reduction of dichloromethane emissions to the air remains a priority.

#### Note

In late 2001, Xerox outsourced most of its office product manufacturing operations to Flextronics. Air emissions from these transferred operations are excluded from Xerox totals starting in 2002. This change in reporting accounts for nearly all of the reduction in air emissions between 2001 and 2002.
Hazardous Waste
Xerox strives to minimize hazardous waste generation and to find disposal solutions that are environmentally benign. Ninety-nine percent of hazardous waste generated in 2004 was beneficially managed through treatment, recycling, or energy recovery through fuels blending. The remaining 1 percent was incinerated or disposed in landfills permitted to accept hazardous waste.

Increasing Production Requires Greater Effort
Worldwide hazardous waste volumes increased by 19 percent between 2003 and 2004. This change was driven primarily by increases in the production of advanced-technology print heads for solid ink printers and associated process wastewater. This wastewater is treated by adjusting the pH level through a neutralization process. After treatment, the water is discharged into local sanitary sewers. In 2005, we are identifying opportunities to reduce the volume of hazardous waste generated in our operations. For example, better separation of process wastewaters will reduce the amount of wastewater requiring treatment as hazardous waste.

A large proportion of Xerox’s hazardous waste — over 80 percent — was the process wastewater mentioned above. The remaining hazardous waste generated in 2004 was primarily organic solvent waste. Captured using sophisticated reclamation systems, organic waste is sent off-site for recycling or energy recovery. Off-site recycling converts waste into reusable products.

Xerox Applies Innovative Solutions
Reducing the generation of hazardous waste remains a priority and requires innovative engineering solutions. Xerox’s Webster, New York, photoreceptor plant recently improved its solvent reclamation system. Originally installed in 1995, the system reclaims over 98 percent of the waste solvent used in the photoreceptor coating operation. Reclaimed solvent is either reused in the same process or recycled off-site.

Until 2002, only 50 percent of the reclaimed solvent was pure enough for in-process reuse. An innovative enhancement to the reclamation process increased the reusable portion to 70 percent, reducing the hazardous waste generated by 45 percent and the chemicals purchased by over 40 percent. This project has won the statewide 2004 Industry Award for Pollution Prevention from the New York Water Environmental Association.

2004 HAZARDOUS WASTE MANAGEMENT

- 2% Recycled Off-Site
- 3% Treated Off-Site
- 4% Fuels Blended
- 1% Recycled On-Site
- 1% Disposed
- 99% Treated On-Site

Note: Increases in hazardous waste primarily reflect production increases at Xerox’s solid ink facility. The hazardous waste generated from this process is treated on-site and then discharged as non-hazardous wastewater.

Xerox’s Webster, New York photoreceptor plant received the statewide 2004 industry award for pollution prevention from the New York Water Environmental Association.
Non-Hazardous Solid Waste

Xerox’s Waste-Free Factory initiative has focused our efforts on reducing the amount of non-hazardous solid waste generated by Xerox operations and responsibly managing the waste that cannot be eliminated. Xerox recycled 89 percent of its non-hazardous solid waste in 2004, up from 85 percent in 2003.

In addition to typical solid waste generated from manufacturing, construction, and maintenance, Xerox manages end-of-life machines returned to Xerox equipment recovery/recycle facilities. Returned equipment that cannot be reused through remanufacturing, which we classify as “equipment waste,” makes up over 50 percent of the waste managed by Xerox operations.

Because of the unique challenges of managing returned equipment containing electronic waste, the following two solid waste sections present results separately for equipment recovery/recycle operations that handle equipment waste and for manufacturing operations that handle process waste.

Equipment Recovery/Recycle Operations

Equipment that reaches the end of its useful life is returned to Xerox equipment recovery/recycle facilities. To maximize environmental and financial benefits, Xerox first evaluates returned equipment for its reuse potential. Products suitable for reuse undergo the rigorous equipment remanufacture processes described on pages 16 and 17 of this report. For more than a decade, this practice has given new life to the equivalent of more than 2.5 million copiers, printers, and multifunction systems, while diverting hundreds of millions of pounds of potential waste from landfills.

Returned products that cannot be remanufactured are designated as equipment waste. Xerox equipment recovery/recycle operations disassemble these machines, removing parts that can be processed for reuse according to stringent standards for quality and performance. The remaining components are recycled or disposed. Of the 47,000 metric tons collected in 2004, Xerox was able to reuse or recycle 96 percent.

Xerox also carefully manages suppliers that provide recycling and waste disposal services. An audit process ensures that vendor practices are safe, environmentally sound, and compliant with regulations. Xerox requires these companies to document the final disposition of materials, including electronic scrap, sent to their facilities.
Manufacturing Process Waste

Xerox manufacturing operations generated over 31,000 metric tons of non-hazardous solid waste in 2004. This waste stream consists primarily of paper, wood pallets, plastics, and packaging waste such as corrugated cardboard. It also includes manufacturing-related wastes such as scrap metal, waste toner, waste batteries and lamps, and miscellaneous trash. Eighty percent of this waste was reused or recycled in 2004, compared with 69 percent in 2003.

Toner Waste

Toner represents a significant portion of Xerox’s solid waste stream. During conventional toner manufacture, large toner particles are mechanically ground and classified into the desired particle size. Because toner particle size must be strictly controlled to ensure quality and performance, a by-product called “fines” is excluded from the final product.

Several years ago, Xerox achieved a major reduction in solid waste generation by developing a method to recycle these fines back into the manufacturing process. The reuse of toner fines, coupled with reuse of post-consumer waste toner returned to Xerox, prevented the disposal of over 4,100 metric tons of solid waste in 2004.

In 2003, Xerox began using a new technology to produce some of its toner. This emulsion aggregation technology uses a water-based process to chemically build toner particles of the desired size. The process almost completely eliminates out-of-specification toner waste.

Despite these advances, not all waste toner can be reused, and only limited recycling opportunities have been identified. Even so, several Xerox North American plants are sending waste toner to be burned for the production of energy or to be recycled for use as a colorant in manufacturing other products. Through these efforts, the company reduced the quantity of waste toner sent to landfills by almost 4 percent in 2004. Our goal is to completely eliminate waste toner going to landfills.

Water Consumption and Treatment

As part of its commitment to conserve resources, Xerox monitors water consumption at its facilities worldwide. From 2003 to 2004, water consumption declined 2 percent.

Wastewater from manufacturing processes is treated before being discharged into local sanitary sewers. The treatment includes adjustment of pH and removal of suspended solids as necessary. In addition, the company has in place a number of best management practices to prevent unwanted pollutants from entering waterways via surface contamination and run-off. Extensive sampling of wastewater discharges to both sanitary and storm sewers ensures that discharged water meets the company’s strict requirements.

The New York Water Environment Association awarded Xerox’s Webster, New York, site a Silver Compliance Award for the fourth consecutive year in 2004. The site earned the award by demonstrating greater than 99 percent compliance with all permitted wastewater discharge requirements, based on more than 1,700 samples annually.
Climate Change

Reductions in Energy Consumption and Greenhouse Gas Emissions

Xerox believes that industry must do its part to address growing concern over increased concentrations of greenhouse gas emissions in the atmosphere. The consensus in the scientific community is that these increases — largely the result of increased burning of fossil fuels to meet growing energy demand — increase the risk of global climate change. This means that reducing or slowing the demand for energy is an important way to address the problem. Xerox contributes to reduced energy demand through its energy-efficient product designs and equipment end-of-life strategies. These efforts are described on pages 10-11. We also have a long history of energy conservation within our major facilities. We have recently extended this commitment to management of energy and associated greenhouse gas emissions across all company operations.

Xerox’s Reduction Goal

For its company-wide operations, Xerox has adopted a goal of reducing by 10 percent its absolute greenhouse gas emissions by 2012 from a 2002 baseline. Reaching our target is expected to require a 30 percent or more improvement in average energy efficiency compared to 2002 levels. With rising energy and fuel costs, these efforts also present a significant opportunity to control energy-related costs.

The scope of this commitment reflects a baseline inventory consistent 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 greenhouse gas emissions in terms of carbon dioxide equivalents (CO₂e). In fact, the vast majority of Xerox greenhouse gas emissions — more than 99 percent — are carbon dioxide emissions related to energy consumption.

Greenhouse Gas Inventory

Xerox’s greenhouse gas inventory includes direct emissions from 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 combustion of gasoline and diesel fuels in our service and sales vehicle fleet, corporate jet, and from local travel at major sites. At this time, Xerox’s inventory does not include optional sources such as employee business travel, contract manufacturing, and outsourced product distribution.

In 2004, Xerox greenhouse gas emissions totaled 447,000 metric tons of CO₂e. Sixty percent were indirect emissions from purchased electricity and steam. The remaining 40 percent were direct emissions from combustion of natural gas, gasoline, and diesel fuel. Seventy-nine percent of our greenhouse gas emissions are associated with Xerox-owned or -leased facilities such as manufacturing sites, offices, and warehouses. The balance — 21 percent — are emissions from our service and sales vehicle fleet and other mobile sources.
Progress
Xerox is on track to reach our goal of a 10 percent reduction in absolute greenhouse gas emissions from 2002 to 2012. In 2004, energy consumption decreased by 3 percent, and greenhouse gas emissions were nearly 6 percent lower than in 2002.

Our strategies for meeting our reduction target include:

**Shifts Toward More Energy-Efficient Technologies**
One example is Xerox’s commitment to emulsion aggregation technology which requires an estimated 25 percent less energy in the manufacture of this advanced emulsion aggregation toner when compared to conventional toner.

**Process Improvements that Reduce Energy Demand**
An important way to reduce energy demand is to redesign production processes. For example, Xerox is implementing changes to its manufacturing of conventional toners, yielding an estimated 25 percent reduction in energy demand per pound of toner.

**Increased Reliability of Xerox Equipment and Parts**
Xerox products are increasingly reliable and parts are longer-lasting. This means that fewer service calls are necessary, resulting in fewer miles driven by Xerox technicians and reduced gasoline consumption. Longer-lasting parts also mean that less manufacturing energy is invested over the life of a Xerox product.

**Equipment Upgrades and Energy Management Programs**
Annually, each facility identifies opportunities to reduce energy consumption through equipment upgrades and better energy management. For example, some Xerox facilities save energy through “free” cooling. In winter months, the facilities cool process water by running it through outdoor pipes instead of using energy-consuming chillers (industrial air conditioners).

**Use of Renewable Energy Sources**
Opportunities to reduce greenhouse gas emissions through renewable sources of energy such as wind and solar are being identified. For example, starting in late 2004, several of Xerox’s large office buildings in the United Kingdom began purchasing “green power,” reducing annual greenhouse gas emissions by over 6,000 metric tons.

**External Affiliations**
Xerox is a member of the U.S. Environmental Protection Agency’s Climate Leaders Program and The Business Roundtable’s Climate RESOLVE program. Both programs are voluntary initiatives to help companies develop long-term climate change strategies.

Changes to Xerox’s manufacturing of conventional toners will yield an estimated 25 percent reduction in the energy required to produce each pound of toner. Shown here is grinding equipment at the Webster, New York, facility.

Climate RESOLVE was created by The Business Roundtable, a Washington, D.C.-based association of chief executive officers of the largest U.S. corporations. The program helps participating companies take voluntary action to reduce, offset, sequester, or avoid greenhouse gas emissions.

The U.S. Environmental Protection Agency sponsors Climate Leaders, a voluntary industry-government partnership that encourages companies to develop long-term comprehensive climate change strategies and set greenhouse gas emissions reduction goals.

U.S. Environmental Protection Agency’s Assistant Administrator, Office of Air and Radiation, Jeff Holmstead (right) recognizes Xerox for adopting a greenhouse gas reduction target. Accepting is Patricia A. Calkins, Vice President, Environment, Health, and Safety, Xerox.
Protecting employee safety, health, and well-being is an essential element of responsible corporate citizenship and crucial to building a world-class work environment that motivates employees to do their best.

Reducing Employee Injuries

When Xerox introduced its Zero Injury program in 1997, it set a goal of reducing injuries to the lowest possible levels among its employee populations — manufacturing personnel, office workers, and technicians who operate and service equipment at customer sites. Since the program’s inception, the Total Recordable Incident (TRI) rate has decreased by 54 percent and the Day Away From Work (DAFW) case rate has been reduced by 38 percent. Safety performance is a business metric that is reviewed as part of Xerox’s standard measurement processes.

In 2004, we fell short of our 10 percent year-over-year reduction targets. We achieved a 4 percent reduction in our TRI rate. Our DAFW case rate, however, increased 10 percent between 2003 and 2004. To improve performance, we have utilized Lean Six Sigma quality processes to identify strategies for improving DAFW case rates and reducing associated costs. We are confident that the actions put in place during the latter half of 2004 will begin to show results in 2005.

Safety Management

Managers within Xerox are accountable for the safety performance of their organizations, and supervisors are trained to function as leaders in providing a safe workplace. Recently implemented safety initiatives, such as Xerox Safety Week and the Safety Awards program, remind all employees of the importance of safety and recognize safety excellence.

Some Xerox organizations have chosen to pursue formal recognition for their comprehensive occupational health and safety management programs. Thanks to the efforts of Xerox employees in Oklahoma City, Oklahoma, their facility earned certification with the U.S. OSHA’s Voluntary Protection Programs. Organizations that achieve this recognition have demonstrated ongoing excellence in occupational safety and health management and performance. The Xerox facility in Mitcheldean, U.K., earned certification with the OHSAS 18001, an occupational health and safety management system specification designed to control safety risks and improve performance.

Xerox operations continue to execute procedures for identifying and eliminating hazards that can be addressed through engineering controls and process changes. The Xerox Environment, Health, and Safety organization coordinates an ongoing program to assess potentially hazardous electrical and mechanical equipment in all operations worldwide to ensure that appropriate safety measures are in place and up to date.

A comprehensive array of health and safety programs, described in the following pages, integrate Xerox’s commitment into all facets of our global operations. These programs support and enable our ongoing efforts to prevent injuries and illnesses among all Xerox employees.
**Motor Vehicle Safety**

Since Xerox service technicians spend a significant part of their time driving to and from customer locations, motor vehicle safety is a key component of the efforts to reduce employee injuries. Safety programs are tailored to local priorities and circumstances worldwide. These programs significantly help reduce the risk of accidents. Our North American sales and service operations, which employ over 4,500 service technicians, conduct comprehensive driver training and review employee driving records. A team of employees in Welwyn Garden City, U.K., developed a guide to assist the service technicians on the road. The purpose of this guide is to establish driving at work as an integral part of our everyday health and safety practice, which must be managed in a similar way as other occupational risks. Our aim is to protect our employees and, where considered necessary, we will provide additional training and resources to help us achieve our own health and road safety goals. Additionally, company vehicles incorporate safety features, such as daytime running lights and safety barriers between car drivers and parts storage areas.

**Ergonomics**

Musculoskeletal disorders represent approximately half of Xerox work-related injuries and illnesses. As a result, the company has taken significant steps to reduce these injuries, and it continually reviews safety performance challenges in the U.S. operations through the application of ergonomic principles.


Ergonomic assessments span the full range of Xerox operations:

- **Office:** Online ergonomic tools and assistance, including an office self-evaluation program, are available to employees worldwide. Office furniture standards include ergonomic design requirements, such as adjustable chairs and keyboard trays.

- **Product Design:** Ergonomic considerations are integrated into the design of new products and related manufacturing processes. The aim is to identify and eliminate potential safety hazards to Xerox employees and customers.

- **Manufacturing:** Nearly every workstation worldwide has been evaluated for ergonomic hazards. Ergonomically designed tools and assist devices, such as tilt tables, lifts, and hoists, make it easier for employees to maneuver parts and equipment during assembly.

- **Service:** Periodic reviews of service technicians’ tools ensure they are designed with ergonomics in mind. Tools posing an unacceptable safety risk are replaced.

![Xerox’s Oklahoma City, Oklahoma, facility was accepted into OSHA’s Voluntary Protection Programs, receiving Merit Level recognition.](image1)

![Xerox manufacturing employees use ergonomic lift devices to reduce the risk of back injury.](image2)
Emergency Preparedness

Xerox has established a comprehensive emergency preparedness and response program to protect the safety of Xerox employees, surrounding communities, and the environment. A corporate standard on emergency preparedness requires all Xerox operations worldwide to have documented plans for responding to fires, chemical releases, natural disasters, and other potential incidents.

Certain events have prompted Xerox to expand the traditional scope of emergency planning beyond fires and chemical spills to events not previously considered potential risks. Among the additions are shelter-in-place procedures, which address conditions requiring shelter inside a building rather than evacuation. Such conditions might include external chemical or radiological incidents. Xerox’s Webster, New York, manufacturing complex, located within 10 miles of a nuclear power plant, is one of the first sites to have defined a detailed shelter-in-place action plan for radiological events.

All Xerox operations are integrating emergency preparedness and response planning into their existing business review processes. Routinely scheduled management reviews, coupled with drills and corporate audits, verify that plans provide adequate protection to Xerox and its people. To date, all major sites have completed their emergency response plans, including shelter-in-place procedures. Continued deployment will ensure all sites have plans in place.

**EMERGENCY PREPAREDNESS REQUIREMENTS FOR XEROX FACILITIES**

- Perform a risk assessment of potential hazards, such as fire, explosion, chemicals, biological agents, radiation, natural disasters, and security/violence issues.
- Develop and document a facility-specific emergency response plan to address all identified risks, including provisions for:
  - Emergency response coordination and support personnel.
  - Facility shelter-in-place, evacuation, and reentry.
  - Emergency alerts and employee communications (e.g., alarms).
  - Auxiliary power for emergency lighting and alert systems.
- Communicate the plan to employees. Conduct training in safe evacuation, shelter-in-place procedures, and rescue and response methods.
- Conduct annual drills to ensure plan readiness.
- Review risk assessment and emergency response plan at least annually, revising as necessary.
Medical Services

Xerox offers a broad spectrum of employee health and medical services. Medical evaluations targeted to specific populations of Xerox employees are designed to ensure fitness for work, promote good health, and provide early diagnosis and prompt medical intervention for potential health problems.

Xerox medical professionals continually monitor the public health arena for issues that could impact Xerox employees and business operations. Early identification of significant health issues permits development of appropriate preventive and protective measures.

Achieving high-quality occupational health and medical support for service technicians and managed services account associates who work at customer sites is especially challenging. As a result, Xerox is partnering with a benchmark national provider of occupational health services to ensure availability of high-quality, comprehensive occupational health care to all U.S. employees regardless of work location.

Monitoring Workplace Exposures

Xerox’s exposure assessment program is another key element of Xerox’s workplace safety initiative. Designed to protect employees from unsafe exposures to chemicals and physical agents such as noise and radiation in the workplace, the program defines strict exposure limits for worldwide manufacturing, research, and service operations. Limits reflect the most stringent regulatory requirements or industry standards. For some materials, including toner, solvents, and certain metals, Xerox has established limits that go beyond even the strictest regulations and standards to provide additional employee protection.

A centrally managed program ensures all Xerox locations follow well-designed plans for monitoring employee exposures and maintaining exposure levels within Xerox limits. Xerox facilities conduct routine monitoring of employees’ exposures to workplace chemicals. Of the potential chemical exposures monitored in 2004, more than 99 percent were within Xerox limits. Where exposures were above Xerox action limits, steps were taken immediately to reduce overexposure through the use of personal protective equipment, engineering controls, or adherence to safe job procedures.

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<th>WORKPLACE EXPOSURE LIMITS</th>
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A Xerox employee avoids exposure through the use of personal protective equipment.
Health Studies: Establishing the Safety of Toner

As one of the world’s largest manufacturers and distributors of toner, Xerox has long recognized its responsibility to establish the safety of this material for employees and customers. Toner — fine powders composed of plastics, colorants, and small quantities of functional additives — has been the focus of health studies Xerox initiated over 20 years ago to examine its potential long-term health effects.

The first of these studies, completed in 1989, was a comprehensive laboratory analysis. Results indicated some health effects at very high levels of dust exposure, levels unlikely to be experienced by workers in Xerox plants. Nonetheless, Xerox lowered toner dust levels in our factories at that time and instituted strict controls on dust emissions from Xerox products.

The other health studies focus on Xerox employees who manufacture toner and service our equipment. One study involves an evaluation of more than 32,000 employees who worked at Xerox between 1960 and 1982. This study uses standardized techniques to compare the causes of death for these Xerox populations to causes of death for the overall U.S. population in order to determine if there are any work-related mortality patterns. Another study evaluates the potential health effects of toner on current Xerox manufacturing and service employees exposed to toner, with a focus on the respiratory and cardiovascular systems. To date, these studies have shown no evidence of chronic health effects due to toner exposure.

Xerox health studies have expanded to include the assessment of employees exposed to color toners. Xerox will continue to evaluate the health effects of conventional toner, as well as new toner and ink technologies, through its ongoing studies.

Promoting Employee Wellness

Xerox provides a variety of programs and benefits to support active health care management — an approach to help employees take a more active role in managing their health. Tips on nutrition, physical activity, self-care, and other aspects of healthy living are shared with employees through the company’s intranet, newsletters, bulletin board displays, and e-mail communications. Self-directed health promotion campaigns designed to increase physical activity or improve eating habits are offered several times per year.

Larger U.S. facilities provide staffed on-site fitness centers. Additional offerings at these sites are tailored to the local employees’ needs and preferences and include health screenings, group exercise classes, instructional programs, lunchtime seminars, and recreation leagues.

Work-Life Balance

Xerox is committed to helping employees balance the demands of their professional and personal lives. The company offers alternative work arrangements, including flexible hours, job sharing, and telecommuting. Xerox also provides a wide range of benefits, including help for first-time home buyers, child-care subsidies, and adoption assistance. Professional counseling and referral services are available to help employees address parenting, elder-care issues, and other personal concerns.
Environmental Remediation

Since the mid-1980s, Xerox has conducted an aggressive program to identify and clean up contaminated sites around the world.

Xerox’s efforts included a voluntary initiative that identified 68 facilities and operations sites requiring remedial actions. As the sites were identified, the company took immediate measures where necessary to protect employees, neighbors, and the environment from adverse conditions.

In order to accelerate some of the remedial time frames, Xerox concentrated its initial efforts on source areas of contamination. This strategy, often involving interim remedial measures approved by regulatory agencies, produced significant results. Today only 15 of the 68 sites require further remedial measures.

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

Compliance Penalties

Xerox was assessed four compliance penalties in 2004. The Oregon Occupational Safety and Health Division assessed Xerox’s Wilsonville manufacturing site a penalty of $2,800 for a reporting violation and for failure to meet machine-guarding requirements. The South Carolina Department of Labor, Licensing and Regulation assessed Xerox a $600 penalty for violating an electrical protection standard during a service call at a customer site. The New York State Department of Environmental Conservation assessed Xerox’s Webster, New York manufacturing site a $20,000 penalty for exceeding nitrogen oxide limits on its boilers in previous years. The United States Environmental Protection Agency issued a fine of $2,200 for failure to submit a hazardous waste report in 2001 regarding its remedial efforts at the Xerox Pomona, California facility.

In all cases, corrective actions were immediately implemented to address problem areas. Coupled with regular reviews of proper operating procedures and routine auditing of operations, these actions minimize the possibility of future incidents.
Employee and Community Involvement
Partnerships for Progress

Xerox employees form the backbone of our day-to-day efforts to achieve corporate safety goals and commitments to environmental and social responsibility. Working in Xerox facilities and surrounding communities, our people invest their experience, creativity, and energy in making progress toward sustainable growth.

Social Responsibility
From environmental and diversity programs to community outreach and corporate governance, Xerox continues to be recognized as a leader in promoting all aspects of corporate social responsibility. We believe that it is good for our people, good for our business, and good for our communities.

Earth Awards
Now in its fifteenth year, Xerox Earth Awards recognize employees’ contributions to the company’s “reduce, reuse, and recycle” environmental goals.

Xerox presented Earth Awards to 12 employee teams, in six countries, this year. Selected from 31 nominations, these teams developed unique solutions that not only protect our environment but also resulted in greater than $4 million of cost savings.

Showcasing environmental innovations throughout the global Xerox community, the Earth Awards program is an important communications vehicle. The program has increased employee awareness of Xerox’s environmental goals.

For example, two teams in Rampur, India, identified existing manufacturing processes and reengineered them, resulting in a significant reduction in material utilization. Through improved processes for recovering spent imaging supply items from customers, 2,500 pounds of material were diverted from the landfill, along with savings of greater than $12,000.

Safety Awards
The company’s Safety Awards recognize employees’ best practices in areas like fire prevention and protection, industrial hygiene, and ergonomics. This year, four Xerox employees and 13 teams were honored for their leadership efforts in promoting workplace safety.

Zero Injury Awards acknowledge organizations that excel in safety performance by reducing injuries to the lowest possible level — ideally, zero; 12 Xerox groups received this award in 2005.

Fourteen Xerox groups received the company’s Safety Achievement Awards for achieving a 20 percent or greater year-over-year reduction in injuries.

Earth Day
Earth Day is celebrated through local events that promote environmental awareness with employees and the communities where Xerox people live and work. For example, the Xerox Research Centre of Canada participated in the Mississauga 2005 Earth Day 20-Minute Makeover, a community effort to tackle litter.
The Xerox Foundation
The Xerox Foundation is the hand that gives something back to the communities from which we draw our employees, our customers, and our freedom to conduct business.

The Xerox Foundation also supports employee efforts to give back through the following four programs: Xerox Social Service Leave program, Xerox Community Involvement program, Xerox Employee United Way program, Xerox Employee Matching Gifts program.

The Xerox Foundation invested $12.3 million in 2004 in five broad areas: education/workforce preparedness, science/technology, employee/community affairs, cultural affairs, and national affairs. Among its investments: more than 40 grants to university science programs, scholarship programs at more than 140 colleges and universities, and grants to about 400 nonprofit organizations. The Xerox Foundation also provides financial support to environmental organizations including NatureServe and the Nature Conservancy, as well as environmental, health, and safety programs at the University of Toronto, Syracuse University, and other institutions.

As part of The Xerox Foundation’s 2004 investments, Xerox Corporation pledged $1 million in relief funds to help communities affected by the tsunami in December 2004. A donation of $750,000 was divided three ways to organizations that assisted in the relief efforts, providing food, water, shelter, and medical supplies to the affected region. The remaining $250,000 will be allocated at a later date as cleanup continues and other needs arise.

Educational support is central to Xerox’s Community Involvement programs. Marking three decades of innovation in Canada, Xerox Canada along with The Xerox Foundation is offering a $1 million gift to Hamilton, Ontario-based McMaster University toward the building of a new Centre of Innovation and Entrepreneurship, a first of its kind in Ontario.

In 2005, Xerox has committed $2 million in financial and technical assistance to help the people and communities hardest hit by Hurricane Katrina. Xerox is allocating its contribution in the following way:
• An in-kind donation to the American Red Cross of $1.2 million to provide Xerox equipment, services, software, supplies, and technical support in Red Cross operation centers and shelters to help ensure critical information is quickly distributed and shared.
• An immediate $250,000 cash contribution to the American Red Cross for relief efforts in New Orleans, Baton Rouge, and Kenner, Louisiana; Jackson and Gulfport, Mississippi; and Mobile, Alabama — the communities in which local Xerox sales, service, and warehouse operations are based.
• A pledge of $500,000 to organizations that will be identified in collaboration with locally based Xerox employees when reconstruction efforts begin.
• Through the Xerox Community Involvement program, Xerox will release up to $50,000 in funds to support Xerox employees who are volunteering their time and energy to relief efforts from the effects of Hurricane Katrina.
Employee and Community Involvement
Partnerships for Progress

Social Service Leave
Xerox began its Social Service Leave program in 1971 to foster employee involvement and provide special volunteer assistance in communities where Xerox does business.

Social Service Leave offers employees paid sabbaticals for community service. It is part of The Xerox Foundation’s long-standing programs that provide opportunities for employees to volunteer in their communities. We estimate that through the collective efforts of the Social Service Leave participants, we have donated a half-million volunteer hours over the past 33 years.

Community Involvement
Each year, more than 13,000 Xerox people volunteer in their communities with the company’s sponsorship as part of the Xerox Community Involvement program. The Xerox Community Involvement program provides seed money for Xerox teams to fund community projects such as those mentioned below.

For example, Xerox Canada partnered with the United Way of Greater Toronto to help teach children the importance of volunteering. The program, called Caring for Others, is centered around an activity booklet. Printed using digital color printing technology, it leads children through a series of exercises to encourage them to volunteer in their own neighborhoods.

Employees in Rochester, New York participated in the United Way’s Annual Day of Caring. This is an opportunity for volunteers to learn, firsthand, how contributions to the United Way help people in need throughout the Greater Rochester area.

Science Consultant Program
Through Xerox’s Science Consultant program, employees bring real-life science experiments into the classroom. It is believed to be one of the longest-running educational partnerships in the country, and Xerox estimates the program has touched the lives of more than 104,000 Rochester-area elementary school children.

Xerox provides more than 50 different science kits with materials that allow children to experiment the way scientists do. During the year, they build a circuit, dissect flowers, grow crystals, work with slime and putty, discover static electricity, and explore concepts like probability and chance.

Diversity
Xerox views diversity in the workplace as both a moral imperative and competitive advantage. At the end of 2004, about 31 percent of the company’s general U.S. workforce were women. About 30 percent were minorities.

In 2004, Xerox spent more than $344 million through its supplier diversity program. Since the program began in 1985, Xerox has spent more than $4.7 billion with minority-, women-, and veteran-owned businesses in the United States.
Company Profile
Xerox at a Glance

Xerox Corporation (NYSE:XRX) is a $15.7 billion technology and services enterprise that helps businesses deploy Smarter Document Management strategies and find better ways to work. Its intent is to constantly lead with innovative technologies, products, and services that customers can depend upon to improve business results.

Xerox provides the document industry’s broadest portfolio of offerings. Digital systems 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’s services expertise is unmatched and includes 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.

Headquartered in Stamford, Connecticut, Xerox is No. 132 among the Fortune 500 with 58,000 employees worldwide, including 32,100 in the United States (December 2004). The company’s operations are guided by customer-focused and employee-centered core values — such as social and environmental responsibility, diversity, and quality — augmented by a passion for innovation, speed, and adaptability.

Founded
1906, as The Haloid Company
1961, renamed Xerox Corporation

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Anne M. Mulcahy

Vice President
Environment, Health, and Safety
Patricia A. Calkins

Stock Information
Xerox is publicly traded on the New York Stock Exchange; symbol XRX.
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**Publications**
This report and the following environmental, health, and safety materials are available from the Xerox contacts listed above or the Internet: www.xerox.com/environment.

- Xerox Environment, Health, and Safety Progress Reports, 2001-2005
- Material Safety Data Sheets
- Product Safety Data Sheets
- Business Guide to Waste Reduction and Recycling
- Brochures:
  - *Because We Can’t Remanufacture the Earth*
  - *Environment, Health, and Safety: A Record of Progress*
  - *Facts About Ozone*
  - *Facts About the Safety of Xerox Products*
  - *Protecting Our Planet is a Group Project: Join In*