

# Environment, 2004 Health, and Safety

PROGRESS REPORT

2004



# XEROX ENVIRONMENTAL, HEALTH, AND SAFETY POLICY

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

- Protection of the environment and the health and safety of 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 2004 Environment, Health, and Safety Progress Report is the tenth 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 2003 calendar year. It also includes some discussion of 2004 goals and activities. Safety performance data cover Xerox operations and subsidiaries during the 2003 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](http://www.xerox.com/environment).

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# TO OUR STAKEHOLDERS



## A MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

“I believe passionately that corporate social responsibility is good business. It’s good for our communities, good for our customers and employees . . . and ultimately good for Xerox.”

Over the past few years, Xerox people have survived a crisis, turned the company around and put it back on the road to greatness. The key to our success has been a talented group of people aligned around a common set of objectives determined to save Xerox. One of the things I am most proud of is that this generation of Xerox people not only saved the company and put it on the path to greatness but that we also strengthened our values. This is in no small part because social responsibility has been ingrained in the Xerox culture since our earliest days as a company. Xerox founder Joe Wilson and inventor of xerography Chester Carlson were strong advocates of corporate citizenship. Xerox’s rich heritage is lived each day by our people around the world who strive for sustainable business practices through our environmental, health, and safety initiatives.

Protecting Xerox employees from harm in the workplace is among my highest priorities. Our goal is nothing short of benchmark safety levels — and we will continue to work toward this goal until we reach it. Over the last several years, we have all learned hard lessons about the risks inherent in today’s world. That is why we have strengthened our emergency response programs throughout our worldwide operations — enhancing the protection of our employees and the surrounding communities.

In our drive to return to greatness, we have rediscovered that the creation of customer value is at the heart of our growth. We are continually reminded that our customers not only want us to help them in meeting their basic business needs, but they also expect Xerox to generate value in all areas of their business — including working with them to achieve their own sustainability goals. We start with responsible product designs that are safe, minimize the use of hazardous materials, reduce waste, and make efficient and responsible use of resources. Then Xerox invests in technologies and solutions that give our customers a new way to do their work, creating value, improving productivity, and ultimately making our customers’ business more sustainable. Just a few examples are on-demand publishing, electronic document management solutions, and smart documents that enable the transition between paper and digital documents. These solutions build value and reduce costs for Xerox customers . . . and they significantly lessen the environmental impact of our customers’ operations.

I believe passionately that corporate social responsibility is good business. It’s good for our communities, good for our customers and employees . . . and ultimately good for Xerox. This annual report of our environmental, health, and safety progress showcases our successes, evaluates our challenges, and communicates our plans for achieving higher levels of performance in the future. Ultimately, we must all strive toward a sustainable world. The stakes are high for this generation and for those that follow. I pledge that Xerox will continue to work toward this goal — it is part of our heritage and part of our future.

Sincerely,

A handwritten signature in black ink that reads "Anne M. Mulcahy".

Anne M. Mulcahy  
Chairman and Chief Executive Officer

# EXECUTIVE SUMMARY

## 2003 HIGHLIGHTS

Xerox maintained good performance against key environmental, health, and safety goals in 2003 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 161 million pounds of material from entering landfills through the reuse and recycling of Xerox equipment and supplies.
- Enabled energy savings of 51 million therms (nearly 1.5 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.
- One hundred percent of Xerox-designed product models introduced in 2003 have been developed with remanufacturing in mind.
- Ninety-seven percent of new products offered two-sided (duplex) capability, promoting efficient use of paper.
- Issued environmental, health, and safety requirements to companies that provide paper to Xerox for resale. To date, we have obtained commitments to meet these requirements from suppliers who provide more than 90 percent of the paper we supply to our customers.

### Goal: Waste-Free Facilities

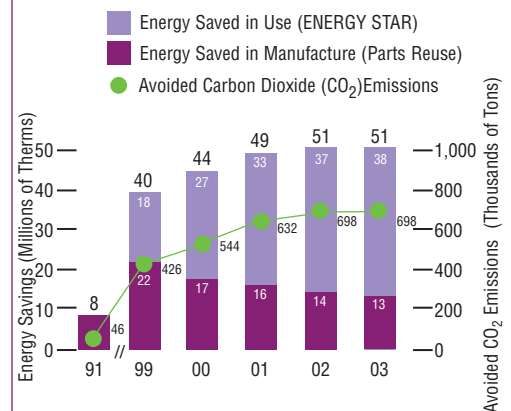
- Beneficially managed 97 percent of hazardous waste through treatment, recycling, or energy recovery through fuels blending.
- Recycled 85 percent of non-hazardous solid waste generated in all Xerox facilities. Xerox's worldwide equipment recovery and recycle operations achieved a 96 percent recycle rate.
- Ninety-seven percent of waste generated from Toxics Release Inventory-listed chemicals was beneficially managed, and only 3 percent was released to the environment.
- Maintained ISO 14001 certification for global manufacturing sites.

### Goal: Safe Workplace and Healthy Workforce

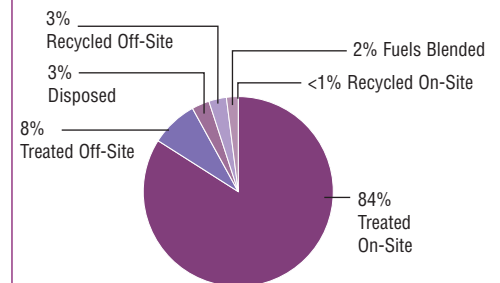
- Maintained injury levels well below industry averages. Further improved our safety record with a 4 percent reduction in the rate of Total Recordable Incidents. Our Day Away From Work case rate increased by 7 percent; however, we are taking action to improve our performance.
- Continued deployment of our emergency preparedness standard worldwide, verifying that all operations have documented emergency response plans in place.



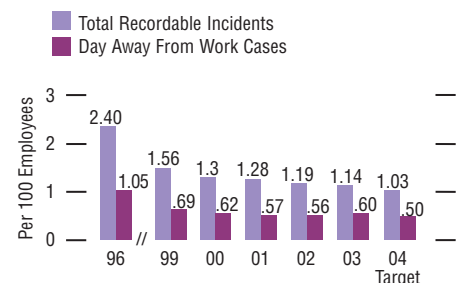
### Product Energy Savings



### 2003 Hazardous Waste Management



### Workplace Injury Rates



# POLICY, GOALS, AND STRATEGY



## INTEGRATING ENVIRONMENTAL, HEALTH, AND SAFETY CONSIDERATIONS INTO XEROX BUSINESS

The value of responsible corporate citizenship has been firmly embedded in Xerox culture since the company's inception. We consider protection of the environment and the health and safety of our people to be fundamental components of our commitment to good corporate citizenship.

### Vision and Goals

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

### More Than a Decade of Progress

VISION	GOALS	PERFORMANCE
Provide Value to Employees and Society	Safe Workplace & Healthy Workforce	Results of the Zero Injury program, initiated in 1997: <ul style="list-style-type: none"> <li>• 52% reduction in Total Recordable Injury rate.</li> <li>• 43% reduction in Day Away From Work case rate.</li> </ul>
	Waste-Free Facilities	95% or more of hazardous waste managed beneficially since 1999 through treatment, recycling, or fuels blending.
		Improvement in non-hazardous solid waste recycling rate from 56% to 85% since 1991.
		29% reduction in water use since 1999.
		92% reduction in air emissions from facilities that manufacture Xerox imaging supplies (our most chemically intensive operations) since 1991.
14% decrease in energy consumption since 1999.		
Provide Value to Customers	Safe Products	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.
	Accessible Products	Products are designed to be usable by a wide range of customers, including those with disabilities. Starting in 2002, all product designs included requirements consistent with the U.S. Government's Section 508 accessibility standards. Xerox Copier Assistant software, introduced in 2003, makes it easier for people with disabilities to use the copy function of Xerox office products.
	Waste-Free Products	Over 1.5 billion pounds of waste diverted from landfills since 1991 through equipment end-of-life strategies.
Product features such as duplex copying/printing help customers make efficient use of paper. 97% of products introduced in 2003 offered duplex capability.		
Up to 50% reduction in product energy consumption since 1992. <sup>1</sup>		
		Xerox has achieved its goal of minimizing product emissions of ozone and dust. Today's emission levels are well below the strictest regulatory limits.

<sup>1</sup> Energy consumption of the Xerox CopyCentre C55 digital copier compared to the Xerox 5053, introduced in 1992. Customer use patterns affect energy consumption.

**1.5**  
billion

*Pounds of waste diverted from landfills since 1991 through equipment end-of-life strategies.*

## 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.

### Standards

Environmental, health, and safety standards are our primary tool 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 is achieved by full integration into ongoing business practices. Five key programs serve this integration function throughout the company:

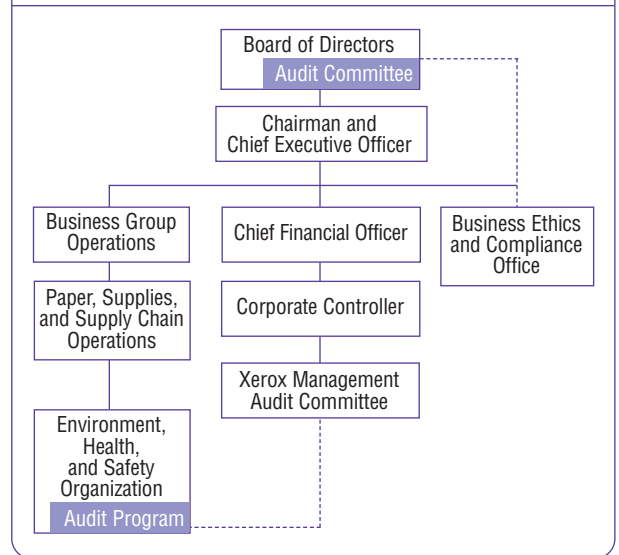
- *Zero Injury Program*

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.

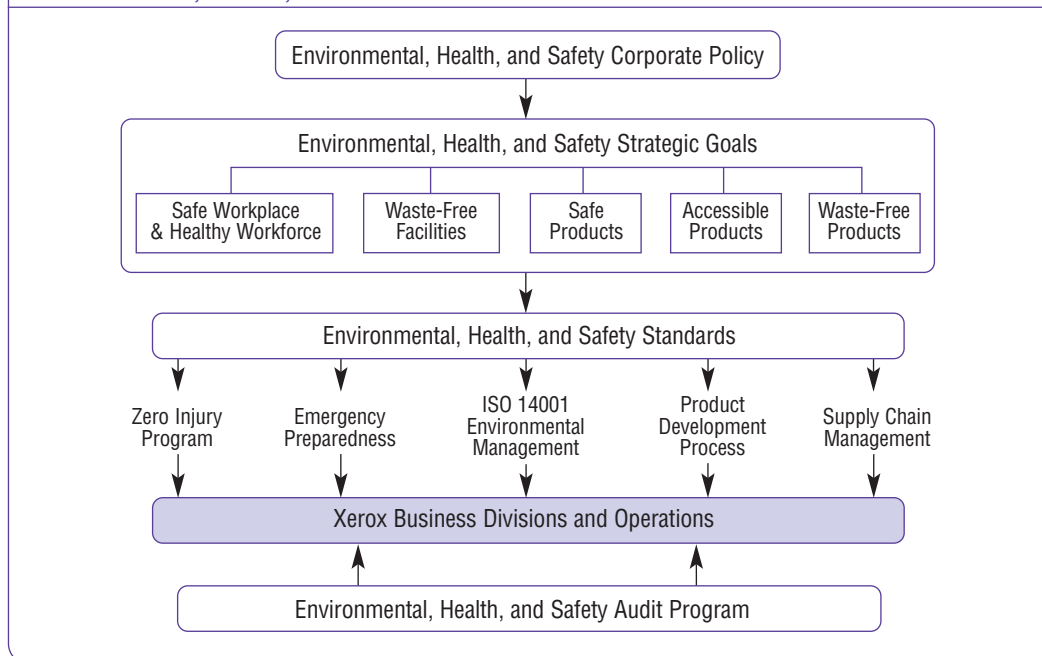
- *Emergency Preparedness*

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 the 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.

## CORPORATE REPORTING RELATIONSHIPS



## ENVIRONMENTAL, HEALTH, AND SAFETY GOVERNANCE MODEL



# POLICY, GOALS, AND STRATEGY

## 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, the company CEO builds employees' awareness of their responsibility to our corporate environmental, health, and safety commitment through an annual ethics letter. Each employee must confirm his/her understanding of this commitment through a formal acknowledgement process and completion of refresher training.

## 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.

### • 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 the environmental impact, and to set objective 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

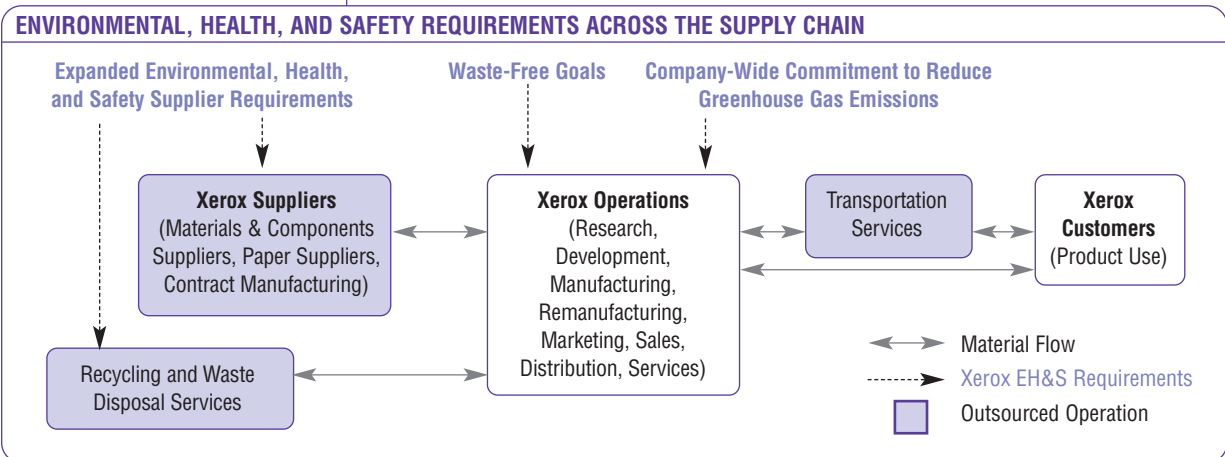
Xerox integrates environmental, health, safety, and accessibility criteria into the earliest stages of Xerox product design and development. Products' adherence to safety standards, ecolabel criteria, accessibility requirements, and end-of-life strategies is reviewed at each major phase of the development 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. Starting in 2003, Xerox extended additional requirements to companies who provide paper to Xerox for resale. Supplier initiatives are described in more detail on the following pages.

## 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 audits at least once every three years. 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.



Xerox extends environmental, health, and safety requirements to its own operations and those of its suppliers. Xerox has recently strengthened requirements for paper suppliers and materials and component suppliers, and has expanded company-wide our commitment to reduce energy and greenhouse gas emissions.

## Working to Become a Sustainable Company

For more than a decade, Xerox has deployed its Waste-Free goal of making Waste-Free Products in Waste-Free Factories to help our customers attain Waste-Free Workplaces. This effort has produced dramatic improvements in the environmental performance of our company, as described throughout this report.

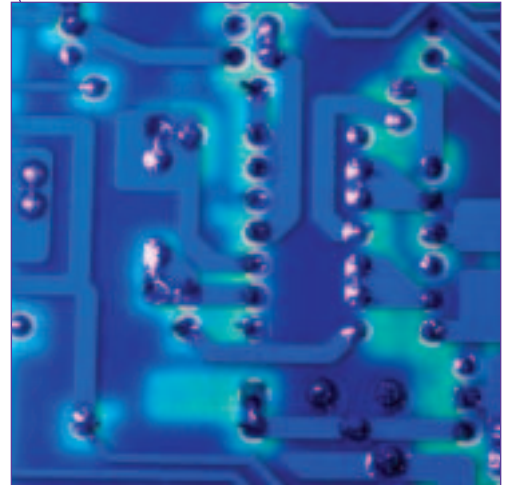
In moving toward a sustainable future, we recognize that we must continue to extend the reach of our environmental, health, and safety policies across the product life cycle. At the same time, we must further reduce the environmental impact of Xerox's own operations. In 2003 and 2004, we launched new initiatives that will enable progress in both of these areas. We have strengthened environmental, health, and safety requirements for materials and components suppliers to better control the chemical content of Xerox products. We issued new requirements for companies that provide paper to Xerox for resale, further expanding our influence on the supply chain. For our own operations, we have strengthened our commitment to reduce Xerox's energy consumption and associated greenhouse gas emissions.

### Controlling the Chemical Content of Xerox Products

Xerox has long worked toward minimizing the use of hazardous substances in our products. In support of this, Xerox has had in place for many years a set of requirements that govern product design and material selection. Xerox toxicologists conduct a comprehensive assessment of all new products and materials to ensure conformance with these criteria.

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 is issuing 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 will refer to these requirements, and suppliers will be 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 eliminating these materials from new products by July 1, 2006.



### ENVIRONMENTAL, HEALTH, AND SAFETY REQUIREMENTS FOR XEROX MATERIALS AND COMPONENTS SUPPLIERS (UPDATED IN 2004):

- Comply with applicable government environmental, health, and safety regulations.
- No ozone-depleting substances in manufacturing or processing of parts/materials supplied to Xerox.
- No toxic heavy metals — including cadmium, mercury, hexavalent chromium, or lead — in packaging.
- No use of asbestos, benzene, hexachlorobenzene, ozone-depleting substances, polybrominated biphenyls or polybrominated diphenyl ethers, polychlorinated terphenyls, or polychlorinated biphenyls in parts/materials supplied to Xerox.
- By July 1, 2006, eliminate cadmium, hexavalent chromium, mercury, and lead from parts/materials supplied to Xerox — except where exemptions are allowed by the European Union ROHS Directive.<sup>1</sup>
- Restricted use of 25 additional substances. Approval for use requires a Xerox-conducted safety assessment.
- Mark plastic parts with recycling codes, as defined by ISO standards.

<sup>1</sup> European Union Directive 2002/95/EC on the restrictions of the use of hazardous substances in electrical and electronic equipment (ROHS). The Directive allows the use of targeted materials when there is no alternative or where the negative environmental, health, or safety impacts caused by substitution outweigh the benefits.

# POLICY, GOALS, AND STRATEGY

## XEROX POSITION ON PAPER SOURCING

Xerox Corporation sources its paper from companies committed to sound environmental, health, and safety practices and sustainable forest management in their own operations and those of their suppliers. Our intent is to protect the health and integrity of forest ecosystems, conserve biological diversity and soil and water resources, safeguard forest areas of significant ecological or cultural importance, and ensure sustainable yield. Companies must be committed to compliance with all applicable environmental, health, and safety regulatory requirements in the countries where they operate.



The Xerox Foundation extends financial support to NatureServe, a non-profit organization that is developing tools to help forest managers identify plant and animal species and ecological communities requiring protection.

## Paper Sourcing

As one of the largest brands of cut-sheet paper in the world, Xerox recognizes its obligation to ensure the responsible management of forests that provide raw materials for the production of paper. To this end, Xerox adopted in 2000 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 sustainable forest management.

In support of our position, we issued in 2003 a set of stringent requirements for companies who provide paper to Xerox for resale. The requirements, which go 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. To date, more than 75 percent of our paper suppliers — representing greater than 90 percent of the paper we supply to our customers — have committed to meeting these requirements. The remaining suppliers are working with Xerox to ensure their commitment by the end of 2004.

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.

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

## Energy and Greenhouse Gas Emission Reductions

Energy management is not new for Xerox. We have reduced energy consumption associated with the manufacture of Xerox products through our remanufacturing and parts reuse program. By reusing parts, Xerox avoids the energy expenditures associated with the extraction of raw materials and fabrication of parts. In addition, Xerox designs its products to be energy efficient, allowing customers to reduce their consumption of energy and associated greenhouse gases. Over the last several years, we have also reduced energy consumption within our operations through the use of high-efficiency lighting, the installation of motion detectors that turn off lights when rooms are unoccupied, and the implementation of energy management programs.

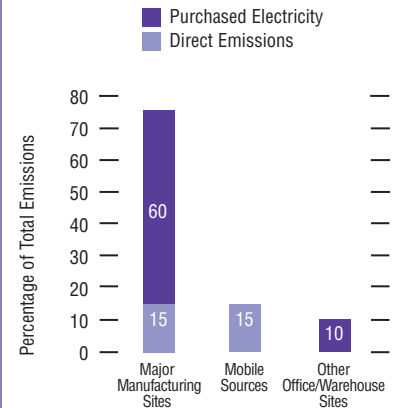
In 2003, Xerox strengthened its commitment to reducing energy consumption and associated greenhouse gas emissions across all its operations through 2012. Since then, we have established a baseline inventory for the U.S. that is consistent with the guidelines of the U.S. Environmental Protection Agency's Climate Leaders program. This inventory was developed for a baseline year of 2002 and quantifies the relative contributions of greenhouse gas emissions from our U.S. facilities and operations. Total emissions, directly or indirectly attributable to Xerox, are estimated to be 350,000 tons of carbon dioxide. Xerox does not emit any other greenhouse gas in significant quantities. Seventy percent of Xerox U.S. greenhouse gas emissions are indirect emissions — the result of purchased electricity used in Xerox manufacturing sites and office and warehouse facilities. Thirty percent are direct emissions due to the consumption of natural gas by facilities and consumption of gasoline by Xerox's vehicle fleet.

Xerox's greenhouse gas inventory will be expanded to worldwide company operations. A reduction target for the U.S. and the entire corporation worldwide will be developed early in 2005. 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.



U.S. Environmental Protection Agency Administrator Michael Leavitt (left) recognizes Xerox Corporation for joining the Climate Leaders Program. Accepting is Anne Stocum (right) from Xerox's Environment, Health, and Safety organization.

## U.S. Greenhouse Gas Emissions



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.

# WASTE-FREE PRODUCTS



## SUSTAINABLE DESIGN

Xerox's commitment to becoming a Waste-Free company spans more than a decade. An ambitious set of Waste-Free goals have helped us put this commitment into practice. As a result, each new generation of Xerox products offers increasing functionality while conserving energy and materials and requiring fewer hazardous substances throughout the product life cycle.

### WASTE-FREE PRODUCT GOALS AND INITIATIVES

#### Waste-Free Product Goals

Efficient use of materials and energy

Minimal use of hazardous substances

Low emissions and noise

#### Sustainable Product Design Initiatives

- Equipment remanufacture and parts reuse/recycle
- Supplies return and recycle programs
- Efficient use of paper
- Energy-efficient design
- Recycled content in equipment, supplies, and packaging

- Design to Xerox worldwide product environmental performance standards

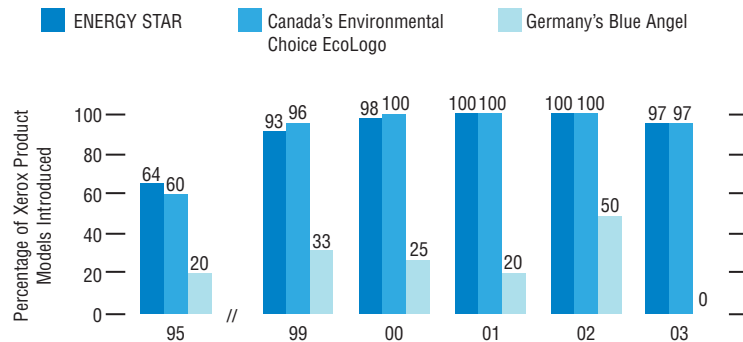
Xerox continued to make good progress toward our Waste-Free Product goals in 2003:

- Xerox equipment remanufacture and supplies reuse/recycle programs diverted 161 million pounds of material from landfills.
- Energy-efficient product features enabled energy savings of 38 million therms (1.1 million megawatt hours). Parts reuse saved an additional 13 million therms (390,000 megawatt hours) of energy.
- All newly introduced products achieved Xerox's strict standards for minimal use of hazardous materials and emissions of noise, ozone, and dust.

The efforts of Xerox engineering teams to incorporate increasingly challenging targets for energy efficiency, reuse/recycling, and minimized use of hazardous materials into future product designs will ensure continued advances in these areas. The deployment in 2004 of a revised, more stringent environmental, health, and safety standard for the chemical content of parts and materials used in Xerox products will drive progress in this area as well.

One measure of the success of our Waste-Free focus is the number of Xerox products that meet the world's most widely recognized certifications for product environmental performance — the international ENERGY STAR, Canada's Environmental Choice EcoLogo, and Germany's Blue Angel. Ninety-seven percent of Xerox's eligible product offerings meet ENERGY STAR and Environmental Choice EcoLogo criteria. Because of changes in Germany's Blue Angel criteria in late 2003, Xerox has no products that currently meet these requirements.

### 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.

**161**  
million

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

## Integrating Waste-Free Goals into Product Design

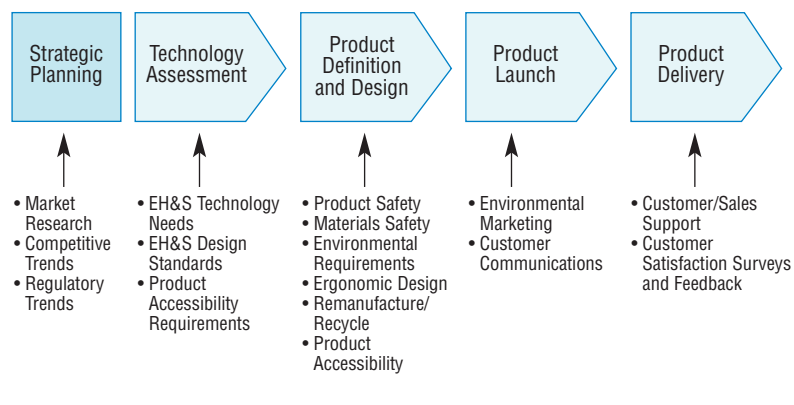
Xerox recognized early in our drive for Waste-Free Products that the best results — both environmental and financial — are achieved when products are designed from the outset with Waste-Free goals in mind.

Customer feedback, combined with a forward-looking view of global trends in technology, regulations, and ecolabels such as ENERGY STAR, has shaped the development of a comprehensive set of Xerox product environmental, health, and safety performance standards. The standards incorporate Waste-Free goals as well as product safety requirements encompassing electrical and mechanical safety, ergonomic design, electromagnetic emissions, fire resistance, and materials safety.

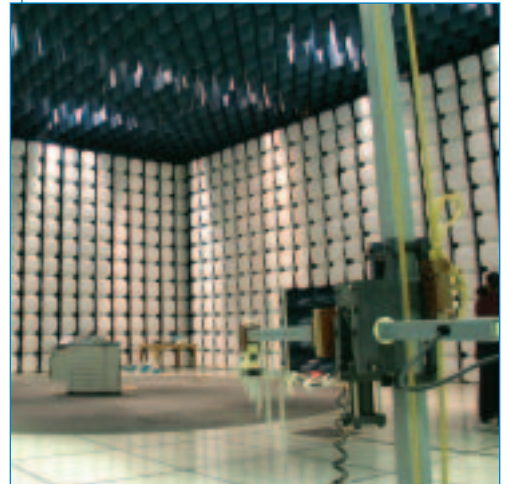
Products being developed undergo a careful review by Xerox business teams and the Environment, Health, and Safety organization at each stage of Xerox's Time to Market product development process. These ongoing reviews ensure that environmental, health, and safety requirements are fully satisfied by all Xerox products, whether they are designed by Xerox or suppliers. 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.

### XEROX'S TIME TO MARKET PRODUCT DEVELOPMENT PROCESS



The Xerox Time to Market product development process is the mechanism we use to deploy environmental, health, and safety product performance standards. Xerox engineers consider environmental, health, and safety requirements in the earliest phases of product design. Business teams regularly assess developing products to ensure that these criteria are fully implemented.



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.



Xerox conducts a careful review of the chemical composition of all Xerox products and supplies to ensure that materials are safe for customer use.

# WASTE-FREE PRODUCTS



Since its inception in the early 1990s, Xerox's equipment remanufacture and parts reuse/recycle program has kept over 1.5 billion pounds of waste out of landfills — the equivalent of more than 2.3 million machines. This is enough material to fill New York's Empire State Building nearly four times.

## Equipment Remanufacture and Parts Reuse

The practice of converting end-of-life electronic equipment into new products and parts is one that Xerox pioneered. 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. All Xerox-designed product models introduced in 2003 have been developed with remanufacturing in mind.

Our approach to managing products at end-of-life translates into significant environmental and financial benefits. Equipment remanufacture and the reuse and recycling of parts prevents millions of pounds of waste from entering landfills each year — 144 million pounds in 2003 alone. 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 2003, energy savings from parts reuse totaled 13 million therms (390,000 megawatt hours) — enough energy to light more than 315,000 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, reusing 70 to 90 percent by weight of machine components, 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 of 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 of components for products in development. Xerox products whose designs are 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.

### XEROX EQUIPMENT RECOVERY AND PARTS REUSE/RECYCLE PROCESS

