

XEROX CORP  
Form DEF 14A  
April 08, 2013

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |                                     |   |                          |                                       |
|-------------------------------------|---|--------------------------|---------------------------------------|
| <input type="checkbox"/>            | Preliminary Proxy Statement   | <input type="checkbox"/> | Soliciting Material Under Rule 14a-12 |
| <input type="checkbox"/>            | Confidential, For Use of the<br>Commission Only (as permitted<br>by Rule 14a-6(e)(2)) |                          |                                       |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement  |                          |                                       |
| <input type="checkbox"/>            | Definitive Additional Materials   |                          |                                       |

Xerox Corporation  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to  
Exchange Act Rule 0-11 (set forth the amount on which the filing fee is  
calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which  
the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or  
schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

Edgar Filing: XEROX CORP - Form DEF 14A

- 3) Filing Party:
  - 4) Date Filed:
-

Edgar Filing: XEROX CORP - Form DEF 14A

Xerox Corporation  
45 Glover Avenue  
P.O. Box 4505  
Norwalk, CT 06856-4505

April 8, 2013

Dear Shareholders:

You are cordially invited to attend the 2013 Annual Meeting of Shareholders of Xerox Corporation to be held on Tuesday, May 21, 2013, at Xerox's Corporate Headquarters, 45 Glover Avenue in Norwalk, Connecticut. Your Board of Directors and management look forward to greeting those shareholders who are able to attend.

At the Annual Meeting of Shareholders, you will be asked to vote upon the election of ten directors, the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2013, the approval, on an advisory basis, of the 2012 compensation of our named executive officers and the approval of an amendment and restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors. The Board of Directors unanimously recommends that you vote in favor of each of these proposals.

It is important that your shares be represented and voted at the Annual Meeting of Shareholders, regardless of whether or not you plan to attend in person. Therefore, you are urged to vote your shares using one of the methods described in the following pages. Voting instructions are provided in the accompanying voting instruction and proxy card.

For the Board of Directors,

Ursula M. Burns  
Chairman of the Board and Chief Executive Officer

---

**Notice of 2013 Annual Meeting of Shareholders**

- Date and Time: Tuesday, May 21, 2013, at 9:00 a.m.
- Location: Xerox's Corporate Headquarters, 45 Glover Avenue in Norwalk, Connecticut
- Purpose:
- (1) Election of 10 directors;
  - (2) Ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2013;
  - (3) Approval, on an advisory basis, of the 2012 compensation of our named executive officers;
  - (4) Approval of the 2013 Amendment and Restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors; and
  - (5) Consider such other business as may properly come before the meeting.
- Record Date: March 25, 2013 You are eligible to vote if you were a shareholder of record as of the close of business on this date.
- Proxy Voting:
- (1) Telephone;
  - (2) Internet; or
  - (3) Proxy Card.
- Please review the Notice of Internet Availability of Proxy Materials or accompanying proxy card for voting instructions.
- Importance of Vote: Whether or not you plan to attend, please submit your proxy as soon as possible to ensure that your shares are represented.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 21, 2013.**

**The Proxy Statement and 2012 Annual Report are available at [www.edocumentview.com/XRX](http://www.edocumentview.com/XRX) or [www.xerox.com/investor](http://www.xerox.com/investor)**

By order of the Board of Directors,

Don H. Liu  
Senior Vice President, General Counsel and Secretary

April 8, 2013

## TABLE OF CONTENTS

<b>GENERAL INFORMATION ABOUT THE ANNUAL MEETING</b>	<b>4</b>
The Annual Meeting	4
What is the purpose of the Annual Meeting?	4
Who is entitled to vote?	4
How can I attend the Annual Meeting?	4
How does the Board of Directors recommend that I vote?	5
How many shares are required to be present to hold the Annual Meeting?	5
How many votes are required to approve each proposal?	5
What is a broker non-vote and how will it affect the voting?	6
How do I vote?	6
How will shares in the Xerox Employee Stock Ownership Plan, Xerox Savings Plans and Xerox Business Services Savings Plan be voted?	6
May I change my vote?	7
Can I vote in person at the Annual Meeting?	7
Who will count the vote? Is my vote confidential?	7
How are proxies solicited?	7
Why did I receive a notice in the mail regarding Internet availability of proxy materials instead of a full set of printed proxy materials?	7
How can I electronically access the proxy materials?	7
When are proposals, director nominations and other business to be submitted by shareholders for the 2014 Annual Meeting due?	8
How can I contact the Board of Directors?	8
What if multiple shareholders have the same address?	8
How may I get additional copies of the Annual Report and Proxy Statement?	8
Is there a list of shareholders entitled to vote at the Annual Meeting?	8
<b>PROPOSAL 1 ELECTION OF DIRECTORS</b>	<b>9</b>
Biographies	9
Board of Directors Recommendation	14
<b>CORPORATE GOVERNANCE</b>	<b>15</b>
Director Nomination Process	15
Board Leadership Structure	15
Risk Oversight	16
Director Independence	16
Certain Relationships and Related Person Transactions	17
<b>BOARD OF DIRECTORS AND BOARD COMMITTEES</b>	<b>18</b>
Committee Functions, Membership and Meetings	18
Audit Committee	18
Compensation Committee	18
Compensation Committee Interlocks and Insider Participation	19
Corporate Governance Committee	19
Finance Committee	20
Attendance and Compensation of Directors	20
Summary of Director Compensation	20

<b>SECURITIES OWNERSHIP</b>	22
Ownership of Company Securities	22
Section 16(a) Beneficial Ownership Reporting Compliance	24
<b>EXECUTIVE COMPENSATION</b>	24
Compensation Discussion and Analysis	24
Report of the Compensation Committee of the Board of Directors	46
Summary Compensation Table	47
Grants of Plan-Based Awards in 2012	51
Outstanding Equity Awards at 2012 Fiscal Year-End	52
Option Exercises and Stock Vested in 2012	53
Pension Benefits for the 2012 Fiscal Year	54
Non-Qualified Deferred Compensation for the 2012 Fiscal Year	56
Potential Payments upon Termination or Change in Control	57
Equity Compensation Plan Information	62
<b>OTHER INFORMATION</b>	63
Indemnification Actions	63
Directors and Officers Liability Insurance and Indemnity	63
<b>PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</b>	63
Principal Auditor Fees and Services	63
Audit Committee Report	64
Board of Directors Recommendation	64
<b>PROPOSAL 3 PROPOSAL TO APPROVE, ON AN ADVISORY BASIS, THE 2012 COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</b>	65
Board of Directors Recommendation	66
<b>PROPOSAL 4 PROPOSAL TO APPROVE THE 2013 AMENDMENT AND RESTATEMENT OF THE 2004 EQUITY COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS</b>	66
Board of Directors Recommendation	70
<b>OTHER MATTERS</b>	70
<b>EXHIBIT A 2013 AMENDMENT AND RESTATEMENT OF XEROX CORPORATION 2004 EQUITY COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS</b>	A-1

## PROXY STATEMENT

### GENERAL INFORMATION ABOUT THE ANNUAL MEETING

#### *The Annual Meeting*

The 2013 Annual Meeting of Shareholders (Annual Meeting) of Xerox Corporation (Company) will be held on Tuesday, May 21, 2013, beginning at 9:00 a.m. at Xerox's Corporate Headquarters, 45 Glover Avenue in Norwalk, Connecticut.

#### *What is the purpose of the Annual Meeting?*

At the Annual Meeting, shareholders will consider and vote on the following matters:

1. Election of the ten nominees named in this Proxy Statement to our Board of Directors (Board), each for a term of one year.
2. Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.
3. Approval, on an advisory basis, of the 2012 compensation of our named executive officers.
4. Approval of the 2013 Amendment and Restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors.

Shareholders will also act on any other business that may properly come before the meeting. In addition, our management will report on Xerox's performance during fiscal 2012 and respond to questions from shareholders.

#### *Who is entitled to vote?*

Owners of our common stock, par value \$1 per share (Common Stock), as of the close of business on the record date, March 25, 2013, are entitled to vote at the Annual Meeting and at any and all adjournments or postponements of the Annual Meeting. The shares owned include shares you held on that date (1) directly in your name as the shareholder of record (registered shareholder) and/or (2) in the name of a broker, bank or other holder of record where the shares were held for you as the beneficial owner (beneficial owner). Each share of Common Stock is entitled to one vote on each matter to be voted on.

#### *How can I attend the Annual Meeting?*

All shareholders of record as of the close of business on March 25, 2013 may attend. In order to be admitted to the meeting, please obtain an admission ticket in advance and bring a form of personal photo identification, such as a driver's license.

To obtain an admission ticket:

If you are a registered shareholder:

- If you vote via the Internet or by telephone, you will be asked if you would like to receive an admission ticket.
- If you vote by proxy card, please mark the appropriate box on the proxy card and an admission ticket will be sent to you.

If you are a beneficial owner:

- Please request an admission ticket in advance by calling Shareholder Services at (203) 849-2315 or by mailing a written request, along with proof of your ownership of Xerox Common Stock as of the record date, to Xerox Corporation, Shareholder Services, P.O. Box 4505, Norwalk, CT 06856-4505. All calls and written requests for admission tickets must be received no later than the close of business on May 10, 2013.

Edgar Filing: XEROX CORP - Form DEF 14A

You can find directions to the meeting online at [www.edocumentview.com/XRX](http://www.edocumentview.com/XRX). If you have any further questions regarding admission or directions to the Annual Meeting, please call Shareholder Services at (203) 849-2315.



***How does the Board of Directors recommend that I vote?***

The Board recommends that you vote:

- **FOR** the election of each of the ten director nominees;
- **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;
- **FOR** the approval, on an advisory basis, of the 2012 compensation of our named executive officers; and
- **FOR** the approval of the 2013 Amendment and Restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors.

***How many shares are required to be present to hold the Annual Meeting?***

A quorum is necessary to hold a valid meeting of shareholders. For each of the proposals to be presented at the meeting, the presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our Common Stock outstanding on March 25, 2013 (record date) will constitute a quorum. As of March 25, 2013, there were 1,227,841,468 shares of our Common Stock outstanding. If you vote—including by Internet, telephone or proxy card—your shares will be counted towards the quorum for the Annual Meeting. Broker non-votes and abstentions are counted as present for the purpose of determining a quorum.

***How many votes are required to approve each proposal?***

**Election of Directors.** Under our by-laws, directors are elected by majority vote, meaning that in an uncontested director election, the votes cast for the nominee's election must exceed the votes cast against the nominee's election, with abstentions and broker non-votes not counting as votes for or against. Our by-laws require that any incumbent nominee for director who receives a greater number of votes cast against his or her election than for his or her election shall tender his or her resignation promptly after such election. The independent directors will then evaluate and determine, based on the relevant facts and circumstances, whether to accept or reject the resignation. The Board's explanation of its decision will be promptly disclosed on a Form 8-K filed with the Securities and Exchange Commission (SEC).

**Other Items.**

- **Ratification of PricewaterhouseCoopers LLP as our independent auditor; and**
- **Approval, on an advisory basis, of the 2012 compensation of our named executive officers.**

The affirmative vote of a majority of the votes cast at the meeting will be required for approval of the above proposals. Under New York law, abstentions and broker non-votes, if any, will not be counted as votes for or against for the purpose of determining the outcome of the vote and therefore will have no impact on the outcome of the proposals.

Although the advisory vote is non-binding, the Board of Directors values the opinions of shareholders and will consider the outcome of the vote on this proposal when making future decisions regarding executive compensation.

- **Approval of the 2013 Amendment and Restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors.**

The affirmative vote of a majority of the votes cast at the meeting will be required for approval of this last proposal, provided that the total votes cast on the proposal represent over 50% of the Common Stock outstanding and entitled to vote at the Annual Meeting on the proposal. Pursuant to NYSE rules, we will count abstentions as votes cast against this proposal, but we will not count broker non-votes as votes cast on this proposal. As a result, broker non-votes will have no impact on the outcome of the proposal.

At present, the Board does not intend to present any other matters at this meeting and knows of no matters other than these to be presented for shareholder action at the Annual Meeting. If any other matters properly come before the meeting, the persons named

in the accompanying proxy intend to vote the proxies in accordance with their best judgment.

**What is a broker non-vote and how will it affect the voting?**

A broker non-vote occurs when the beneficial owner of shares held through a brokerage firm fails to furnish voting instructions to the broker and the broker is not permitted under applicable New York Stock Exchange (NYSE) and SEC rules to vote the shares in its discretion. Brokers are not permitted to vote the shares without the beneficial owner's instructions if the proposal is considered a non-routine matter under these rules. Election of directors, the advisory vote on executive compensation and the vote to approve the 2013 Amendment and Restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors are considered non-routine matters. Shares constituting broker non-votes are not counted as votes for or against for the purpose of determining whether shareholders have approved a matter.

**How do I vote?**

Registered shareholders can vote in any one of four ways:

- (1) *You may vote in person.* If you attend the meeting, you may vote by delivering your completed proxy card in person or you may vote by completing a ballot. Ballots will be available at the meeting.

Since many shareholders are unable to attend the meeting in person, registered shareholders may also vote their proxies by one of the three ways described below. By using your proxy to vote in one of these ways, you authorize the three directors, whose names are listed on the front of the proxy card accompanying this Proxy Statement, to represent you and vote your shares as you direct.

- (2) *You may vote over the Internet.* If you have Internet access, you may vote your shares by following the Vote by Internet instructions included in the Notice of Internet Availability of Proxy Materials (Notice) or on the enclosed proxy card.
- (3) *You may vote by telephone.* You may vote your shares by following the Vote by Telephone instructions on the enclosed proxy card.
- (4) *You may vote by mail.* You may vote by completing and signing the proxy card enclosed with this Proxy Statement and promptly mailing it in the enclosed postage-prepaid envelope. The shares you own will be voted according to your instructions on the proxy card you mail. If you sign and return your proxy card but do not indicate your voting instructions on one or more of the matters listed, the shares you own will be voted by the named proxies in accordance with the recommendations of our Board of Directors.

If you vote via the Internet or by telephone, do not return your proxy card.

*Beneficial owners* will receive a separate Notice with voting instructions from the bank, broker or other holder of record where the shares are held, that must be followed in order for their shares to be voted.

**How will shares in the Xerox Employee Stock Ownership Plan, Xerox Savings Plans and Xerox Business Services Savings Plan be voted?**

Beneficial owners of the shares of Common Stock held in the (1) Xerox Employee Stock Ownership Plan (ESOP), (2) Xerox Corporation Savings Plan, (3) Savings Plan of Xerox Corporation and the Xerographic Division, Rochester Regional Joint Board on Behalf of Itself and Other Regional Joint Boards (together with the Xerox Corporation Savings Plan, referred to as the Xerox Savings Plans) or (4) Xerox Business Services Savings Plan, formerly known as ACS Savings Plan (Services Savings Plan), can instruct State Street Bank and Trust Company, as Trustee for the ESOP and the Xerox Savings Plans (Xerox Plans Trustee) or The Bank of New York Mellon, as Trustee for the Services Savings Plan (Services Savings Plan Trustee), by telephone, Internet or mail, how to vote the shares in their accounts. No matter which method is used, your voting instructions are confidential and will not be disclosed to the Company. By providing voting instructions in one of these ways, you instruct the Xerox Plans Trustee or the Services Savings Plan Trustee to vote the shares allocated to your ESOP, Xerox Savings Plans or Services Savings Plan account or accounts. For the ESOP participants and the Xerox Savings Plans participants, you also authorize the Xerox Plans Trustee to vote the shares of Common Stock held in the ESOP trust or Xerox Savings Plans trust for which no instructions were provided in the same proportion

on each issue as it votes the shares for which participants have returned voting instructions. Unlike the ESOP or Xerox Savings Plans, if no instructions have been received from an Services Savings Plan participant, the Services Savings Plan Trustee will not vote the shares allocated in your account. Your vote must be received by 8:00 AM Eastern Time on Friday, May 17, 2013 to allow sufficient time for processing.

***May I change my vote?***

Yes. You may revoke your proxy at any time before the Annual Meeting by submitting a later dated proxy card, by a later telephone or on-line vote, by notifying the Secretary of the Company in writing that you have revoked your proxy or by attending the Annual Meeting and giving notice of revocation in person.

***Can I vote in person at the Annual Meeting?***

Persons who submit a proxy or voting instructions need not vote at the Annual Meeting. However, we will pass out written ballots to any shareholder of record or authorized representative of a shareholder of record who wants to vote in person at the Annual Meeting instead of by proxy. Voting in person will revoke any proxy previously given. If you hold your shares through a broker, bank or nominee, you must obtain a proxy from your broker, bank or nominee to vote in person.

***Who will count the vote? Is my vote confidential?***

Representatives of Computershare will act as Inspector of Election, supervise the voting, decide the validity of proxies and receive and tabulate proxies. As a matter of policy, we keep confidential all stockholder meeting proxies, ballots and voting tabulations that identify individual shareholders. In addition, the vote of any shareholder is not disclosed except as may be necessary to meet legal requirements.

***How are proxies solicited?***

In addition to the solicitation of proxies by mail, we also request brokerage houses, nominees, custodians and fiduciaries to forward soliciting material to the beneficial owners of stock held of record and reimburse such person for the cost of forwarding the material. We have engaged Georgeson Inc. to handle the distribution of soliciting material to, and the collection of proxies from, such entities. We will pay Georgeson Inc. a fee of \$12,000 plus reimbursement of out-of-pocket expenses for this service. We bear the cost of all proxy solicitation.

***Why did I receive a notice in the mail regarding Internet availability of proxy materials instead of a full set of printed proxy materials?***

Pursuant to rules adopted by the SEC, the Company has elected to provide access to its proxy materials over the Internet. Accordingly, a Notice of Internet Availability of Proxy Materials is being sent to the Company's registered shareholders and beneficial owners. The Notice contains instructions on how to access the proxy materials over the Internet and how to request a printed copy of the proxy materials, including a proxy card, as well as how shareholders may request to receive proxy materials in printed form by mail, or electronically by email, on a going forward basis.

On or about April 8, 2013, we are sending all shareholders of record as of March 25, 2013 a Notice instructing them how to receive their proxy materials via the Internet. Proxy materials will be available on the Internet on April 8, 2013.

***How can I electronically access the proxy materials?***

You can access the proxy materials online at [www.edocumentview.com/XRX](http://www.edocumentview.com/XRX) or [www.xerox.com/investor](http://www.xerox.com/investor). Shareholders may receive proxy statements, annual reports and other shareholder materials via electronic delivery. Registered shareholders can sign up for electronic delivery at [www.eTree.com/Xerox](http://www.eTree.com/Xerox). Beneficial owners can sign up for electronic delivery at <http://enroll.icsdelivery.com/xrx>. These websites, which allow you to choose to receive future proxy materials electronically by email, will provide cost savings relating to printing and postage and reduce the environmental impact of mailing documents to you.

***When are proposals, director nominations and other business to be submitted by shareholders for the 2014 Annual Meeting due?***

We expect to hold our 2014 Annual Meeting of Shareholders during the second half of May and to issue our Proxy Statement for that meeting during the first half of April. Under SEC proxy rules, if a shareholder wants us to include a proposal in our Proxy Statement and proxy card for the 2014 Annual Meeting of Shareholders, the proposal must be received by us no later than December 9, 2013.

Any shareholder wishing to make a nomination for director or wishing to introduce any business at the 2014 Annual Meeting of Shareholders (other than a proposal submitted for inclusion in the Company's proxy materials) must provide the Company advance notice of such nominee or business which must be received by the Company no earlier than November 9, 2013 and no later than December 9, 2013. Any such notice must comply with requirements set forth in our by-laws. Nominations for director must be accompanied by a written consent of the nominee consenting to being named in the Proxy Statement as a nominee and serving as a director if elected. Proposals and other items of business should be directed to Xerox Corporation, P.O. Box 4505, Norwalk, CT 06856-4505, Attention: Corporate Secretary.

***How can I contact the Board of Directors?***

Under our Corporate Governance Guidelines, interested parties may contact the non-management members of the Board of Directors by contacting the Chairman of the Corporate Governance Committee using the [Contact the Board](#) link that appears on our Company's website at [www.xerox.com/governance](http://www.xerox.com/governance).

***What if multiple shareholders have the same address?***

If you and other residents at your mailing address own shares of Common Stock through a broker, you may have received a notice from the broker notifying you that your household will be sent only one Notice or one Annual Report and Proxy Statement, as applicable. If you did not return the opt-out card attached to such notice, you were deemed to have consented to such process. The broker or other holder of record will send, as applicable, at least one copy of the Notice or the Annual Report and Proxy Statement to your address. You may revoke your consent at any time by calling (800) 542-1061. The revocation will be effective 48 hours after receipt of your telephone notification. An additional copy of the Notice or Annual Report and Proxy Statement will also be delivered to you promptly upon request by contacting Shareholder Services at (203) 849-2315 or by sending a written request addressed to Xerox Corporation, P.O. Box 4505, Norwalk, CT 06856-4505, Attention: Corporate Secretary.

If you are receiving multiple copies of the Notice or the Annual Report and Proxy Statement at your address and would like to receive only one copy in your household, registered shareholders should call (800) 828-6396 and beneficial owners should call (800) 542-1061.

***How may I get additional copies of the Annual Report and Proxy Statement?***

Copies of the 2012 Annual Report and 2013 Proxy Statement have been distributed to shareholders (unless you have received a copy of the Notice or have consented to electronic delivery). Additional paper copies of these documents and additional information, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (Form 10-K) filed with the SEC are available from Xerox Corporation, P.O. Box 4505, Norwalk, CT 06856-4505, Attention: Corporate Secretary. The Annual Report, Proxy Statement and Form 10-K are also available on the Company's website at [www.xerox.com/investor](http://www.xerox.com/investor) or [www.edocumentview.com/XRX](http://www.edocumentview.com/XRX). The Notice also provides you with instructions on how to request printed copies of the proxy materials. There is no charge to receive the materials by mail. You may request printed copies of the materials until one year after the date of the Annual Meeting.

***Is there a list of shareholders entitled to vote at the Annual Meeting?***

A list of registered shareholders entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the Annual Meeting at our offices located at Xerox Corporate Headquarters, 45 Glover Avenue in Norwalk, CT 06850.

## PROPOSAL 1 ELECTION OF DIRECTORS

Shareholders annually elect directors to serve for one year and until their successors have been elected and have been qualified. Based on the director nomination process described below, the ten persons whose biographies appear below have been nominated by the Board of Directors to serve as directors based on the recommendation of the Corporate Governance Committee. All ten nominees bring to us valuable experience from a variety of fields. The biographical information presented regarding each nominee's specific experience, qualifications, attributes and skills led our Board of Directors to the conclusion that he or she should serve as a director. Each of the nominees has demonstrated business acumen and an ability to exercise independent and sound judgment, as well as an understanding of the Company's business environment and a commitment of service to the Company and our Board of Directors. We also value their significant experience on other public company boards of directors and board committees.

The Board of Directors has determined that each of the nominees (other than Ursula M. Burns, CEO of the Company) is independent under the NYSE Corporate Governance Rules and the Company's more stringent independence standards. If for any reason, which the Board of Directors does not expect, a nominee is unable to serve, the proxies may use their discretion to vote for a substitute nominated by the Board of Directors.

### **Biographies**

To help you consider the nominees, we have provided the principal occupation and other information about the particular experience, qualifications, attributes or skills that the Board of Directors has concluded qualify each of the nominees to serve as a director of the Company.

Certain terms used in the biographies may be unfamiliar to you, so we are defining them here.

*Xerox securities owned* means the Company's Common Stock, including: restricted shares of Common Stock issued under the Restricted Stock Plan For Directors, which was terminated upon shareholder approval of the 2004 Equity Compensation Plan for Non-Employee Directors (2004 Directors Plan) at the 2004 Annual Meeting; Deferred Stock Units (DSUs) issued under the 2004 Directors Plan; and Common Stock owned through the individual's ESOP account and other Company equity programs. None of the independent director nominees owns any of the Company's other securities.

*Immediate family* means the spouse, the minor children and any relatives sharing the same home as the nominee.

Unless otherwise noted, all Xerox securities held are owned beneficially by the nominee. Beneficial ownership means he or she has or shares voting power and/or investment power with respect to the securities, even though another name (that of a broker, for example) appears in the Company's records. All ownership figures are as of February 28, 2013.

#### **Glenn A. Britt**

Age: 64 Director since: 2004

*Xerox securities owned:* 1,000 common shares and 122,097 DSUs

*Options/Rights:* None

*Occupation:* Chairman and Chief Executive Officer, Time Warner Cable Inc.

*Education:* AB, Dartmouth College; MBA, Amos Tuck School of Business Administration

*Other Directorships:* Time Warner Cable Inc. (since 2003; Chairman since 2009); Cardinal Health, Inc. (since 2009);

TIAA (2007-2009)

*Other Background:* Joined Time Inc. in 1972. Elected Vice President of Time Inc. in 1986, Treasurer in 1986 and Vice President-Finance in 1988. Became Senior Vice President and Treasurer of Time Warner Inc. and then President and CEO of Time Warner Cable Ventures. He has served as Time Warner Cable's Chairman since March 2009 and previously from August 2001 to March 2006. He has served as CEO of Time Warner Cable since 2001. Chair of the Compensation Committee of Xerox. Lead Independent Director of Xerox.

Mr. Britt brings to the Board expertise relevant to a large public company, including a broad range of business skills and experiences, financial literacy and expertise and executive and management leadership skills. These skills and expertise are the result of his education; long and successful business career, during which he served in several leadership positions including treasurer, chief financial officer and CEO of a leading cable telecommunications company; and his service on other public company

boards and committees.

**Ursula M. Burns**

Age: 54 Director since: 2007

*Xerox securities owned:* 725,082 common shares; 53,944 common shares in a grantor retained annuity trust (GRAT); 3,316 common shares in an ESOP account; an interest in approximately 5,099 common shares through the Xerox Stock Fund under the Xerox 401(k) Savings Plan; 600,000 common shares in trusts for children; immediate family owns 3,458 common shares and an interest in approximately 32,109 common shares through the Xerox Stock Fund under the Xerox 401(k) Savings Plan

*Options/Rights:* 654,755 common shares

*Occupation:* Chairman of the Board and Chief Executive Officer, Xerox Corporation

*Education:* BS, Polytechnic Institute of New York; MS, Columbia University

*Other Directorships:* American Express Corporation (since 2004); Exxon Mobil Corporation (since 2012); Boston Scientific Corporation (2002-2009)

*Other Background:* Joined Xerox in 1980 and subsequently advanced through several engineering and management positions. Named Vice President and General Manager, Departmental Business Unit in 1997; Vice President, Worldwide Manufacturing in 1999; Senior Vice President, Corporate Strategic Services in 2000; Senior Vice President, President, Document Systems and Solutions Group in 2001; and Senior Vice President, President, Business Group Operations in 2002. Elected President in April 2007; Chief Executive Officer in July 2009; Chairman of the Board in May 2010.

Ms. Burns brings to the Board expertise relevant to a large public company, including her expertise in global business and technology; extensive operating and management experience at Xerox, a technology-driven global manufacturing and business services company, including currently serving as CEO; and deep understanding of Xerox's people and products that she has acquired in over 30 years of service at Xerox. She also possesses a broad range of experience and skills garnered from the various other leadership positions she has held at Xerox and from her service on other public company boards and committees.

**Richard J. Harrington**

Age: 66 Director since: 2004

*Xerox securities owned:* 856 common shares and 92,849 DSUs

*Options/Rights:* None

*Occupation:* Chairman and General Partner, The Cue Ball Group; Retired President and Chief Executive Officer, The Thomson Corporation

*Education:* BA, University of Rhode Island

*Other Directorships:* Aetna, Inc. (since 2008)

*Other Background:* After his retirement from The Thomson Corporation, Mr. Harrington served as Chairman of the Thomson Reuters Foundation. Prior to his retirement, he was President and CEO of The Thomson Corporation. He joined Thomson in 1982 and held a number of leadership positions including President and CEO of Thomson Newspapers; President and CEO of Thomson Professional Publishing; President and CEO of Mitchell International and President of Thomson & Thomson. Employed as an auditor for Arthur Young & Co. for six years prior to joining Thomson. Chairman of the Audit Committee of Xerox.

Mr. Harrington brings to the Board expertise relevant to a large public company, including his broad business experience, extensive knowledge of complex operational matters, executive leadership expertise and financial literacy and expertise. These skills and expertise are the result of his training and work experience in accounting, his long and successful business career, during which he served in several leadership positions culminating in his serving as the CEO of a global provider of electronic information, software and services, and his service on other public company boards and committees.



**William Curt Hunter**

Age: 65 Director since: 2004

*Xerox securities owned:* 114,141 DSUs and an indirect interest in approximately 7,635 common shares through the Deferred Compensation Plan for Directors and 50 common shares held by immediate family

*Options/Rights:* None

*Occupation:* Dean Emeritus, Tippie College of Business, University of Iowa

*Education:* BA, Hampton University; MBA, Northwestern University; PhD, Northwestern University

*Other Directorships:* Trustee of Nuveen Investments (since 2003); Wellmark, Inc. (since 2009); SS&C Technologies, Inc. (2005)

*Other Background:* Served as Dean of Tippie College of Business at the University of Iowa from 2006 to 2012. From 2003 to 2006, held position of Dean and Distinguished Professor of Finance at the University of Connecticut. During a 15-year career with the Federal Reserve System, held various official positions including Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago and as Associate Economist on the Federal Reserve's Federal Open Market Committee (1995-2003). From 1988-1995, held appointments as research officer and senior financial economist, and then as vice president at the Federal Reserve Bank of Atlanta. Held faculty positions at the University of Georgia, Atlanta University, Emory University and Northwestern University. Member of the Audit Committee and the Corporate Governance Committee of Xerox.

Mr. Hunter brings to the Board expertise relevant to a large public company, including his financial literacy and expertise, accounting skills and competency and overall financial acumen. These skills and expertise are the result of his education, service in the Federal Reserve System, service in various faculty positions at universities and his service on other public company boards and committees.

**Robert J. Keegan**

Age: 65 Director since: 2010

*Xerox securities owned:* 39,662 DSUs

*Options/Rights:* None

*Occupation:* Operating Partner, Friedman Fleischer & Lowe; Retired Chairman of the Board, Chief Executive Officer and President, The Goodyear Tire & Rubber Company

*Education:* BA, LeMoyne College; MBA, University of Rochester

*Other Directorships:* The Goodyear Tire & Rubber Company (2000-2010)

*Other Background:* Prior to his retirement, he served as President and Director of The Goodyear Tire & Rubber Company since 2000, and served as its Chief Executive Officer and Chairman of the Board from 2003 to 2010. He joined Goodyear in 2000 and held a number of leadership positions, including Chief Operating Officer. Previously he served as Executive Vice President of Eastman Kodak from 1997 until 2000. He held various marketing, financial and managerial posts at Eastman Kodak Company from 1972 through 2000, except for a two year period beginning in 1995 when he was an Executive Vice President of Avery Dennison Corporation. Member of the Audit Committee and the Compensation Committee of Xerox.

Mr. Keegan brings to the Board expertise relevant to a large public company, including his broad business experience, executive leadership expertise and extensive knowledge of financial and operational matters. These skills and experience are the result of his long and successful career during which he served in several leadership positions at The Goodyear Tire & Rubber Company and Eastman Kodak Company, culminating in his serving as Chairman and CEO at The Goodyear Tire & Rubber Company, a leading global company.

**Robert A. McDonald**

Age: 59 Director since: 2005

*Xerox securities owned:* 79,941 DSUs

*Options/Rights:* None

*Occupation:* Chairman of the Board, President and Chief Executive Officer, The Procter & Gamble Company

*Education:* BS, U.S. Military Academy; MBA, University of Utah

*Other Directorships:* The Procter & Gamble Company (since 2009; Chairman since 2010)

*Other Background:* Joined Procter & Gamble in 1980. Named Vice President and General Manager - Philippines, Asia/Pacific-South, Procter & Gamble Far East in 1994; Regional Vice President - Japan, Procter & Gamble Asia in 1996; President, Northeast Asia in 1999; President, Global Fabric & Home Care in 2001; Vice Chairman, Global Operations in 2004; Chief Operating Officer in 2007; President and Chief Executive Officer in 2009; Chairman of the Board in 2010. Member of the Audit Committee and Compensation Committee of Xerox.

Mr. McDonald brings to the Board expertise relevant to a large public company, including his business skills and experience, international experience, executive leadership expertise and extensive knowledge of financial and operational matters. These skills and experience are the result of his education and his long and successful career at Procter & Gamble, a leading global company, where he served in several leadership positions culminating in his currently serving as CEO and Chairman.

**Charles Prince**

Age: 63 Director since: 2008

*Xerox securities owned:* 10,000 shares of Common Stock, 63,470 DSUs

*Options/Rights:* None

*Occupation:* Retired Chairman and Chief Executive Officer, Citigroup Inc.

*Education:* BA, MA and JD, University of Southern California; LLM, Georgetown University

*Other Directorships:* Johnson & Johnson (since 2006); Citigroup Inc. (2003-2007; Chairman 2006-2007)

*Other Background:* Served as Chief Executive Officer of Citigroup Inc. from 2003 to 2007 and as Chairman from 2006 to 2007. Previously he served as Chairman and Chief Executive Officer of Citigroup's Global Corporate and Investment Bank from 2002 to 2003, Chief Operating Officer from 2001 to 2002 and Chief Administrative Officer from 2000 to 2001. Mr. Prince began his career as an attorney at U.S. Steel Corporation in 1975 and in 1979 joined Commercial Credit Company (a predecessor company to Citigroup) where he held various management positions until 1995, when he was named Executive Vice President. Member of the Corporate Governance Committee and the Finance Committee of Xerox.

Mr. Prince brings to the Board expertise relevant to a large public company, including a broad mix of business skills and experience, executive leadership expertise, organizational and operational management skills, international experience and knowledge of complex global business, financial and legal matters. These skills and experience are the result of his education, his long and successful career during which he served in several leadership positions culminating in his serving as CEO of a global financial services company and his service on other public company boards and committees.

**Ann N. Reese**

Age: 60 Director since: 2003

*Xerox securities owned:* 6,654 common shares and 101,581 DSUs

*Options/Rights:* 5,000 common shares

*Occupation:* Executive Director, Center for Adoption Policy

*Education:* BA, University of Pennsylvania; MBA, New York University Graduate School of Business

*Other Directorships:* Sears Holdings (since 2005); Genesee and Wyoming Inc. (since 2012); The Jones Group Inc. (2003-2011); Merrill Lynch & Co., Inc., (2004-2008); CBS Corporation (2005-2006)

*Other Background:* Co-founded the Center for Adoption Policy in 2001. Principal, Clayton, Dubilier & Rice, 1999 to 2000. Executive Vice President and Chief Financial Officer, ITT Corporation, 1995 to 1998; Treasurer, ITT Corporation, 1992 to 1995; Assistant Treasurer, ITT Corporation, 1987 to 1992. Chairman of the Corporate Governance Committee and member of the Finance Committee of Xerox.

Ms. Reese brings to the Board expertise relevant to a large public company, including her extensive executive experience in corporate finance, financial reporting and strategic planning, as well as her knowledge, perspective and corporate governance expertise. These skills and experience are the result of her long and successful career during which she served in several leadership positions, including chief financial officer and treasurer, and service on other public company boards and committees.

**Sara Martinez Tucker**

Age: 57 Director since: 2011

*Xerox securities owned:* 31,529 DSUs

*Options/Rights:* None

*Occupation:* Chief Executive Officer, National Math and Science Initiative; Former Under Secretary of Education in the U.S. Department of Education

*Education:* Bachelor of Journalism and MBA, University of Texas at Austin; honorary doctorates conferred by Boston College, the University of Maryland University College and the University of Notre Dame

*Other Directorships:* American Electric Power Co., Inc. (since 2009)

*Other Background:* Former Under Secretary of Education in the U.S. Department of Education (2006 - 2008). Chief executive officer and president of the Hispanic Scholarship Fund from 1997 to 2006. Prior experience as an AT&T executive. Member of the Corporate Governance Committee and the Finance Committee of Xerox.

Ms. Tucker was elected by the Board effective September 1, 2011. She was recommended for the Board by a non-management director. Ms. Tucker brings to the Board expertise relevant to a large public company, including her business experience and executive leadership expertise. These skills and experience are the result of her education, service at the United States Department of Education, leadership positions at the Hispanic Scholarship Fund and her service on other public company boards and committees.

**Mary Agnes Wilderotter**

Age: 58 Director since: 2006

*Xerox securities owned:* 75,454 DSUs

*Options/Rights:* None

*Occupation:* Chairman and Chief Executive Officer, Frontier Communications Corporation

*Education:* BA, College of the Holy Cross

*Other Directorships:* Frontier Communications Corporation (since 2004; Chairman since 2006); The Procter & Gamble Company (since 2009); Yahoo! Inc. (2007-2009); The McClatchy Company (2001-2007)

*Other Background:* Joined Frontier Communications Corporation (formerly Citizens Communications) in 2004 as President and Chief Executive Officer, named Chairman and Chief Executive Officer in 2006. Senior Vice President of Worldwide Public Sector, Microsoft, 2002-2004. President and Chief Executive Officer, Wink Communications, Inc., 1996-2002. Executive Vice President, National Operations, AT&T Wireless Services, Inc. and Chief Executive Officer of AT&T's Aviation Communications Division 1995-1996. Senior Vice President, McCaw Cellular Communications Inc., 1990-1995. Chairman of the Finance Committee of Xerox.

Mrs. Wilderotter brings to the Board expertise relevant to a large public company, including her broad business skills and experience and executive leadership expertise. These skills and experience are the result of her long and successful career in the cable and communications and information technology industries, during which she served in several leadership positions culminating in her currently serving as Chairman and CEO of a telecommunications and media company, and her extensive service on other public company boards and committees.

**The Board of Directors recommends a vote**

**FOR**

**the election of the ten (10) Directors nominated by the Board of Directors**

## **CORPORATE GOVERNANCE**

Xerox is committed to the highest standards of business integrity and corporate governance. All of our directors, executives and employees must act ethically. In addition, our directors must act in accordance with our Code of Business Conduct and Ethics for Members of the Board of Directors; our principal executive officer, principal financial officer and principal accounting officer, among others, must act in accordance with our Finance Code of Conduct; and all of our executives and employees must act in accordance with our Code of Business Conduct. Each of these codes of conduct, as well as our Corporate Governance Guidelines and the charters of our Audit, Compensation, Corporate Governance and Finance Committees can be accessed through our website at [www.xerox.com/governance](http://www.xerox.com/governance). They are also available to any shareholder who requests them in writing addressed to Xerox Corporation, 45 Glover Avenue, P.O. Box 4505, Norwalk, CT 06856-4505, Attention: Corporate Secretary. We will disclose any future amendments to, or waivers from, provisions of our Code of Business Conduct and Ethics for members of the Board of Directors and our Finance Code of Conduct for our officers on our website as promptly as practicable, as may be required under applicable SEC and NYSE rules. The Corporate Governance Committee of the Board periodically reviews and reassesses the adequacy of our overall corporate governance, Corporate Governance Guidelines and committee charters.

### ***Director Nomination Process***

The Corporate Governance Committee considers candidates for Board membership recommended by Board members, management, shareholders and others (see below). The Corporate Governance Guidelines require that a substantial majority of the Board should consist of independent directors and that management representation on the Board should be limited to senior Company management. There are no specific minimum qualifications that the Corporate Governance Committee believes must be met by prospective candidates; however, the Corporate Governance Committee applies the criteria set forth in our Corporate Governance Guidelines. These criteria include, among other things, the candidate's broad perspective, integrity, independence of judgment, experience, expertise, diversity, ability to make independent analytical inquiries, understanding of the Company's business environment and willingness to devote adequate time and effort to Board responsibilities. The Corporate Governance Committee does not assign specific weight to particular criteria and no particular criterion is necessarily applicable to all prospective nominees.

Our Corporate Governance Guidelines dictate that diversity should be considered by the Corporate Governance Committee in the director identification and nomination process. This means that the Corporate Governance Committee seeks nominees who bring a variety of business backgrounds, experiences and perspectives to the Board. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a broad diversity of experience, professions, skills, geographic representations, knowledge and abilities that will allow the Board to fulfil its responsibilities. Shareholders who wish to recommend individuals for consideration by the Corporate Governance Committee may do so by submitting a written recommendation to the Secretary of the Company at Xerox Corporation, 45 Glover Avenue, P.O. Box 4505, Norwalk, CT 06856-4505. Submissions must include sufficient biographical information concerning the recommended individual, including age, employment and current board memberships (if any), for the Corporate Governance Committee to consider. The submission must be accompanied by the written consent of the nominee to stand for election if nominated by the Board and to serve if elected by the shareholders. Recommendations received no earlier than November 9, 2013 and no later than December 9, 2013, will be considered for nomination at the 2014 Annual Meeting of Shareholders.

### ***Board Leadership Structure***

We believe that the most effective board structure is one that emphasizes Board independence and ensures that the Board's deliberations are not dominated by management while also ensuring that the Board and senior management act with a common purpose and in the best interest of the Company. We believe we achieve this balance through the appointment of our CEO as Chairman of the Board and the appointment of a lead independent director.

Accordingly, our CEO serves as Chairman of the Board of Directors and Glenn A. Britt, Chairman of the Compensation Committee, serves as lead independent director. Our lead independent director's responsibilities include: presiding at executive sessions of the independent directors; calling special meetings of the independent directors, as needed; addressing individual Board member performance matters, as needed; and serving as

liaison on Board-wide issues between the independent directors and the CEO, as needed. Under our Corporate Governance Guidelines, each regularly scheduled Board meeting must include an executive session of all directors and the CEO and a separate executive session attended only by the independent directors. Our Board is 90 percent comprised of directors who qualify as independent directors and each of our standing Board committees is comprised solely of independent directors, including our Corporate Governance Committee, which establishes our corporate governance policy and monitors the effectiveness of policy at the Board level. The lead independent director is instrumental in working with the Chairman and CEO and other Board members to provide effective, independent oversight of the Company's management and affairs. You can find more information on the lead independent director on the Company's website at [www.xerox.com/governance](http://www.xerox.com/governance).

### ***Risk Oversight***

Our Board of Directors oversees our Enterprise Risk Management (ERM) process which is designed to strengthen our risk-management capability and to assess, monitor and manage all categories of business risk, including strategic, operational, compliance and financial reporting. The Company's Chief Financial Officer is responsible for the Company's ERM function through the Enterprise Risk Steering Committee which includes leaders from our services and technology business segments as well as corporate functional leaders. The Enterprise Risk Steering Committee inspects risk mitigation plans and progress, identifies and addresses emerging risks, and shares mitigation best practices across the Company. Additionally, to ensure that ERM is integrated with our business management, the Company's Management Committee, the Business Ethics and Compliance Board, and various Internal Control committees, monitor risk exposure and the effectiveness of how we manage these risks.

While the Board of Directors has ultimate oversight responsibility for the risk management process, various committees of the Board have been delegated responsibility for certain aspects of risk management. The Audit Committee focuses on financial risk, including risks associated with internal controls, audit, financial reporting and disclosure matters. At least quarterly, the Audit Committee discusses with management and our internal and external auditors these exposures, our policies with respect to risk assessment and risk management and the steps management has taken to monitor and control these exposures. In addition, the Compensation Committee seeks to incent employees in a manner that discourages unnecessary or inappropriate risk-taking, while encouraging a level of risk-taking behavior consistent with the Company's business strategy.

### ***Director Independence***

A director is not considered independent unless the Board determines that he or she has no material relationship with the Company. The Board has adopted categorical standards to assist in both its determination and the Corporate Governance Committee's recommendation as to each director's independence. Under these categorical standards, a director will be presumed not to have a material relationship with the Company if:

- (1) he or she satisfies the bright-line independence and other applicable requirements under the listing standards of the NYSE and all other applicable laws, rules and regulations regarding director independence, in each case from time to time in effect;
- (2) he or she is not a current employee (and none of his or her immediate family members is employed as an executive officer, each as defined by the NYSE Corporate Governance Rules) of a company that has made payments to, or received payments from, the Company or any of its consolidated subsidiaries for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or one percent of such other company's consolidated gross revenues; and
- (3) in the event that he or she serves as an executive officer or director of a charitable organization, the Company and its consolidated subsidiaries donated less than five percent of that organization's charitable receipts (provided that if within the preceding three years the Company and its consolidated subsidiaries donated annual aggregate contributions in excess of \$1 million or two percent of the annual consolidated gross revenue of the charitable organization, such contributions must be disclosed in the Company's Proxy Statement).



Our Board has determined that all of the nominees for election as directors are independent under the NYSE Corporate Governance Rules and our Corporate Governance Guidelines, with the exception of Ursula M. Burns, our Chairman of the Board and Chief Executive Officer.

In addition, the Corporate Governance Committee reviews relationships involving members of the Board, their immediate family members and affiliates, and transactions in which members of the Board, their immediate family members and their affiliates have a direct or indirect interest in which the Company is a participant to determine whether such relationship or transaction is material and could impair a director's independence. In making independence determinations, the Board considers all relevant facts and circumstances from the point of view of both the director and the persons or organizations with which the director has relationships. See *Certain Relationships and Related Person Transactions*.

As a result of the aforementioned review, 90% of our nominees for election as directors are deemed to be independent.

### ***Certain Relationships and Related Person Transactions***

#### **Related Person Transactions Policy**

The Board has adopted a policy addressing the Company's procedures with respect to the review, approval and ratification of related person transactions that are required to be disclosed pursuant to Item 404(a) of Regulation S-K. The policy provides that any transaction, arrangement or relationship, or series of similar transactions, in which the Company will participate or has participated and a related person (as defined in Item 404(a) of Regulation S-K) has or will have a direct or indirect material interest, and which exceeds \$120,000 in the aggregate, is subject to review (each such transaction, a Related Person Transaction). In its review of Related Person Transactions, the Corporate Governance Committee reviews the material facts and circumstances of the transaction and takes into account certain factors, where appropriate, based on the particular facts and circumstances, including: (i) the nature of the related person's interest in the transaction; (ii) the significance of the transaction to the Company and to the related person; and (iii) whether the transaction is likely to impair the judgment of the related person to act in the best interest of the Company.

No member of the Corporate Governance Committee may participate in the review, approval or ratification of a transaction with respect to which he or she is a related person.

#### **Certain Employment Arrangements**

We actively recruit qualified candidates for our employment needs. Relatives of our executive officers and other employees are eligible for hire. We currently have 8 non-executive employees who are employed by Xerox or one of its subsidiaries who receive more than \$120,000 in annual compensation (salary, incentive cash awards, equity awards and commissions) who are related to our current executive officers, including executive officers who are also directors. These are routine employment arrangements entered into in the ordinary course of business with compensation commensurate with that of their peers. The terms of their employment are consistent with the Company's human resources policies. Thomas Blodgett and Bill Blodgett, siblings of Lynn Blodgett, our Executive Vice President and President, Xerox Business Services, LLC (Xerox Services), earned \$1,935,649 and \$497,313, respectively, in compensation during 2012. Thomas Blodgett is a Chief Operating Officer at Xerox Services (Europe) and has been with Xerox Services for 15 years. Bill Blodgett is a Group President at Xerox Services and has been with Xerox Services for 13 years. Andrew Jenkins, Lynn Blodgett's son-in-law, earned \$883,349 in compensation during 2012. Andrew Jenkins is a Senior Vice President of Sales at Xerox Services and has been with Xerox Services for 15 years. The remaining 5 employees each received between \$120,000 and \$186,000 in compensation during 2012.



## BOARD OF DIRECTORS AND BOARD COMMITTEES

### *Committee Functions, Membership and Meetings*

Our Board of Directors has four standing committees: Audit, Compensation, Corporate Governance and Finance. Set forth below is a list of the committees of our Board, a summary of the responsibilities of each committee, the number of committee meetings held during 2012 for each committee and a list of the members of each committee.

#### *Audit Committee (12 meetings)*

A copy of the charter of the Audit Committee is posted on the Company's website at [www.xerox.com/governance](http://www.xerox.com/governance).

The responsibilities of the Audit Committee include:

- oversee the integrity of the Company's financial statements;
- oversee the Company's compliance with legal and regulatory requirements;
- oversee the Company's risk assessment policies and practices, including the Enterprise Risk Management process;
- assess independent auditors' qualifications and independence;
- assess performance of the Company's independent auditors and the internal audit function;
- review the Company's audited financial statements, including the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations, and recommend to the Board their inclusion in the Company's Annual Report on Form 10-K; and
- review and approve the Company's code of business conduct and ethics.

The Audit Committee is also responsible for the preparation of the Audit Committee Report that is included in this Proxy Statement on page 64.

Members: Richard J. Harrington; William Curt Hunter; Robert J. Keegan; and Robert A. McDonald.

Chairman: Mr. Harrington

The Board has determined that all of the members of the Audit Committee are (1) independent under the Company's Corporate Governance Guidelines and under the applicable SEC and NYSE Corporate Governance Rules and (2) audit committee financial experts, as defined in the applicable SEC rules, and are financially literate. Designation or identification of a person as an audit committee financial expert does not impose any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee and the Board of Directors in the absence of such designation or identification.

#### *Compensation Committee (4 meetings)*

A copy of the charter of the Compensation Committee is posted on the Company's website at [www.xerox.com/governance](http://www.xerox.com/governance).

The responsibilities of the Compensation Committee include:

- oversee development and administration of the Company's executive compensation plans;

Edgar Filing: XEROX CORP - Form DEF 14A

- set the compensation of the CEO and other executive officers;
- review and approve the performance goals and objectives with respect to the compensation of the CEO and other executive officers;
- oversee the evaluation of the CEO and other executive officers;
- have sole authority to retain and terminate the consulting firms engaged to assist the Committee in the evaluation of the compensation of the CEO and other executive officers;
- be directly responsible for oversight of the work of the compensation consultants, including determination of compensation to be paid to any such consultant by the Company;
- conduct an independence assessment of any compensation consultants, including consideration of the six independence factors required under SEC rules and NYSE listing standards; and

- review and approve employment, severance, change-in-control, termination and retirement arrangements for executive officers.

The Compensation Committee is also responsible for reviewing and discussing the Compensation Discussion and Analysis (CD&A) with management, and has recommended to the Board that the CD&A be included in the Company's Proxy Statement (beginning on page 24) and incorporated by reference in the Company's 2012 Annual Report on Form 10-K. The CD&A discusses the material aspects of the Company's compensation objectives, policies and practices. The Compensation Committee's report appears on page 46 of this Proxy Statement.

The Compensation Committee has not delegated its authority for compensation for executive officers. The Compensation Committee has, however, delegated authority under the Company's equity plan to the CEO to grant equity awards to employees who are not executive officers. The CEO is responsible for setting the compensation of, reviewing performance goals and objectives for, and evaluating officers who are not executive officers.

Executive officer compensation decisions are made by the Compensation Committee after discussing recommendations with the CEO and the Senior Vice President of Human Resources. The Chief Financial Officer confirms the Company's financial results used by the Compensation Committee to make compensation decisions. The Chief Financial Officer may attend Compensation Committee meetings to discuss financial targets and results for the Annual Performance Incentive Plan and the Executive Long-Term Incentive Program as described in the CD&A. The Compensation Committee meets in executive session to review and approve compensation actions for the CEO and Chairman.

The Compensation Committee has retained Frederic W. Cook & Co., Inc. as an independent consultant to the Compensation Committee. Frederic W. Cook & Co., Inc., including Mr. Cook, provides no services to management and provides an annual letter to the Compensation Committee regarding its independence, which the Compensation Committee reviews and determines whether there is a conflict of interest. Based on its review for 2012, the Compensation Committee determined that Frederic W. Cook & Co. Inc.'s work has not raised any conflict of interest and that such firm is independent. The consultant's responsibilities are discussed beginning on page 27 of this Proxy Statement.

Members: Glenn A. Britt; Robert J. Keegan; and Robert A. McDonald.

Chairman: Mr. Britt

The Board has determined that all of the members of the Compensation Committee are independent under the Company's Corporate Governance Guidelines and NYSE Corporate Governance Rules. In addition, each Committee member is a non-employee director as defined in Rule 16b-3 under the Securities Exchange Act of 1934, and is an outside director as defined in section 162(m) of the Internal Revenue Code.

#### *Compensation Committee Interlocks and Insider Participation*

No member of the Compensation Committee was or is an officer or employee of the Company or any of its subsidiaries. In addition, during the last fiscal year, none of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on our Board or Compensation Committee.

#### *Corporate Governance Committee (4 meetings)*

A copy of the charter of the Corporate Governance Committee is posted on the Company's website at [www.xerox.com/governance](http://www.xerox.com/governance).

The responsibilities of the Corporate Governance Committee include:

- identify and recommend to the Board individuals to serve as directors of the Company and on Board committees;
- advise the Board regarding Board composition, procedures and committees;
- develop, recommend to the Board and annually review the corporate governance principles applicable to the Company;

- review significant environmental and corporate social responsibility matters;

- administer the Company's Related Person Transactions Policy;
- evaluate and recommend director compensation to the Board; and
- oversee the annual Board and committee evaluation processes.

The Corporate Governance Committee recommends to the Board nominees for election as directors of the Company and considers the performance of incumbent directors in determining whether to recommend their nomination.

Members: William Curt Hunter; Charles Prince; Ann N. Reese; and Sara Martinez Tucker.

Chairman: Ms. Reese

The Board has determined that all of the members of the Corporate Governance Committee are independent under the Company's Corporate Governance Guidelines and the NYSE Corporate Governance Rules.

#### *Finance Committee (4 meetings)*

A copy of the charter of the Finance Committee is posted on the Company's website as described above.

The responsibilities of the Finance Committee are:

- review the Company's cash position, capital structure and strategies, financing strategies, insurance coverage and dividend policy;
- review the adequacy of funding of the Company's funded retirement plans and welfare benefit plans in terms of the Company's purposes; and
- review the Company's policy on derivatives and annually determine whether the Company and its subsidiaries shall enter into swap and security-based swap transactions that are not cleared with a Commodity Exchange Act registered clearing organization.

Members: Charles Prince; Ann N. Reese; Sara Martinez Tucker; and Mary Agnes Wilderotter.

Chairman: Mrs. Wilderotter

The Board has determined that all of the members of the Finance Committee are independent under the Company's Corporate Governance Guidelines and the NYSE Corporate Governance Rules.

#### ***Attendance and Compensation of Directors***

*Attendance:* 8 meetings of the Board of Directors and 24 meetings of the Board committees were held in 2012. All incumbent directors attended at least 75 percent of the total number of meetings of the Board and Board committees on which they served. The Company's policy generally is for all members of the Board of Directors to attend the Annual Meeting of Shareholders. All nominees who served as directors last year attended the 2012 Annual Meeting of Shareholders.

We believe that attendance at meetings is only one means by which directors may contribute to the effective management of the Company and that the contributions of all directors have been substantial and are highly valued.

#### ***Summary of Director Compensation***

Compensation for our directors is determined by the Corporate Governance Committee and approved by the full Board of Directors. Directors who are our employees receive no additional compensation for serving as a director. Accordingly, Ms. Burns

did not receive any additional compensation for her service on the Board during 2012.

During fiscal year 2012, the annual cash retainer for directors was \$65,000; the value of the annual equity retainer for directors was \$130,000; the chairman of the Audit Committee received an additional \$20,000; Audit Committee members each received an additional \$10,000; the chairman of the Compensation Committee received an additional \$15,000; Compensation Committee members each received an additional \$5,000; the chairmen of the Corporate Governance and Finance Committees each received an additional \$10,000; and the Lead Independent Director received an additional \$15,000. The directors do not have an option to receive additional equity in lieu of cash. Directors also receive reimbursement for out-of-pocket expenses incurred in connection with their service on the Board.

Each non-employee director is required to establish a meaningful equity ownership interest in the Company and is prohibited from using any strategies or products to hedge against the potential changes in the value of Xerox stock. This equity ownership interest is achieved by paying the director's annual equity retainer in DSUs. By serving on the Board of Directors for a period of approximately one and a half years, a director would hold DSUs equivalent in value (as of date of grant) to at least three times a director's current annual cash retainer. All of our directors currently hold DSUs in excess of this amount. The longer a director serves on the Board and is paid in the form of an equity retainer, the larger his/her equity ownership interest in the Company becomes because, by their terms, all DSUs are required to be held by directors until the earlier of one year after termination of Board service or the date of death.

DSUs are a bookkeeping entry that represent the right to receive one share of the Company's Common Stock at a future date. DSUs include the right to receive dividend equivalents, which are credited in the form of additional DSUs, at the same time and in approximately the same amounts that the holder of an equivalent number of shares of Common Stock would be entitled to receive in dividends. The DSUs are issued under the 2004 Directors Plan, which was approved by Xerox shareholders at the 2004 Annual Meeting of Shareholders and is proposed to be amended and restated as set forth in Proposal 4 in this Proxy Statement. Individually, the compensation for each non-employee director during fiscal year 2012 was as follows:

Name of Director (1)	Fees earned or paid in cash (\$)	Stock Awards (\$ (2))	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Qualified Deferred	All Other Compensation (\$ (3))	Total (\$)
					Earnings (\$)		
Glenn A. Britt	95,000	130,000					225,000
Richard J. Harrington	85,000	130,000					215,000
William Curt Hunter	75,000	130,000					205,000
Robert J. Keegan	80,000	130,000					210,000
Robert A. McDonald	80,000	130,000					210,000
N. J. Nicholas, Jr.	32,500	65,000					97,500
Charles Prince	65,000	130,000					195,000
Ann N. Reese	75,000	130,000					205,000
Sara Martinez Tucker	65,000	130,000					195,000
Mary Agnes Wilderotter	75,000	130,000					205,000

(1) Mr. Nicholas did not stand for reelection at the 2012 Annual Meeting.

(2) Compensation awarded in the form of DSUs are reflected in this column. The amount presented in this column reflects the aggregate grant date fair value of the DSUs awarded during 2012 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 718, Compensation - Stock Compensation.

The total number and value of all DSUs as of the end of 2012 (based on the year-end closing market price of our Common Stock of \$6.82) held by each director is as follows: Mr. Britt, 112,530 (\$767,455); Mr. Harrington, 83,465 (\$569,231); Mr. Hunter, 104,624 (\$713,536); Mr. Keegan, 30,612 (\$208,774); Mr. McDonald, 70,638 (\$481,751); Mr. Nicholas, 78,389 (\$534,613); Mr. Prince, 54,271 (\$370,128); Ms. Reese, 92,143 (\$628,415); Ms. Tucker, 22,530 (\$153,655); and Mrs. Wilderotter, 66,180 (\$451,348).

(3) In accordance with applicable SEC rules, dividend equivalents paid in 2012 on DSUs are not included in All Other Compensation because those amounts were factored into the grant date fair values of the DSUs.

For information on compensation for directors who are officers, see the executive compensation tables beginning on page 47.





**SECURITIES OWNERSHIP*****Ownership of Company Securities***

We are not aware of any person who, or group which, owns beneficially more than 5% of any class of the Company's equity securities as of December 31, 2012, except as set forth below<sup>(1)</sup>.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class (2)</b>
Common Stock	Dodge & Cox 555 California Street, 40th Floor San Francisco, CA 94104	115,437,432(2)	9.1%
Common Stock	State Street Corporation, as Trustee under other plans and accounts State Street Financial Center One Lincoln Street Boston, MA 02111	79,398,801(3)	6.2%
Common Stock	Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	71,195,146(4)	5.6%
Common Stock	BlackRock, Inc. 40 East 52nd Street New York, NY 10022	64,831,301(5)	5.1%
Common Stock	Darwin Deason 8181 Douglas Avenue, 10th Floor Dallas, TX 75225	64,490,614(6)	5.1%

(1) The words "group" and "beneficial" are as defined in regulations issued by the SEC. Beneficial ownership under such definition means possession of sole voting power, shared voting power, sole dispositive power or shared dispositive power. The information provided in this table is based solely upon the information contained in the most recent Form 13G or Form 13G/A filed by the named entity with the SEC (other than the information provided regarding the holdings of State Street Corporation acting as ESOP Trustee under the Xerox ESOP). Dodge & Cox, BlackRock, Inc. and Franklin Mutual Advisers, LLC are registered investment advisers under the Investment Advisers Act of 1940, as amended. BlackRock, Inc. has subsidiaries that are investment advisers under the Investment Advisers Act of 1940, as amended, with beneficial ownership of the shares.

(2) Within the total shares reported, as to certain of the shares, Dodge & Cox has sole voting power for 108,536,945 shares, sole dispositive power for 115,437,432 shares and has no shared voting or shared dispositive power for any of the shares. These securities are beneficially owned by clients of Dodge & Cox, which clients may include investment companies registered under the Investment Company Act of 1940 and other managed accounts.

(3) Within the total shares reported, as to certain of the shares, State Street Corporation has shared voting power and shared dispositive power for 79,398,801 shares, and has no sole voting power or sole dispositive power for any of the shares. As of December 31, 2012, State Street Corporation held 12,822,710 of the total reported shares as ESOP Trustee under the Xerox ESOP. Each ESOP participant may direct the ESOP Trustee as to the manner in which shares allocated to his or her ESOP account shall be voted. The ESOP Trust Agreement provides that the ESOP Trustee shall vote any shares allocated to participants' ESOP accounts as to which it has not received voting instructions in the same proportions as shares in participants' ESOP accounts as to which voting instructions are received. The power to dispose of shares is governed by the terms of the ESOP Plan and elections made by ESOP participants.



- (4) Franklin Mutual Advisers, LLC has sole voting power and sole dispositive power for 71,195,146 shares, and has no shared voting power or shared dispositive power for any of the shares. These securities are beneficially owned by clients of Franklin Mutual, which clients may include investment companies registered under the Investment Company Act of 1940 and other managed accounts.
- (5) BlackRock, Inc. and its subsidiary companies have sole voting power and sole dispositive power for 64,831,301 shares, and have no shared voting power or shared dispositive power for any of the shares.
- (6) Darwin Deason has sole voting power and sole dispositive power for 64,490,614 shares, and has no shared dispositive or shared voting power for any of the shares.

Shares of Common Stock of the Company owned beneficially by its directors and nominees for director, each of the current executive officers named in the Summary Compensation Table and all directors and current executive officers as a group, as of February 28, 2013, were as follows:

Name of Beneficial Owner	Amount Beneficially Owned	Total Stock Interest
Lynn R. Blodgett	3,548,851	3,733,649
Glenn A. Britt	1,000	123,097
Ursula M. Burns	1,385,801	2,077,764
James A. Firestone	595,023	779,821
Richard J. Harrington	856	93,705
William Curt Hunter	50	121,826
Robert J. Keegan	0	39,662
Luca Maestri*	0	100,223
Robert A. McDonald	0	79,941
Charles Prince	10,000	73,470
Ann N. Reese	11,654	113,235
Sara Martinez Tucker	0	31,529
Mary Agnes Wilderotter	0	75,454
Armando Zagalo de Lima	244,116	647,195
All directors and executive officers as a group (18)	6,278,214	8,866,854

\* Luca Maestri stepped down from his position of Executive Vice President and Chief Financial Officer effective February 28, 2013.

*Percent Owned by Directors and Executive Officers:* Less than 1% of the aggregate number of shares of Common Stock outstanding at February 28, 2013 is owned by any director or executive officer. The amount beneficially owned by all directors and executive officers as a group amounted to less than 1%.

*Amount Beneficially Owned:* The numbers shown are the shares of Common Stock considered beneficially owned by the directors and executive officers in accordance with SEC rules. Shares of Common Stock which executive officers and directors had a right, within 60 days, to acquire upon the exercise of options or rights are included. Shares held in a grantor retained annuity trust or by family members, shares held in the ESOP accounts and vested shares, the receipt of which have been deferred under one or more equity compensation programs, are also included. All these are counted as outstanding for purposes of computing the percentage of Common Stock outstanding and beneficially owned.

*Total Stock Interest:* The numbers shown include the amount shown in the Amount Beneficially Owned column plus options held by directors and executive officers not exercisable within 60 days, DSUs, performance shares and restricted stock units. The numbers also include the interests of executive officers and directors in the Xerox Stock Fund under the Xerox Corporation Savings Plan and the Deferred Compensation Plans.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the 1934 Act requires the Company's directors, executive officers and persons who own more than ten percent of the Common Stock of the Company, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of Common Stock of the Company. Directors, executive officers and greater than ten percent shareholders are required by the regulations of the SEC to furnish the Company with copies of all Section 16(a) reports they file. Based solely on review of the copies of such reports furnished to the Company or written representations that no other reports were required to be filed with the SEC, the Company believes that all reports for the Company's directors and executive officers that were required to be filed under Section 16 of the Securities Exchange Act of 1934 during the fiscal year ended December 31, 2012 were timely filed.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **EXECUTIVE SUMMARY**

##### **2012 Performance Overview**

During 2012, we focused on aligning our costs, investments, diverse portfolio and operations with our services-led strategy that is designed to accelerate growth in our services business segment while maximizing the profitability of our technology business segment. Highlights of our 2012 financial performance include:

- Total revenue was \$22.4 billion, a decline of 1 percent from the prior year and includes a 1-percentage point negative impact from currency. Revenues in our services segment grew by 6 percent, while revenues in our technology segment declined 8 percent from the prior year and included a 2-percentage point unfavorable impact from currency. Revenues in our technology segment continued to be impacted by the weak macro-economic environment as well as an increasing migration of customers to our managed print services.
- Adjusted earnings per share (EPS) of \$1.03, a decrease from 2011 adjusted EPS of \$1.08. GAAP EPS of \$0.88 and \$0.90 in 2012 and 2011, respectively, were both adjusted to exclude the amortization of intangible assets. 2012 results reflect continued pressure on margins as we ramp-up services contracts partially offset by operational improvements and cost reductions from restructuring actions. We incurred additional restructuring charges of \$0.06 in 2012 as we actively manage our cost structure to improve our profitability and align it with our services-focused business model.
- Operating cash flow of \$2.58 billion. Our strong cash generation enables us to provide a return to shareholders through our share repurchase program, acquisitions and an increase in our quarterly dividend.

##### **Linking Pay to Performance**

Our compensation philosophy is to attract, retain and develop first-class executive talent, reward past performance and motivate future performance. Our approach to executive compensation is to pay for performance and align executive compensation with the Company's business strategy and the creation of long-term shareholder value. We reward named executive officers when the Company achieves annual and long-term performance objectives. Likewise, performance below targeted levels results in less than target compensation. Generally, two-thirds or more of our named executive officers' pay is performance-based and, therefore, at risk and variable from year to year. In 2012, 90% of our Chief Executive Officer's (CEO) target compensation (base pay, short-term and long-term incentives at target) was performance-based. By making performance a substantial component of executive compensation, we link our executives' short- and long-term interests to those of our shareholders. Named executive officer compensation for 2012 was consistent with the objectives of our compensation philosophy and with our performance. The compensation actions taken by the Compensation Committee for our named executive officers are summarized below:

- Base Salaries: Based on concerns about the continuing uncertainties in the worldwide economy, the Committee determined that there would be no salary increases for named executive officers in 2012 with the exception of Luca Maestri whose salary was low based on internal comparisons and in light of his contributions to the Company since his hire into the Chief Financial Officer (CFO) role.



- **Short-Term Incentives:** revenue growth, adjusted earnings per share and operating cash flow were the 2012 performance measures for our annual short-term incentive program. Performance with respect to constant currency revenue growth and adjusted earnings per share was below threshold and operating cash flow performance exceeded maximum. Based on the Company's mixed performance results, the Compensation Committee used its negative discretion and approved short-term incentive awards for our named executive officers. However, the awards for Mr. Maestri and Mr. Blodgett were then increased by 20% based on their strong performance, as permitted under our program. Further information can be found under *Determining Short-Term Incentive Awards*.
- **Long-Term Incentives:** The performance measures for our performance share award program in 2012 were revenue growth (which was increased in weighting from the prior year), adjusted earnings per share and operating cash flow (*see Long-Term Incentive Performance Share Measures for definitions*). Three of our named executive officers (Ms. Burns, Mr. Maestri and Mr. Blodgett) received increases in the target grant date value of their long-term incentive awards, to better align with their responsibilities at Xerox, internal comparisons and a review of external peer group data. Two of our named executive officers (Mr. Maestri and Mr. Zagalo de Lima) also received special Restricted Stock Units (RSUs) retention awards. In January 2013, Mr. Maestri announced his intention to step down from his position of Chief Financial Officer effective February 28, 2013. As a result of his separation, his long-term incentive awards have been cancelled.

Similar metrics and weightings are used for both our short- and long-term incentive programs as we believe that these are the three fundamental financial metrics that drive shareholder value.

#### Historical Payout Under Our Long-Term Incentive Program

Long-term incentives represent the majority of each of our named executive officer's target compensation. Our annual long-term incentive awards are provided in the form of performance shares. The number of performance shares that are earned and vest are based on achievement of performance goals over a three-year performance period and are directly linked to performance of the Company and shareholder value. If our shareholder value increases or decreases, so does the value of the executives performance shares. For example, performance share awards that were granted to participating named executive officers in July 2008 vested in July 2011. Based on achievement against performance measures and the stock price on the vesting date, the payout received was valued at 48% of the target grant date value. In addition, from time to time, the Compensation Committee approves retention awards in the form of RSUs.

The chart below reflects historical payouts for performance shares based on achievement against performance measures and the actual stock price on the vesting date:

Grant Date	Vesting Date	Performance Payout Factor as a % of Shares Granted	Actual Payout Value at Vesting as a % of Grant Date Award Value*
4/1/2006	4/1/2009	135%	42%
7/1/2007	7/1/2010	80%	35%
7/1/2008	7/1/2011	60%	48%

\* For performance share awards, the actual payout value is based on the calculated performance payout factor and the stock price on the vesting date.

In July 2009, instead of granting performance shares, the Committee granted RSUs with a payout tied to the change in stock price because it was not possible to set long-term performance goals in light of the unpredictable economic environment at that time. The 2009 award was designed to pay out at a minimum of 80% and a maximum of 120% of the grant date award value if the share price decreased or increased by 20% or more from the date of grant, based on the average closing price over the three month period preceding the July 2012 vesting date. Based on the average closing price over the three month period preceding the vesting date, the named executive officers who were granted these awards received 115.47% of the original number of shares granted. The value of the 2009 award payout on the vesting date (based on the additional shares that were granted and the increase in share price as calculated on the vesting date) was equal to 137.48% of the target grant date value.

### **Best Practices**

The Committee regularly reviews executive compensation best practices and, consistent with these practices, in fiscal 2012:

- Eliminated the executive annual physical program beginning January 2013
- Reviewed the executive compensation program to ensure alignment with the Company's evolving business model and compensation principles

Other best practices in place at Xerox include:

- Emphasizing pay for performance to align executive compensation with the Company's business strategy and the creation of long-term shareholder value
- Annual equity awards typically granted 100% in performance shares
- Double-trigger vesting of equity awards upon a change in control
- In the event of material noncompliance with financial reporting requirements resulting in an accounting restatement, clawback provisions to permit recoupment of short- and long-term incentive compensation paid during the preceding three years, in excess of what would have been paid under an accounting restatement
- Clawback provisions that permit recoupment in the event the participant engages in detrimental activity against Xerox
- Stock ownership and post-retirement stock holding requirements
- Effective December 31, 2012, all future accruals under the Unfunded Supplemental Executive Retirement Plan (SERP) were frozen and no future benefits will be accrued
- Non-compete and non-solicitation agreements with key employees (where permissible under local law), prohibiting key employees from competing against the Company and from soliciting Xerox customers or current employees for a certain period of time after leaving the Company
- No excise tax reimbursement for new change-in-control severance agreements entered into in October 2010 and later. Initiated phase out of excise tax gross-ups for agreements entered into prior to October 2010. Phase out of excise tax gross-ups for agreements entered into prior to October 2010 was completed in early 2013.
- Limited perquisites and no tax gross-ups on perquisites
- Independent consultant to the Committee who does not perform any other services for the Company

- Prohibition on hedging of Company stock
- Generally no employment agreements or golden parachutes



## OVERVIEW

Shareholder value is delivered through a world-class management team. Our executive compensation program plays an important role in attracting, retaining and rewarding people with the ability, drive and vision to manage our business and ensure our long-term success. Our executive compensation program is a significant component of our ability to create an advantage for Xerox in an increasingly competitive global market.

The named executive officers are the CEO, CFO and the three most highly compensated executive officers other than the CEO and CFO. The named executive officers for 2012 are:

Ursula M. Burns	Chairman and Chief Executive Officer
Luca Maestri	Executive Vice President and Chief Financial Officer
Lynn R. Blodgett	Executive Vice President; President, Xerox Services
Armando Zagalo de Lima	Executive Vice President; President, Xerox Technology
James A. Firestone	Executive Vice President; President, Corporate Operations

---

Our compensation objectives are to:

- attract first-class executive talent
- retain key leaders
- reward past performance
- motivate future performance
- align the long-term interests of our officers with those of our shareholders
- foster the identification and development of leadership potential in key talent

Our executive compensation program is designed to develop and motivate the individual and collective abilities of our management team. We consider Company business performance and the competitive marketplace in the design, delivery and funding of our total compensation program. We use a variety of compensation elements to achieve these objectives, including base salary, short-term incentives and long-term incentives. Our executive compensation program provides a framework for governing our overall employee compensation program by setting general standards of performance. This helps to create an environment that links goals, expectations and performance to rewards.

## OVERSIGHT OF THE EXECUTIVE COMPENSATION PROGRAM

The Compensation Committee (Committee) administers the executive compensation program on behalf of the Board and our shareholders. The members of the Committee are Glenn A. Britt, who serves as the Committee chair, Robert A. McDonald and Robert J. Keegan. The Committee is composed entirely of independent members of the Board, consistent with the governance standards under the listing requirements of the NYSE.

The Committee's responsibilities are discussed beginning on page 18 of this Proxy Statement, and a complete description of its responsibilities and functions is set forth in its charter, which can be found on the Company's website at [www.xerox.com/governance](http://www.xerox.com/governance). For additional information on the members of the Committee, see Biographies.

The Committee has retained the services of an independent compensation consulting firm, Frederic W. Cook & Co., Inc., to assist with its responsibilities. This consultant works only for the Committee and has performed no work for the Company since being retained as an independent consultant to the Committee. As provided in its charter, the Committee has the authority to determine the scope of the consultant's services and may terminate the consultant's engagement at any time. The consultant reports to the Committee and is an independent resource if the Committee has any questions or wishes to discuss issues. During fiscal 2012, the

consultant provided the following services:

- continuously updated the Committee on trends in executive compensation, including providing the Committee chair with proactive advice on emerging trends and best practices;

- reviewed officer compensation levels and the Company's overall performance compared to a peer group made up of organizations with which the Company is likely to compete for executive expertise, as well as companies of similar size and scope (see *How We Implemented These Principles in 2012 - Xerox Peer Group* for additional information on the Xerox peer group);
- reviewed incentive compensation designs for short-term and long-term programs;
- advised the Committee on peer group companies for pay and performance comparisons;
- reviewed total shareholder return compared to the Xerox peer group, the S&P 500 and an industry peer group composed of companies in the S&P 500 IT Index;
- reviewed the Compensation Discussion & Analysis and related compensation tables for the proxy statement;
- reviewed Committee materials with management before distribution to Committee members in order to advise management and the Committee of possible issues and suggested changes;
- attended Committee meetings as requested by the Committee chair, including meetings in executive session; and
- specifically advised the Committee on CEO compensation decisions.

## OUR EXECUTIVE COMPENSATION PRINCIPLES

The following core principles reflect the compensation philosophy of the Company with respect to the named executive officers, as established and refined from time to time by the Committee. These principles are intended to motivate the named executive officers to improve the Company's financial performance; to be personally accountable for the performance of the business units, divisions, or functions for which they are responsible; and to collectively make decisions about the Company's business that will deliver value to shareholders over the long term.

### 1. Compensation should reinforce the Company's business objectives and values.

Our executive compensation program includes the incentives necessary to reward the contributions and leadership that serve to increase profits, revenue, operating cash flow and shareholder value; enhance confidence in our financial stewardship; create and maintain the high morale and commitment of our employees; and enhance our reputation as a responsible corporate citizen.

### 2. Compensation should be linked to performance and should not motivate unnecessary risk for the Company.

We consider both business performance and the competitive marketplace when we design, deliver and fund our compensation programs. We pay for performance by rewarding superior performers with premium compensation. We reward named executive officers when the Company achieves annual and long-term performance objectives. Likewise, performance below targeted levels results in less than target compensation. The Committee believes that a significant portion of a named executive officer's total compensation should be variable and tied to how well the Company, the individual, and the individual's business unit, division, or function performs against financial and non-financial objectives. Generally two-thirds or more of our named executive officers' pay is performance-based and, therefore, at risk and variable from year to year.

The philosophy and design of our programs are intended to keep executives focused on both the short-term and long-term performance of the Company. The Committee considers the impact of these programs on the behavior of the senior management team, including named executive officers, particularly related to short-term and long-term incentives. Performance objectives should not incent executives to take unnecessary risk that could jeopardize the health and future of the Company.

### 3. There should be flexibility in allocating the various compensation elements.

The Committee believes that the majority of our named executive officers' compensation should be at risk through short-term cash and long-term equity incentives. It does not target any specific mix of elements of compensation in cash versus equity, or in fixed pay versus variable pay. Instead, the Committee has the flexibility to establish compensation consistent with the principle that the majority of pay should be at risk.



4. Compensation opportunities should be competitive.

Our total compensation program must be flexible to competitively attract, retain and motivate talent to drive the business in a global market. The Committee does not target a specific competitive position relative to the market in considering the compensation of our named executive officers. However, to further this principle, the Committee does review peer group compensation data from proxy statements annually to ensure that our executive compensation program for named executive officers is competitive in the global office equipment, technology, document services and business process and information technology outsourcing industries and with the Company's direct competitors.

5. Incentive compensation should balance short-term and long-term performance.

While the Committee seeks to structure a balance between achieving strong annual results and ensuring the Company's long-term viability and success, it does not target a specific mix of short-term and long-term incentives. Named executive officers are regularly provided incentive opportunities based on achievement of both short-term and long-term objectives. The portion of total compensation represented by the Company's short-term and long-term incentive programs increases with positions at higher levels of responsibility such as those held by named executive officers who have the greatest influence over time on the Company's strategic direction and results.

6. Named executive officers should have financial risk and reward tied to their business decisions.

The Committee believes that named executive officers should have a financial interest in the Company's long-term results. Consequently, we require our named executive officers to be shareholders of the Company and provide them various ways to do so. In addition, the majority of the compensation of our named executive officers is designed to be at risk through short-term and long-term incentives.

#### **HOW WE IMPLEMENTED THESE PRINCIPLES IN 2012**

**Performance Objectives** The Committee sets performance objectives for the CEO. The CEO sets performance objectives for other named executive officers who are her direct reports. The objectives for these named executive officers align with those of the CEO. The CEO's 2012 performance objectives included:

- financial growth (revenue growth, earnings per share and operating cash flow)
- driving business growth (expanding services outsourcing business and share of technology market, expanding market reach)
- engaging employees, shareholders and customers in Xerox's mission (regularly communicating Company vision, key next steps and progress, retaining talent, conducting employee surveys, enhancing customer focus, maintaining focus on global environment through sustainable innovation and development)
- refining and implementing organizational structure with a focus on performance excellence
- enhancing Xerox competitiveness and flexibility (expanding and strengthening our brand, continuing to advance IT infrastructure, building and deploying global HR strategy and practices)

The Committee expects a high level of individual and collaborative performance and contributions, consistent with our named executive officers' level of responsibility. The Committee discusses and evaluates the quality of the overall performance of the CEO after considering the CEO's self-assessment and the Company's performance. The CEO in turn reviews with the Committee her assessment of the performance of the other named executive officers. However, named executive officers are not compensated based on individual performance objectives. Base salary increases, short-term incentive targets and long-term incentives are determined by taking into consideration peer group data and internal comparisons to ensure that pay is competitive and is consistent with Company succession planning objectives, and that there is internal pay equity to differentiate pay among executive officers. Named executive officer short-term and long-term incentive payments are generally not structured around achievement of individual performance objectives. They are generally earned as a team working together to achieve Company results and are determined based on overall quantitative financial performance of the Company.

**Fixed versus Variable Pay**

In 2012, named executive officers' performance-based compensation at target was, on average, approximately 82% of their total target compensation. For Ms. Burns, performance-based compensation was 90% of her total target compensation. Total target compensation includes base salary, target annual short-term cash incentives and target annual long-term equity incentive awards (but excludes special RSU retention awards). The table below shows the 2012 pay mix for our named executive officers as well as the proportion of their compensation that is performance-based pay and at risk.

**Total Target Compensation**

**Xerox Peer Group**

The Committee compares named executive officer pay to peer group proxy data. Our peer group is made up of companies with which we are likely to compete for executive talent as well as companies of similar size and scope. The Committee regularly reviews the appropriateness of the peer group. Our peer group is comprised of companies that share a similar business model in one or more areas, including their mix of goods and services, technology focus, strong brand recognition and focus on global operations. The median revenue of this peer group was approximately \$26 billion (compared to Xerox revenue of \$23 billion) based on the latest fiscal year-end data available when the Committee reviewed the peer group data in July 2012. The 25<sup>th</sup> percentile for the peer group revenue data was \$13 billion and the 75<sup>th</sup> percentile was \$44 billion.

The 2012 peer group is listed below:

Accenture	EMC	Pitney Bowes
Automatic Data Processing	Emerson Electric	Ricoh*
Canon*	Hewlett-Packard	Seagate Technology
Cisco Systems	Honeywell International	Texas Instruments
Computer Science Corp.	Intel Corp.	3 M
Dell	Lexmark International	United Technologies
E.I. du Pont de Nemours and Co.	Motorola Solutions	

---

\* Not included in pay comparisons as these are non-U.S. headquartered companies for which compensation data are not readily available.

### ***Risk Assessment***

Risk assessments are conducted each year. The Committee believes that our programs motivate positive behavior while balancing risk and reward, consistent with the interests of our shareholders. A risk assessment was conducted for 2012 broad-based and executive compensation plans covering our employees. Based on this assessment and a review of our internal controls, it was determined that our compensation plans and practices do not motivate behavior that is reasonably likely to have a material adverse impact on the Company. Incentive compensation is also subject to certain clawbacks in the event of material accounting restatements or engagement in detrimental activity against the Company.

### ***Ownership Requirements***

We require each named executive officer as a participant in the Executive Long-Term Incentive Program (E-LTIP) to build and maintain a meaningful level of stock ownership by owning equity equal in value to three times their base salary. (A description of the E-LTIP can be found in the section on Long-Term Incentives.) E-LTIP awards are subject to a mandatory holding requirement. As determined by the Committee, named executive officers must retain at least 50% of the shares acquired through the vesting of awards, net of taxes, until they achieve their required level of ownership. Once achieved, named executive officers must continue to maintain their ownership level until separation from the Company. A retention requirement is also applicable for up to one year following separation (including retirement). The CEO has the authority to permit discretionary hardship exceptions from the ownership and holding requirements to enable participants with financial need to access their vested shares. No such exceptions have been requested. Named executive officers are prohibited from engaging in short-swing trading and trading in puts and calls with respect to Xerox stock. Shares that count towards reaching ownership requirements include shares owned outright (whether or not held in street name), shares held in an ESOP account, earned Performance Shares, outstanding Restricted Stock Units, deferred Performance Shares and Restricted Stock Units, Deferred Compensation that mirrors investments in the Xerox stock fund, and 401(k) savings invested in the Xerox Stock Fund.

### ***Hedging***

Our executive officers are prohibited from using any strategies or products to hedge against the potential changes in the value of Xerox stock.

### ***Window Trading***

Under the Company's insider trading policy, executive officers may only purchase or sell Xerox securities during window periods, which are 10-business day periods that begin on the third business day following the date of each quarterly earnings announcement. The only exception to this is for executive officers who have entered into a trading plan pursuant to SEC Rule 10b5-1.

### **THE ROLE OF SHAREHOLDER SAY-ON-PAY VOTES**

At the Company's annual meeting of shareholders held in May 2012, 95% of the votes cast on the annual advisory vote on executive compensation proposal were voted in favor of the proposal. The Committee believes the favorable vote supports the Company's approach to executive compensation, so no significant changes to the executive compensation program were made by the Committee for 2012. Nonetheless, the Committee undertook a comprehensive review of the Company's executive compensation program and has decided to modify the 2013 long-term incentive performance share award program whereby shares will be earned based on three-year performance targets only. The Company will continue to reach out to institutional investors and the Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

## COMPONENTS OF THE EXECUTIVE COMPENSATION PROGRAM

The primary elements of our executive compensation program for our named executive officers are:

1. base salary
2. short-term incentives
3. long-term incentives
4. pension plans
5. 401(k) savings plans
6. perquisites and personal benefits
7. change-in-control severance benefits

### **Affiliated Computer Services, Inc. Acquisition Mr. Blodgett's Compensation**

A Senior Executive Agreement ( SEA ) was entered into among Mr. Blodgett, ACS and Xerox on September 27, 2009, in connection with the acquisition of Affiliated Computer Services, Inc. (ACS), which was completed on February 5, 2010. The SEA had a three year term. The purpose of the SEA was to terminate in all respects the prior change of control agreement ( Prior Change of Control Agreement ) that existed between Mr. Blodgett and ACS. The terms of the SEA were the result of negotiations among the parties. In exchange for the SEA, the Prior Change of Control Agreement ceased to have effect. For this reason, until February 5, 2013, many of the elements of Mr. Blodgett's compensation were provided under the SEA and may not be comparable to the elements of compensation described above. A separate summary of Mr. Blodgett's compensation under the SEA appears beginning on page 43.

### **Establishing Executive Compensation**

Each year, the Committee is provided with a comparison of the compensation of the Company's named executive officers with that of the named executive officers of the Company's peer group (peer group is described under *How We Implemented These Principles in 2012 Xerox Peer Group* ). Peer group compensation data for the following components is gathered from the most recent proxy statements for these elements of pay:

- base salary
- short-term incentives
- total cash compensation (base salary plus short-term incentives)
- long-term incentives
- total compensation (total cash plus long-term incentives)

The proxy peer group data was collected by Buck Consultants ( Buck ), a subsidiary of Xerox Business Services, LLC, formerly known as ACS, which provides consulting services only to management, and was analyzed and presented to the Committee by Frederic W. Cook & Co., Inc., the Committee's consultant. Buck has performed no work directly for the Committee. The peer group target compensation for each named executive officer is used as a competitive reference point but is not used as a specific benchmark or to target a specific percentile of the market. However, the primary reference point presented is the median of the peer group data. The Committee's consultant also conducts an analysis of actual named executive officer compensation and the Company's overall performance compared to actual compensation and performance of our peer group. The Company's performance in relation to the peer group, including total shareholder return, is reviewed by the Committee in considering appropriate compensation.



To assist the Committee in its review of compensation, Ms. Burns presents her evaluation of the management team to the Committee, including a review of contributions and performance over the past year, and recommends compensation actions. Following this presentation, the Committee makes its own assessments and formulates compensation amounts for each named executive officer for base salary, and short-term and long-term incentives. For each named executive officer (and for each component of compensation), in addition to a review

of peer group data, the Committee assesses past contributions, expected future contributions, overall Company performance, succession planning objectives, retention objectives and internal equity with respect to each named executive officer's compensation compared to other officers within the Company. The Committee also considers affordability. Once all components of compensation are established, the Committee balances this assessment against competitive pay practices and verifies that the total compensation for each named executive officer is appropriate and competitive.

The CEO is not present when the Committee discusses and establishes her annual compensation. Ms. Burns' target compensation is reviewed against peer group data as a reference point and takes into account overall Company performance and her role in leading Xerox. Ms. Burns' compensation is higher than that of our other named executive officers due to her significantly greater scope of responsibility. Her compensation opportunity is competitive with the compensation of peer group CEOs and is determined under the same programs and policies as other Xerox named executive officers.

This process of establishing executive compensation is completed with the input of the Committee's consultant and includes a review of evolving market practices, external regulatory and other developments, the market for executive talent, and the Committee's and Company's executive compensation philosophy. To assist in the overall understanding of compensation, the Committee also reviews named executive officer compensation under various termination scenarios as provided in the table on *Potential Payments upon Termination or Change in Control*, but this is not a material driver of compensation decisions.

## 2012 Total Target Compensation

For purposes of market comparisons, total target compensation (base salary + target short-term incentive award + target long-term incentive award) within the range of plus or minus 20% of the peer group median, is considered as a competitive reference point. When analyzing the value of our long-term incentive awards, we include the target award value. The value of special, one-time retention RSU awards are excluded from our calculations. This approach is consistent with how we review peer group data.

The 2012 total target compensation for our named executive officers in relation to the median of the peer group's total target compensation (based on the most current proxy data available at the time this review was conducted) was as follows:

- Ms. Burns was 4% below the median.
- Mr. Maestri was at the median.
- Mr. Blodgett's compensation was 7% above the median.
- Mr. Zagalo de Lima was 7% below the median.
- Mr. Firestone was 6% above the median.

For additional information, see the *Executive Compensation Summary for Lynn Blodgett* and the *Summary Compensation Table*.

### 1. Base Salary

Base salary is the fixed pay element of our compensation program. Every year, the Committee determines the base salary of the CEO and Chairman, and the Committee determines the base salaries of the other named executive officers, taking into account the recommendation of the CEO. The Committee typically reviews and approves base salaries each February.

The Committee also reviews named executive officer salaries when there is a specific change, such as a promotion or achievement of an extraordinary level of performance. Salary increases are determined based on a review of peer group proxy data and internal comparisons to ensure that pay is competitive, that any increases are consistent with Company succession planning objectives and that there is internal equity to differentiate pay among named executive officers.

## 2012 Base Salary Actions

Consistent with the decision not to give base salary increases to executives in 2012, no base salary increases were given to our named executive officers with the exception of Mr. Maestri, whose salary was increased by 9.85% because it was determined to be low based on internal comparisons and because his contributions to the Company since his hire into the CFO role supported such an increase. The salaries paid to the named executive officers during fiscal year 2012 are shown in the *Summary Compensation Table*.

## 2. Short-Term Incentives

Every February, the Committee approves a Short-Term Incentive Pool under the Xerox Corporation 2004 Performance Incentive Plan, as amended and restated (2004 Performance Incentive Plan) for the CEO and other executive officers, including the named executive officers, under which each participating officer is entitled to a specified portion of the pool if certain pre-established performance goals are attained. The total of the allocated portions does not exceed 100% of the pool. These short-term incentive opportunities provide variable cash compensation based on the achievement of annual performance objectives. In 2012, the pool was funded by 2% of the Performance Profit achieved during the year. The Committee defined Performance Profit as income from continuing operations before income taxes, equity income, discontinued operations and extraordinary items, excluding restructuring charges and amortization of intangibles as identified in the audited financial statements. The Committee determines these awards according to the Company's Annual Performance Incentive Plan (APIP). A named executive officer's APIP award may be less than the officer's specified portion of the Short-Term Incentive Pool, but will never exceed his or her portion of the pool.

The process begins after the close of the previous fiscal year (December 31) when the financial results of the Company have been made available to the Board of Directors. The Board then reviews the Company's annual operating plan for the new fiscal year. At its February meeting, the Committee:

- assesses performance against goals and determines awards for the previous fiscal year
- sets the overall Company performance measures and payout ranges for the new fiscal year
- establishes a target, threshold, and maximum short-term incentive opportunity for each named executive officer for the new fiscal year

Short-term incentives are generally paid by early April of each year for the previous fiscal year's performance. Short-term incentives for named executive officers are based on both the CEO's and the Committee's assessment of actual Company-wide performance against Company performance objectives set by the Committee in the prior year.

### **Short-Term Incentive Performance Measures**

Working with the CEO, the Committee generally sets the APIP short-term incentive performance measures with an expectation of reasonable year-over-year improvement:

### **2012 APIP performance measures, weightings and target ranges**

The measures, weightings and target to maximum ranges set by the committee in February 2012 are as follows:

- adjusted earnings per share (weighted at 40%) of \$ 1.15 - \$ 1.18
- operating cash flow (weighted at 40%) of \$ 2.0 billion - \$ 2.3 billion
- constant currency revenue growth (weighted at 20%) of 3% - 4%, defined as revenue growth adjusted to exclude the impact of changes in the translation of foreign currencies into U.S. dollars

We do not use historical performance as a predictor of future performance. Our future profitability and cash flow are subject to many risk factors (detailed in the Risk Factors section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (2012 Form 10-K)) that are unpredictable and outside of our control, leading us to believe that incentive performance goals are challenging to achieve.

For 2013, the APIP performance measures and weightings will remain the same as in 2012.

**Short-Term Incentive Target and Opportunity**

In February of each year, the Committee establishes for each named executive officer an annual short-term incentive target for the new year, expressed as a percentage of the named executive officer's annual base salary. This incentive target takes into account various factors that management and the Committee deem relevant, including, but not limited to, scope of responsibility and comparable targets for named executive officers of the Company's peer group. If there are changes in responsibilities after February, the Committee may increase or decrease the short-term incentive target at that time.

In 2012, the annual short-term incentive targets for the named executive officers were:

- Ms. Burns - 150%
- Mr. Maestri, Mr. Blodgett, Mr. Zagalo de Lima and Mr. Firestone - 100%

The maximum short-term incentive payout opportunity for the named executive officers is two times target.

**Determining Short-Term Incentive Awards**

Short-term incentive payments for named executive officers are earned as a team working together to achieve overall Company results that drive shareholder value. These short-term incentive awards exemplify our pay for performance philosophy that supports our business strategy and seek to align the interests of our executives with our shareholders. The Committee expects both a high level of collaborative effort as well as individual performance and contributions, consistent with our named executive officer level of responsibility. The Committee determines short-term incentive payments based on overall quantitative financial performance in relation to pre-set goals.

After the end of the fiscal year, the CEO and CFO review the Company's actual performance against each of the financial performance objectives established at the beginning of the year. The CFO confirms the financial results and communicates the results to the Committee; and the Committee reviews the actual performance and any extraordinary items or material unusual charges or gains. Subject to the Committee's review and approval, any such items may be excluded from the APIP short-term incentive calculations in order to obtain normalized operational results of the business. Each performance measure is assessed and calculated independently. The result of each measure is added together to determine overall performance results. The Committee retains the discretion to grant a lower short-term incentive than the calculated incentive payout or no short-term incentive at all, as it deems appropriate under the circumstances. The Committee may also use its discretion to increase or decrease the APIP award by up to 20% based on individual performance, provided the award never exceeds the executive's allocation of the Short-Term Incentive Pool. Under extraordinary circumstances, if the Committee believes an incentive is necessary to reward and motivate executives, it may provide an incentive outside of the APIP and the Short-Term Incentive Pool that is separate and independent of the calculated incentive payout.

The 2012 payout opportunity, depending on performance, was as follows:

<b>Performance Results</b>	<b>Payout as a % of Annual Short-Term Incentive Target</b>
Below Threshold	0%
Threshold	50%
Target	100%
Maximum	200%

**2012 Performance**

Performance results for 2012 against the established performance measures were:

<b>Performance Measures and Weightings</b>	<b>Performance Results</b>
adjusted EPS (40%)	\$1.03 below threshold
operating cash flow (40%)	\$2.58 billion above maximum
constant currency revenue growth (20%)	0.3% below threshold



In 2012, adjusted EPS excluded the amortization of intangible assets. The Committee used its negative discretion and approved a short-term incentive performance payment factor for our named executive officers equal to 65% of target. However, as a result of the strong revenue growth and actions taken to deliver margin improvement for the services business segment, Mr. Blodgett received a payment equal to 78% of target. Mr. Maestri also received a payment equal to 78% of target based on the outstanding cash performance of the Company in 2012. The payments were determined in accordance with the process and the applicable targets and weightings described above.

The Committee believes that the fiscal 2012 short-term incentive payments are consistent with our strategy of compensating named executive officers for the achievement of important, challenging business goals. These incentive payments are driven by achievement of business results against quantitative measures set in advance by the Committee. In view of the Company's 2012 results, the Committee believes that the annual short-term incentive payments resulted in reasonable and appropriate performance-related incentive payments to the Company's named executive officers.

The annual incentives paid to the named executive officers in April 2013 for fiscal year 2012 are shown in the *Summary Compensation Table*. Generally, executives who voluntarily separate must be actively employed by the Company on the annual incentive payment date. In consideration for remaining at the Company through February, the Committee approved the payment of Mr. Maestri's 2012 annual incentive award. Additional information about the short-term incentive opportunities is shown in the *Grants of Plan-Based Awards* table.

### 3. Long-Term Incentives

We provide long-term incentives to reward named executive officers for sustained performance, as a retention incentive and to create alignment with shareholders.

#### ***Executive Long-Term Incentive Program***

Our E-LTIP awards are generally made according to the shareholder-approved 2004 Performance Incentive Plan. Awards may consist of cash or equity-based awards, including performance shares and RSUs. With the exception of 2009 (when restricted stock units with a market-based feature were granted), the equity awards granted to named executive officers have generally been in the form of performance shares. The 2009 award was designed to pay out at a minimum of 80% and a maximum of 120% of the grant date award value if the share price decreased or increased by 20% or more from the date of grant, based on the average closing price over the three month period preceding the vesting date. Stock options have not been granted since 2004.

A threshold to maximum number of performance shares may be earned based on the Company's actual achievement measured against annual performance targets and the Company's actual achievement measured against a three-year cumulative performance target. The performance measures for the 2012 award were adjusted earnings per share, operating cash flow and revenue growth, as defined below.

- Performance shares are earned for adjusted earnings per share and operating cash flow based on achievement of annual and three-year cumulative performance targets. If the annual performance targets are achieved, up to one-third of the three-year performance share award can be earned each year. The earn-out range for the three-year cumulative performance is between 0% and a maximum of 150% of the original award. For three-year cumulative performance, the earning of shares is net of shares earned based on annual performance. Performance shares are earned for revenue growth based on achievement of annual goals only. The earn-out range is between 0% and a maximum of 150%.

Performance shares that have been earned vest three years from the grant date and following Committee certification of the performance results after the applicable three-year period.

RSUs are not tied to performance measures and generally cliff vest at the end of three years. Once vested, performance shares and RSUs are paid out in the form of shares of the Company's common stock. Named executive officers who retire or are involuntarily terminated, other than for cause, before the end of the three-year period, will vest in a pro-rata portion of RSUs and earned performance shares. Vesting will occur on the original

vesting date and will not be accelerated. Performance shares and RSUs are forfeited if the named executive officer voluntarily terminates employment before the shares vest. Performance shares and RSUs fully vest upon death. At vesting, dividend equivalents are paid in cash on vested shares, up to the amount payable with respect to the target number of shares, in an amount equal to the dividends that would have been received had the executive owned the same amount of common stock throughout the vesting period.

On occasion, as an additional vehicle for retaining key employees, including named executive officers, the Committee has granted retention RSUs that do not allow for pro-ration for separation prior to the vesting date. These RSUs cliff vest at the end of a requisite service period, which typically ranges from three to five years.

Although equity awards are generally granted on a regular annual cycle, the Committee occasionally grants off-cycle equity awards to named executive officers for special purposes, such as new hire, promotion, recognition, and retention.

### ***Long-Term Incentive Performance Share Measures***

Each February, the Committee determines the number of performance shares each named executive officer earned under prior years grants of performance shares, if any, based on the annual and three-year cumulative performance cycle results. (See the *Outstanding Equity Awards* table for additional information on earned performance shares based on 2012 performance.) Following the review of the Company's operating results for the previous year, the Committee establishes performance measures and goals for the new three-year performance share cycle:

#### **2012 E-LTIP performance share measures, weightings and targets**

The measures, weightings and target to maximum ranges set by the Committee in February 2012 for the 2012-2014 E-LTIP performance cycle are as follows:

- Adjusted Earnings per Share<sup>1</sup> (weighted at 40%) of \$3.75 - \$3.90
- Operating Cash Flow<sup>2</sup> (weighted at 40%) of \$6.3 billion - \$7.2 billion
- Revenue Growth<sup>3</sup> (weighted at 20%) of 3% - 4% for each year during the three-year performance period

These goals are expected to be challenging to achieve for the same reasons as outlined above under the section entitled *Short-Term Incentives*.

For 2013, the performance measures and weightings will remain the same as in 2012 but will be earned based on three-year performance targets only.

- 
1. **Earnings per Share (EPS):** Diluted Earnings Per Share from Continuing Operations as reported in the Company's audited consolidated financial statements, as adjusted on an after-tax basis for the following discretely disclosed (in either Management's Discussion and Analysis/MD&A or the footnotes to the financial statements) items (if equal to or greater than \$50 million pre-tax, unless otherwise specified, on an individual basis, or in the aggregate per item): direct costs of acquisition/divestitures and acquisition/divestiture-related expenses (if equal to or greater than \$25 million); gains/(losses) from business divestitures; gains/losses on early extinguishment of debt (if equal to or greater than \$25 million); amortization of acquisition-related intangibles (no monetary threshold); impairment of goodwill and other intangibles; restructuring and asset impairment charges (amounts in excess of \$50 million); non-restructuring related impairments of long-lived assets; gains/(losses) from litigation, regulatory matters or any changes in enacted law; gains/(losses) resulting from acts of war, terrorism or natural disasters; the initial effect of changes in accounting principles that are included within Income from Continuing Operations; gains/(losses) from the settlement of tax audits or changes in enacted tax law (if equal to or greater than \$30 million); our share of after-tax effects of the above items incurred by Fuji-Xerox (if our share is equal to or greater than \$10 million).
  2. **Operating Cash Flow:** Net Cash provided by (used for) Operating Activities as reported in the Company's consolidated audited financial statements, as adjusted for the following items: with the exception of cash payments for restructurings, cash flow impacts (inflows and outflows) resulting from the EPS adjustments as identified above whether or not the cash flow impact and the EPS impact are in the same fiscal year; cash payments for restructurings in excess of the amount reported as current restructuring reserves in the preceding years Annual Report; cash pension contributions in excess of the amount reported as expected contributions in the preceding years Annual Report.



Edgar Filing: XEROX CORP - Form DEF 14A

3. Revenue Growth: Revenue growth adjusted to (1) exclude the impact of changes in the translation of foreign currencies into U.S. dollars and (2) exclude the impacts of individual acquisitions/divestitures when such impacts are disclosed on an individual basis in either the Company's consolidated financial statements or MD&A.

Any other items approved by the Committee for adjustment of the above metrics will be considered a modification of the award.

37

---

### Determining E-LTIP Award Value

Long-term incentives are an element of compensation used to reward named executive officers for sustained performance and as a retention tool to align with succession planning objectives. These long-term incentives reinforce our pay for performance philosophy that supports our business strategy and seek to align the interests of our executives with our shareholders. E-LTIP is awarded based on a review of market data, affordability, and historical and expected future contributions. Each year, the Committee approves a new E-LTIP grant for named executive officers that generally covers a three-year performance period. These decisions are made in conjunction with other compensation decisions that the Committee makes for the current fiscal year.

### 2012 E-LTIP Actions

In February 2012, the Committee took the following actions related to E-LTIP awards for the named executive officers:

- The Committee approved the long-term incentive award values for the 2012 – 2014 performance cycle for Ms. Burns, Mr. Maestri, Mr. Blodgett, Mr. Zagalo de Lima and Mr. Firestone. The number of shares granted, effective July 1, 2012, was based on the closing price of Xerox common stock on that date. Earned performance shares vest on July 1, 2015.
- The Committee approved an increase in the 2012 grant date award value for Ms. Burns of 3.3%, in recognition of her strong leadership of the Company.
- In line with their significant roles at Xerox, Mr. Blodgett received a 20% increase in grant date award value and Mr. Maestri received a 67% increase in grant date award value after a comparison of internal executive compensation and a review of peer group data.
- The grant date award value for Mr. Firestone remained the same.
- In addition, the Committee approved special RSU retention awards for Mr. Maestri for the significant value he brought to the CFO role early on, and for Mr. Zagalo de Lima in recognition of his expanded role. The retention RSUs are scheduled to vest on July 1, 2015.
- Note that Mr. Maestri's E-LTIP awards were cancelled in connection with his separation from the Company.

Additional information on the 2012 E-LTIP awards can be found in the *Summary Compensation Table* and the *Grants of Plan-Based Awards* table.

### 2012 E-LTIP Performance

Performance results for 2012 against the established performance measures were:

Award Year	Performance Measures and Weightings	2012 Performance Results*	Total Performance Shares Earned Based on Combined Annual and Three-Year Cumulative Results
2010	Adjusted EPS (60%)	\$1.11 above maximum	90.0% of Target Award
	Cash Flow from Operations (40%)	\$2.831 billion above target	59.8% of Target Award
2011	Adjusted EPS (55%)	\$1.11 below target	Not Applicable**
	Core Cash Flow from Operations (35%)	\$1.937 billion below threshold	Not Applicable**
	Revenue Growth (10%)	0.3% below target	Not Applicable**
2012	Adjusted EPS (40%)	\$1.09 below target	Not Applicable**
	Operating Cash Flow (40%)	\$2.608 billion above maximum	Not Applicable**
	Revenue Growth (20%)	0.3% below target	Not Applicable**

Edgar Filing: XEROX CORP - Form DEF 14A

\* Performance results may vary for the 2010, 2011 and 2012 E-LTIP awards due to differing definitions of the performance measures, as approved by the Committee at the time of the award.

\*\* Not Applicable because payouts based on adjusted EPS and cash flow metrics are not determined until the end of the three-year performance period and revenue growth metrics are not measured over a three-year period. Revenue growth is measured on an annual basis only; no shares were earned for annual revenue growth performance for the 2011 and 2012 E-LTIP awards. See the *Outstanding Equity Awards* table, footnote (C), for additional information on shares earned in 2012.

#### 4. Pension Plans

We provide pension benefits to the named executive officers under the following plans:

- Xerox Corporation Retirement Income Guarantee Plan (RIGP)
- Xerox Corporation Unfunded Retirement Income Guarantee Plan (Unfunded RIGP)
- Xerox Corporation Unfunded Supplemental Executive Retirement Plan (SERP)
- Xerox International Pension Plan

##### ***U.S. Qualified Pension Plan***

###### Retirement Income Guarantee Plan

Ms. Burns and Mr. Firestone participate in the Company's tax-qualified pension plan (RIGP) on the same terms as the rest of the Company's salaried employees. As of January 1, 2008, all participants in RIGP, including participating named executive officers, were vested. Eligibility for new RIGP participants and for rehires was closed in 2005 and 2007, respectively. Early retirement benefits under RIGP are available for employees who leave Xerox at age 55 or older, and have at least 10 years of Xerox service. Mr. Firestone is eligible for early retirement. Early retirement benefits are reduced by 5% per year if retiring and taking a distribution from the plan prior to age 65 (or age 62 with at least 30 years of Xerox service). RIGP is payable as a lump sum or an annuity as elected by the participant. RIGP benefits are subject to IRS limits on the compensation that can be reflected in a qualified plan. Effective December 31, 2012, all future accruals under RIGP have been frozen and no future benefits will be accrued.

##### ***U.S. Non-Qualified Pension Plans***

###### Unfunded Retirement Income Guarantee Plan

Because the Internal Revenue Code limits the pension benefits (based on an annual compensation limit) that can be accrued under a tax-qualified pension plan, the Company has established and maintains a non-tax qualified pension plan (Unfunded RIGP) to compensate executives, including Ms. Burns and Mr. Firestone, in an equitable fashion for the reduction in their pension benefit resulting from this limitation. This executive retirement plan is a restoration plan to provide a comparable level of retirement benefits to those provided to other employees. Unfunded RIGP benefits are generally determined under the same terms as the RIGP benefit except that Unfunded RIGP is not payable as a lump sum. Effective December 31, 2012, all future accruals under Unfunded RIGP have been frozen and no future benefits will be accrued.

###### Unfunded Supplemental Executive Retirement Plan

The Unfunded Supplemental Executive Retirement Plan (SERP) provides an added benefit that supersedes Unfunded RIGP and when combined with RIGP, delivers a retirement benefit unreduced for early commencement generally at age 60. There have been no new participants in SERP since 2005. At the end of 2012, there were 9 active employees in SERP. No pay limitations apply in determining the SERP benefit, and the accrual rate can vary. A total benefit is determined by the SERP formula and then the difference between this amount and the RIGP benefit is paid from SERP.

Ms. Burns and Mr. Firestone are participants in SERP and are eligible for benefits at age 60 with 10 years of service. For participating named executive officers who do not meet the requirements of SERP when they leave Xerox, all non-qualified benefits would come from Unfunded RIGP. Some SERP executives who do not otherwise meet the age 60 vesting requirement have received their accrued SERP benefits as provided under their separation packages. Effective December 31, 2012, all future accruals under SERP have been frozen and no future benefits will be accrued.

##### ***Xerox International Pension Plan***

Mr. Zagalo de Lima is a citizen of Portugal and worked in the United States in 2011 and 2012. He is not covered by qualified and non-qualified plans in the U.S. and does not have local retirement plans (other than Portuguese social security and an arrangement to deliver the value of social security contributions for periods in which they

cannot be made to social security due to residency issues, which we refer to as social security replacement benefits ). The Xerox International Pension Plan provides benefits for Mr. Zagalo de Lima to supplement these Portuguese social security and social security replacement benefits. The pay used to calculate the Xerox International Pension Plan benefit is 146% of his base pay if he retires after age 55 but before age 58 and 166% of his base pay if he retires at or after age 58. The Plan formula targets a total retirement income of 60% of pay before age 65 and after age 65, when combined with the Portuguese social security benefits and social security replacement benefits, of 70% of pay. These benefits are funded and the Plan assets are accumulated in an insurance contract. If the Plan assets as of retirement exceed the value of the formula benefit (the formula benefit is net of the Portuguese social security benefits and social security replacement benefits), the Plan assets will be distributed in lieu of any other benefits under the Xerox International Pension Plan. As of December 31, 2012, the value of the formula benefit exceeded the value of his Plan assets as determined for the *Pension Benefits* table.

For additional information on the actuarial present value of the accumulated pension benefits for the named executive officers, see the *Pension Benefits* table.

#### 5. 401(k) Savings Plan

U.S. named executive officers are eligible to participate in the same manner as all other employees covered by the Xerox Corporation Savings Plan (401(k) Savings Plan). Ms. Burns and Mr. Firestone are eligible for a match of 1.5% of eligible pay saved on a before-tax basis, subject to IRS qualified plan compensation limits and highly compensated threshold limits. Employees, such as Mr. Maestri, who joined the Company after RIGP was closed to new hires, are eligible for a match of 3% of eligible pay saved on a before tax basis, subject to IRS limits. No 401(k) Savings Plan benefits are provided to named executive officers in excess of these limits. See the *Executive Compensation Summary for Lynn Blodgett* for information on the 401(k) and supplemental savings plans in which Mr. Blodgett is eligible to participate.

Effective December 31, 2012 all future accruals under RIGP, Unfunded RIGP and SERP have been frozen, and the 401(k) Savings Plan match has been increased to 3% of eligible pay effective January 1, 2013 for Ms. Burns, Mr. Maestri, and Mr. Firestone, consistent with all other participants in the 401(k) Savings Plan. A non-qualified supplemental savings plan was introduced for eligible U.S. employees including Ms. Burns, Mr. Maestri, and Mr. Firestone effective January 1, 2013 with a 3% match on earnings above the 401(k) eligible pay limit.

#### 6. Perquisites and Personal Benefits

##### **General Benefits**

The Company generally maintains medical and dental coverage, accidental death insurance, and disability benefits programs or plans for all of its employees, as well as customary vacation, leave of absence, and other similar policies. Named executive officers are eligible to participate in these programs and plans on the same basis as the rest of the Company's salaried employees, except as otherwise disclosed. (For Mr. Blodgett's general benefits, see the *Executive Compensation Summary for Lynn Blodgett*.)

##### **Life Insurance**

The Company provides the Xerox Universal Life Plan to eligible U.S. employees, including the named executive officers (excluding Mr. Blodgett and Mr. Zagalo de Lima). Participants receive Company-paid life insurance equal to their death benefit under a previous program, or three times their base salary, whichever is greater. Executives are the sole owners of their policies and are responsible for any taxes due from Company contributions. Xerox will continue to make premium payments for participants who were in the previous Company-paid life insurance program until they reach the later of age 65 or July 2013. Ms. Burns and Mr. Firestone are among those participants who were in the previous program.

### **Perquisites**

The Company periodically reviews the perquisites that named executive officers receive. These perquisites are relatively few in number, and the Committee believes that its policies regarding perquisites are conservative compared to other companies. There are no tax gross-ups paid in connection with these perquisites. (For Mr. Blodgett's perquisites, see the *Executive Compensation Summary for Lynn Blodgett*.) The primary perquisites for named executive officers other than Mr. Blodgett are:

- Financial planning: Solid financial planning by experts reduces the amount of time and attention that named executive officers devote to their finances and maximizes the value of their compensation.
- Health physicals: In 2012, the Committee approved the elimination of the executive annual health physical program effective January 2013.
- Personal use of Company aircraft: For reasons of security and personal safety, the Committee requires Ms. Burns to use the Company aircraft for all travel when feasible. Other executives are allowed personal use of the Company aircraft on a very limited basis, subject to approval of the CEO or CFO.

Other perquisites and personal benefits include:

- Ms. Burns is eligible for home security.
- Mr. Zagalo de Lima receives a car allowance, which is a customary benefit provided to Xerox employees on international assignment.
- As is the case for any employee on international assignment, Mr. Zagalo de Lima is also provided an international assignment allowance. This allowance does not duplicate compensation already being paid (i.e. car allowance).

The total costs to the Company for providing perquisites and personal benefits to the named executive officers during fiscal 2012 are shown in the *Summary Compensation Table*.

### **7. Change-in-Control Severance Benefits**

We have change-in-control severance agreements with Ms. Burns, Mr. Maestri, Mr. Zagalo de Lima and Mr. Firestone. Change-in-control severance arrangements for Mr. Blodgett are separately described in his SEA under the *Executive Compensation Summary for Lynn Blodgett*. We consider these agreements to be in the best interest of our shareholders because they foster the continuous employment and dedication of key management personnel without potential distraction or personal concern if Xerox were to be acquired by another company (change in control). These agreements create appropriate incentives for the named executive officers to facilitate a smooth transition in the best interest of the Company and shareholders by continuing to perform in their roles pending a potential change in control. The Committee periodically reviews change-in-control severance payment amounts against benchmark data to ensure that amounts are consistent with market practices. The agreements for Ms. Burns, Mr. Maestri, Mr. Zagalo de Lima and Mr. Firestone provide:

- A lump sum cash payment equal to 2 times the then-current annual base salary and short-term incentive award target.
- Continuation of specified welfare benefits at active employee rates for a period of 24 months.
- Accelerated vesting of stock awards following a change in control only upon an involuntary termination of employment (other than a termination for cause) or a voluntary termination for good reason (commonly described as "double-trigger vesting upon a change in control").
- Immediate payment of the present value of the accrued non-qualified U.S. pension benefits, as of the date of a change in control, provided the change in control conforms with applicable tax regulations regarding deferred compensation. Payment is made without regard to the plan's requirements for age or years of service. In the event of a change in control that does not conform with deferred compensation regulations, participants will vest in the plan benefits but will receive

payment according to the normal payment provisions of the plans. The Committee views this payment upon a conforming change in control and accelerated vesting upon a nonconforming change in control as appropriate in order to protect the pension benefit that the named executive officer has earned at Xerox.

Due to a phase-out of excise tax gross-ups, effective as of December 31, 2012, we no longer provide excise tax reimbursement. Additional information and the amount of the estimated payments and benefits payable to the named executive officers assuming a change of control of the Company and a qualifying termination of employment as of the last day of fiscal 2012 is presented in the table showing *Potential Payments Upon Termination or Change in Control*. Such payments are not conditioned on any negative covenants (e.g., non-compete and non-solicitation obligations).

#### **NON-QUALIFIED DEFERRED COMPENSATION**

The Deferred Compensation Plan for Executives was frozen in 2002. The amount in this plan for each participant represents balances from deferrals made before 2002. The interest credited under this plan for Ms. Burns was reset effective January 1, 2009, so that there will no longer be any above market interest credited.

#### **EMPLOYMENT AND SEPARATION AGREEMENTS**

The Company does not generally enter into employment agreements with its named executive officers. As a result, these named executive officers serve at the will of the Board of Directors. This policy enables the Company to remove a named executive officer before retirement whenever it is in the best interest of the Company, with full discretion to decide on a severance package for that individual (except for benefits that have vested). When a named executive officer is removed from his or her position, the Committee exercises its business judgment in considering whether or not to approve an appropriate severance arrangement for the individual in light of all relevant circumstances, including but not limited to his or her term of employment, past accomplishments, and reasons for separation from the Company.

The Company's policy in the U.S. generally provides severance for management-level salaried employees who are separated from the Company involuntarily, including named executive officers, only if the individual signs a release of claims against the Company. For separations due to a reduction in force, the amount of severance provided by the policy is equal to the greater of 26 weeks of base pay or the number of weeks of base pay identified in the severance schedule based on years of service. For involuntary separations other than a reduction in force or for cause, severance payments are generally equal to three months of base pay. Officer separation agreements include a non-engagement in detrimental activity agreement. Among other benefits, Mr. Blodgett is currently entitled to the same severance benefits as other Xerox Business Services, LLC (Xerox Services) employees in the U.S. This benefit is based on one week of severance for each year of service with a maximum of 10 weeks of severance. Mr. Blodgett's separation provisions under various potential scenarios are detailed in his SEA. For further information, see the *Executive Compensation Summary for Lynn Blodgett*.

#### **COMPENSATION RECOVERY POLICY ( CLAWBACKS )**

Our separation agreements (described above) include a provision for rescission of the severance payments for engagement in detrimental activity against the Company. In addition, the following plans also provide for compensation recovery.

Under the 2004 Performance Incentive Plan, if the Committee or its authorized delegate deems an employee or former employee, including a named executive officer, to have engaged in detrimental activity against the Company, it will cancel any awards granted to the employee or former employee. In addition, the Committee may rescind any payment or delivery of an equity or annual cash incentive award within six months before the detrimental activity. For awards under the 2004 Performance Incentive Plan, detrimental activity may include, but is not limited to, a violation of a non-compete agreement with the Company, disclosing confidential information, soliciting an employee to terminate employment with the Company or soliciting any customer to reduce its level of business with the Company. In the event of any rescission, the named executive officer will pay the Company the amount of any gain realized or payment received in a manner the Committee or its delegate requires. If the Committee or its delegate determines that the employee or former employee engaged in detrimental activity, it will only result in a cancellation or rescission of an award if the determination is made before a change in control of the Company. Effective beginning with 2011 E-LTIP awards, our award agreements include a clawback



provision that would apply if an accounting restatement is required to correct any material non-compliance with financial reporting requirements. Under this provision, the Company would be able to recover for the three prior years any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement) from executive officers or former executive officers, including named executive officers. The clawbacks will also apply to awards under the Short-Term Incentive Pool.

Under the Unfunded RIGP and the SERP, if an employee or former employee, including a named executive officer, or a surviving beneficiary of a participant is deemed by the Plan Administrator, prior to a change in control of the Company, to have engaged in detrimental activity against the Company, they will not be eligible to receive benefits under these plans.

#### **EXECUTIVE COMPENSATION SUMMARY FOR LYNN BLODGETT**

In connection with the acquisition of ACS, now known as Xerox Services, by Xerox in 2010, an agreement, the SEA, was entered into among Mr. Blodgett, ACS and Xerox. The purpose of the SEA was to settle in all respects the Prior Change of Control Agreement that existed between Mr. Blodgett and ACS. Many of the elements of Mr. Blodgett's compensation are provided under the SEA and may not be comparable to the elements of compensation applicable to other named executive officers that are described elsewhere in this Proxy Statement. The SEA expired in accordance with its terms on February 5, 2013. Mr. Blodgett's future compensation will be determined on the same basis as other Xerox executives. A summary of Mr. Blodgett's compensation, including compensation provided under his SEA, appears below:

Many provisions of the SEA impacting Mr. Blodgett's compensation ended on February 5, 2013.

##### Base Salary

The base salary for Mr. Blodgett will be at the annual rate of \$850,000 and will not be reduced through the third anniversary of the acquisition date (February 5, 2013), subject to his continuous employment with Xerox.

##### Short-Term Incentives

Under Mr. Blodgett's SEA, beginning in 2011 and thereafter, Mr. Blodgett is eligible to participate in the Xerox annual short-term incentive program on the same basis as is generally available to other senior executives of the Company, which means that Mr. Blodgett is entitled to a short-term incentive target of 100% of his base salary.

##### Long-Term Incentives

Mr. Blodgett is eligible to participate in the Xerox long-term incentive program and received a performance share award under our E-LTIP program on July 1, 2012.

##### Xerox Services Savings Plans

**Xerox Services Savings Plan:** The Xerox Services Savings Plan is a defined contribution plan with a 401(k) feature that is offered to all Xerox Services employees in the U.S. Xerox Services previously matched 25% of the first 6% of eligible compensation that an employee contributed to the Xerox Services Savings Plan per year, but suspended the match in January 2009 before restoring the match effective January 1, 2013.

**Xerox Services Supplemental Savings Plan:** Under the Xerox Services Supplemental Savings Plan, Highly Compensated Employees (as defined under the Internal Revenue Code) of Xerox Services, including Mr. Blodgett, are permitted to defer receipt of up to 85% of their base salary, bonus and/or commissions. Xerox Services previously matched 25% of the first 1% of eligible compensation that an employee contributed to the Xerox Services Supplemental Savings Plan per year if he or she was enrolled in the Xerox Services Savings Plan (described above) and his or her contributions to the Xerox Services Savings Plan were limited by the Company. Mr. Blodgett has not elected to save in the Xerox Services Supplemental Savings Plan. The match was suspended in January 2009 and restored effective January 1, 2013.

#### Benefits and Perquisites

For 2010, 2011 and 2012, subject to his continuous employment with the Company, Mr. Blodgett remained on Xerox Services employee benefit and perquisite programs no less favorable in the aggregate than those programs that were in effect on September 27, 2009 (including the Executive Benefit Plan). Had Mr. Blodgett's employment been terminated by Xerox without cause or by Mr. Blodgett for good reason prior to the third anniversary of the acquisition (February 5, 2013), Xerox would have provided medical, dental, life insurance, disability and accidental death and dismemberment benefits at the level provided to active employees at Xerox Services. These benefits would have been provided until the earlier of the third anniversary of the acquisition (February 5, 2013) or the date on which Mr. Blodgett became employed by a new employer (provided that the new employer provided these benefits without a pre-existing condition exclusion or waiting period). A description of the Xerox Services Executive Benefit Plan and perquisites is as follows.

- *Executive Medical Plan.* Under the Executive Medical Plan, which is a fully insured plan of up to \$25,000 per participant, normal and customary medical, dental and vision care costs for executives and their immediate family members are paid by Xerox Services.
- *Executive Long-Term Disability Plan.* Provides additional long-term disability coverage through age 65 for certain executives in addition to the standard policy provided to employees.
- *Prescription Benefit.* Paid prescription coverage up to 100% for certain executives and their immediate family members.
- *Annual Physical Examination.* Reimbursement of up to \$1,000 annually for any physical examination for certain executives and up to \$500 annually for any physical examination for the executive's spouse.
- *Estate Planning Services and Income Tax Preparation.* Up to \$25,000 for initial estate planning services and up to \$10,000 per annum for subsequent services. Up to \$1,500 per annum for income tax preparation services.
- *Club Dues.* Xerox Services pays the annual golf club membership dues for Lynn Blodgett except that Mr. Blodgett is required to pay all costs related to his personal use of the club. Mr. Blodgett did not utilize this perquisite in 2012 for business or personal reasons.

#### Acquisition Benefits

Acquisition Cash Payment: Mr. Blodgett was eligible to receive an acquisition cash payment of \$6,037,958 that was intended to correspond to the amounts due under the ACS Prior Change of Control Agreement. This payment was subject to continued employment with Xerox and was paid as follows:

- 50% upon the second anniversary of the acquisition date (in February 2012)
- 50% upon the third anniversary of the acquisition date (February 5, 2013)

Had Mr. Blodgett's employment been terminated by Xerox without cause or by Mr. Blodgett for good reason or due to death or disability, on or prior to the third anniversary of the acquisition date (February 5, 2013), subject to signing a release of claims, Mr. Blodgett would have been paid an amount equal to any remaining unpaid acquisition cash payments.

*Outstanding ACS Stock Options:* Pre-August 2009 ACS options were fully vested and exercisable and converted into options to acquire Xerox common stock upon completion of the acquisition on February 5, 2010. They remain exercisable in accordance with their terms.

In addition, upon completion of the ACS acquisition, options granted in August 2009 (August 2009 Options) were converted into options to acquire Xerox common stock. The August 2009 Options will continue to vest 1/5 per year commencing with the first anniversary of the date of grant except that if target performance goals (as described below under Performance Share Grant) were cumulatively achieved, any remaining unvested August 2009 Options would have vested on the third anniversary of the acquisition date (February 5, 2013). If Mr. Blodgett's employment had been terminated by Xerox without cause or by Mr. Blodgett for good reason or due to death or disability, all outstanding August 2009 Options would have immediately vested and been exercisable. Per the vesting schedule, 1/5 of his August 2009 Options vested on August 20, 2010, 1/5 vested on August 20, 2011 and 1/5 vested on August 20, 2012.



*Performance Share Grant:* Upon completion of the ACS acquisition, Mr. Blodgett was entitled to a special one-time grant of performance shares. Payout of these performance shares is based on achievement of performance goals established on an annual basis for each of the three years in the performance period of 2010 through 2012. These shares are not subject to ownership requirements. The aggregate number of shares that may be delivered based on achievement of performance goals was determined on the date of grant and is equal in value to:

- threshold 50% of base salary (\$425,000);
- target 100% of base salary (\$850,000); and
- maximum 200% of base salary plus 50% of the value of the August 2009 Options (\$4,353,500).

The performance metrics are based on expected Xerox Services earnings, which reflect the revenue and cost synergies that were estimated when Xerox acquired Xerox Services, including certain post-acquisition adjustments and combined company synergies. The performance metrics assume a year-over-year growth in Xerox Services earnings of approximately 26%. Based on performance results over the three year performance period, maximum shares were earned for 2010 performance results and no shares were earned for 2011 and 2012 performance results.

Subject to continued employment, the third anniversary of the grant date is the vesting date, subject to certification of performance results by the Committee.

*Gross-up:* If any payment, benefit or distribution in connection with this SEA (excluding the 2010 E-LTIP grant) is determined to be subject to excise tax and any interest or penalties incurred with respect to such excise tax (collectively referred to as the Excise Tax), Mr. Blodgett will be entitled to receive an additional payment (a gross-up payment) equal to the Excise Tax and any income taxes imposed as a result of the gross-up payment. Upon entering into the SEA, Mr. Blodgett agreed to be bound by confidentiality, invention assignment, non-competition and non-solicitation covenants.

#### **CERTAIN TAX IMPLICATIONS OF EXECUTIVE COMPENSATION**

Section 162(m) of the Internal Revenue Code limits to \$1 million per year the federal income tax deduction to public corporations for compensation paid for any fiscal year to the corporation's CEO and certain other named executive officers (excluding the CFO) included in the *Summary Compensation Table* in the Company's Proxy Statement. This limitation does not apply to qualifying performance-based compensation.

The Company's shareholder-approved 2004 Performance Incentive Plan permits the Committee to grant awards that are intended to satisfy the requirements for deductibility of compensation paid to named executive officers who are subject to Section 162(m) as performance-based compensation. The Committee paid short-term incentives to the named executive officers for 2012 from a Short-Term Incentive Pool established early in 2012 under the 2004 Performance Incentive Plan. The pool was funded by 2% of the Performance Profit achieved during the year. The purpose of the pool was to ensure that short-term incentives paid to named executive officers and certain other executive officers were performance-based and provided under a shareholder approved plan, and therefore fully tax deductible and subject to compensation recovery provisions.

It is the Company's goal to have certain compensation paid to its top officers qualify as tax deductible for federal tax purposes under Section 162(m) of the Internal Revenue Code. However, the Committee also believes it is appropriate to provide competitive compensation opportunities even though all compensation paid may not be fully tax deductible in any given year. Any such short-term incentive that the Committee believes would not qualify under Section 162(m) will be paid outside of the Short-Term Incentive Pool and therefore outside of the 2004 Performance Incentive Plan.

Some compensation paid to named executive officers in 2012 did not meet the requirements of Section 162(m), to the extent that non-performance based compensation exceeded \$1 million for any named executive officer. Perquisite compensation, such as personal use of aircraft, is also not tax deductible as performance-based compensation. Vested E-LTIP performance share awards and exercised stock options are intended to be fully tax-deductible compensation under Section 162(m).

## **ACCOUNTING IMPLICATIONS OF EXECUTIVE COMPENSATION**

Base salaries and short-term incentives are expensed over the period in which they are earned. As such, the 2012 short-term incentive award, which was earned during 2012, and paid in early 2013, is recorded during fiscal year 2012.

The long-term incentives used to reward named executive officers have been comprised of equity-based performance shares and restricted stock units.

Performance shares are recorded according to FASB ASC Topic 718, Compensation - Stock Compensation, which states that the performance shares should be measured at fair value on the date of grant and expensed during the requisite service period for those performance shares that are expected to vest. The requisite service period for these performance shares matches the vesting period and is typically three years from the date of grant. At each reporting date, the Company evaluates the total number of performance shares that it expects to vest, including those awarded to named executive officers, taking into account estimated forfeitures and the probability of achieving or exceeding the stated performance targets associated with the grant. Compensation expense is recorded for those shares expected to vest over the vesting period. If the number of shares expected to vest changes, a cumulative adjustment is recorded at the time, taking into account the service period already elapsed.

Compensation expense is based upon the grant date market price for most RSU awards and a Monte Carlo simulation pricing model for a fiscal 2009 RSU grant that included a market condition. The expense is recorded over the vesting period, which ranges from three to five years from the date of grant.

The classification of the expense associated with these performance shares and restricted stock units in the Statement of Income follows the same classification of the salary and short-term incentive award for the executives. The expense associated with these shares is not capitalized and is primarily classified within Selling, Administrative and General Expense.

Our qualified and non-qualified pension plans are accounted for according to FASB ASC Topic 715, Compensation - Retirement Benefits. The interest credited on non-qualified deferred compensation balances is expensed as incurred. These costs are primarily classified as Selling, Administrative and General Expenses in our consolidated financial statements.

## ***REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS***

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the management of the Company. Based upon its review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 and be included in the Proxy Statement for the 2013 Annual Meeting of Shareholders.

Glenn A. Britt, Chairman  
Robert J. Keegan  
Robert A. McDonald

**SUMMARY COMPENSATION TABLE**

The *Summary Compensation* Table below provides compensation information for the Chief Executive Officer, the Chief Financial Officer and the next three most highly compensated executive officers (collectively referred to as named executive officers) who served during the fiscal year ended December 31, 2012. The table includes the dollar value of base salary earned, bonus, stock awards, non-equity incentive plan compensation earned, change in pension value and non-qualified deferred compensation (NQDC) earnings, and all other compensation, whether paid or deferred.

**SUMMARY COMPENSATION TABLE**

Name & Principal Position	Year	Salary (\$ (A))	Bonus (\$ (B))	Stock Awards (\$ (C))	Option Awards (\$ (D))	Non-Equity Incentive Plan Compensation (\$ (E))	Change in Pension Value and NQDC Earnings (\$ (F))	All Other Compensation (\$ (G))
Ursula M. Burns Chairman and Chief Executive Officer	2012	1,100,000		7,750,006		1,072,500	3,093,779	53,960
	2011	1,100,000		7,500,106		990,000	3,188,964	123,537
	2010	1,050,000		7,500,009		1,693,125	2,584,458	391,716
Luca Maestri* Executive Vice President and Chief Financial Officer	2012	698,000	700,000	3,500,010		544,440		10,862
	2011	568,750	600,000	1,800,030		341,250		34,707
Lynn R. Blodgett Executive Vice President; President, Xerox Services	2012	850,000		3,000,005		663,000		3,048,944
	2011	833,654		2,500,035		500,192		27,489
	2010	751,623		2,850,078		1,615,989		834,767
Armando Zagalo de Lima Executive Vice President; President, Xerox Technology	2012	698,896		3,000,013		454,282	1,071,216	1,835,521
	2011	718,916		2,500,035		416,971	322,400	1,470,905
	2010	689,207		3,000,067		769,382	718,274	1,196,526
James A. Firestone Executive Vice President; President, Corporate Operations	2012	714,000		2,500,008		464,100	1,283,933	33,946
	2011	714,000		2,500,035		428,400	1,023,015	30,251
	2010	714,000		2,300,075		767,550	856,809	153,573

\* In January 2013, Mr. Maestri announced his intention to step down from his position of Executive Vice President and Chief Financial Officer effective February 28, 2013.

Compensation reported in this table is in U.S. dollars and rounded to the nearest dollar. Mr. Zagalo de Lima's salary and change in pension value during 2012 were based on amounts in euros but were paid in U.S. dollars. The dollar value of his salary for the period from January through June was calculated using an exchange rate of 1.3637 dollars per euro. His salary for the period from July through December was calculated using an exchange rate of 1.3399 dollars per euro. The exchange rate used to calculate his change in pension value is disclosed in footnote (F) below.

- (A) Amounts shown represent base salary paid in 2012. Mr. Maestri received a base salary increase of 9.85% effective April 1, 2012. For Mr. Blodgett, the difference in the year over year salary is due to a reduction in his 2011 salary by the equivalent of one week's pay in connection with one week furloughs for certain Xerox Services employees during 2011. The difference in the year over year salary of Mr. Zagalo de Lima is due to the change in currency conversion rates between 2011 and 2012.
- (B) The Annual Performance Incentive Plan (APIP) awards appear as Non-Equity Incentive Plan Compensation in column (E). For Mr. Maestri, the award presented in this column represents a \$700,000 cash sign-on bonus approved by the Board of Directors as part of his new hire package and to replace certain

compensation that he would have received from his previous employer. This payment was the second installment of a \$1,900,000 total payment which was to be paid over three years unless Mr. Maestri resigned or was terminated for cause prior to the payment date.

- (C) The data presented in this column reflects the aggregate grant date fair value of equity awards made to our named executive officers in 2012. Three-year performance share awards under the Executive Long-Term Incentive Program (E-LTIP) were granted on July 1, 2012 as follows: Ms. Burns - \$7,750,006; Mr. Maestri - \$3,000,005; Mr. Blodgett - \$3,000,005; Mr. Zagalo de Lima - \$2,500,008; and Mr. Firestone - \$2,500,008. The number of performance shares at target was determined based on the market closing price of Xerox Common Stock on July 1, 2012 of \$7.87. The grant date fair value of these awards if paid at maximum performance is as follows: Ms. Burns - \$11,625,009; Mr. Maestri - \$4,500,007; Mr. Blodgett - \$4,500,007; Mr. Zagalo de Lima - \$3,750,012; and Mr. Firestone - \$3,750,012. In addition, the Committee approved special RSU retention awards for Mr. Maestri, for the significant value he brought to the CFO role early on, and for Mr. Zagalo de Lima, in recognition of his expanded role. These retention awards were granted on July 1, 2012 with a grant date value of \$500,005 each. The number of RSUs was determined based on the market closing price of Xerox Common Stock on July 1, 2012 of \$7.87.

Performance share awards under our E-LTIP program have three-year vesting periods. The realized value when vested may differ significantly from the grant date value, depending on the price of our common stock on the vesting date and on how Xerox performs against the established performance measures. The table below illustrates the difference between the grant date value of equity awards at target for Ms. Burns, as shown in this column, and the value of these awards based on our stock price of \$6.82 at the end of 2012.

GEO Performance Share Awards: Value as of 12/31/2012 vs. Grant Date Value

Grant Date	Threshold Payout (#)	Target Payout (#)	Maximum Payout (#)	Performance Period	Vesting Date	Actual Shares That Will Vest*	Grant Date Value (\$)	Value as of 12/31/12 (\$)	Difference Between Grant Date
									and 12/31/12 Value
7/1/2010	94,103	941,030	1,411,545	3 years	7/1/2013	1,409,663	\$7,500,009	\$9,613,902	28%
7/1/2011	11,672	700,290	1,050,435	3 years	7/1/2014	TBD	\$7,500,106	\$4,775,978	-36%
7/1/2012	32,825	984,753	1,477,130	3 years	7/1/2015	TBD	\$7,750,006	\$6,716,015	-13%

\* Payout for the 2010 award is based on actual performance results for the three-year vesting period. Payout for the 2011 and 2012 awards is shown at target because the actual payout has not yet been determined. For further information on these equity awards, see the *Long-Term Incentives* section in the Compensation Discussion and Analysis and the *Grants of Plan-Based Awards* table.

- (D) There have been no stock options granted by the Company since 2004.
- (E) The 2012 Non-Equity Incentive Plan payments were approved by the Committee in February 2013 under APIP for 2012 performance. The performance metrics, as described in the *Short-Term Incentives* section of the Compensation Discussion and Analysis, were set by the Committee on February 22, 2012. Actual 2012 full year payments were made at 65% of target for Ms. Burns, Mr. Zagalo de Lima, and Mr. Firestone and at 78% of target to Mr. Blodgett and Mr. Maestri. For more information, see the *Short-Term Incentives-2012 Performance* section in the Compensation Discussion and Analysis.
- (F) The increase in pension value shown in this column is calculated by determining the increase in the present value of the benefits during 2012. The change in the present value of the accrued pension benefits is impacted by an additional year of service, age and compensation; and impacted by changes in the discount rate used in the present value calculation. The present value is computed using the FASB ASC Topic 715 assumptions in effect on December 31 and assuming the benefit commences at the earliest retirement date at which unreduced benefits are payable under the Unfunded Supplemental Executive Retirement Plan (age 60 for both Ms. Burns and Mr. Firestone). These assumptions include a discount rate of 3.65%

for RIGP and 3.95% for SERP as of December 31, 2012. For the Xerox International Pension Plan, the benefit is calculated at the earliest unreduced retirement age for Mr. Zagalo de Lima of age 55 and based on a discount rate of 2.50% as of December 31, 2012. For purposes of the Change in Pension Value for Mr. Zagalo de Lima whose pension is denominated in euros, the reported amount is the difference between the value as of December 31, 2012 converted to U.S. dollars at a December 31, 2012 exchange rate, and the value as of December 31, 2011 converted to U.S. dollars at a December 31, 2011 exchange rate. These exchange rates are 1.3214 dollars per euro and 1.2961 dollars per euro, respectively.

Ms. Burns is the only named executive officer who has a non-qualified deferred compensation balance in the Deferred Compensation Plan for Executives. There is no above market interest credited on this non-qualified deferred compensation balance. The interest rate credited under this plan for Ms. Burns was reset effective January 1, 2009 so that there will no longer be any above market interest credited.

- (G) This column represents perquisites and personal benefits and other compensation not reportable elsewhere in this table. Perquisites and personal benefits include compensation related to personal use of Company aircraft, financial planning, executive physicals, home security for the Chief Executive Officer and other incidental benefits. Amounts for Mr. Zagalo de Lima also include his car allowance and international assignment allowance. Other compensation reflected in this column includes incidental tax-related reimbursements, Company-paid premiums for the Xerox Universal Life Plan (XUL), and, if eligible, the Company match under the Company's 401(k) savings plan. Also included in this column is the first half of Mr. Blodgett's acquisition cash payment paid to him on the second anniversary of the acquisition date (February 5, 2012) in accordance with the SEA.

The table below provides additional data on the amounts included under the "All Other Compensation" column.

Name	Year	Personal Use of the		Life Insurance		401(k)		Dividend		Total All Other Compensation
		Company Aircraft	Car Allowance	International Assignments	Paid by Registrant	Tax Related Reimbursements	Company Match	Equivalent	Miscellaneous	
		(\$ (1))	(\$ (2))	(\$ (3))	(\$ (4))	(\$ (4))	(\$ (5))	(\$ (6))	(\$ (6))	(\$)
U. M. Burns	2012	21,250			22,350		3,750		6,610	53,960
	2011	45,994			21,685	16,489	3,675		35,694	123,537
	2010	64,040			20,569	6,354	3,675	272,058	25,020	391,716
L. Maestri	2012				3,362		7,500			10,862
	2011				2,005	3,273	7,350		22,079	34,707
L. R. Blodgett	2012				4,128				3,044,816	3,048,944
	2011	3,120			4,128				20,241	27,489
	2010				3,784			33,809	797,174	834,767
A. Zagalo de Lima	2012		26,829	441,896		1,366,496			300	1,835,521
	2011		26,829	498,331		945,045			700	1,470,905
	2010		26,321	571,992		549,426		41,918	6,870	1,196,526
J. A. Firestone	2012				27,271		3,750		2,925	33,946
	2011				26,576		3,675			30,251
	2010				26,018		3,675		2,825	32,518

- (1) For reasons of security and personal safety, the Company requires the CEO to use Company aircraft for all air travel when possible. The compensation value of personal Company aircraft usage is calculated at the aggregate incremental cost to the Company, which includes primarily the cost of fuel, trip-related service and maintenance, and travel expenses of the flight crew and other contract personnel. Compensation value includes costs associated with deadhead legs. On certain occasions, family members and non-business related passengers may accompany an executive on a business flight. In such situations, a de minimus amount of aggregate incremental cost is incurred by the Company.



- (2) All management level employees in Xerox Europe have the option of either receiving a company car or an equivalent cash allowance. Mr. Zagalo de Lima elected to receive a cash allowance. When Mr. Zagalo de Lima transferred to the U.S. on international assignment, his car allowance continued. This is a standard practice for international assignees from Xerox Europe.
- (3) Mr. Zagalo de Lima is a citizen of Portugal and worked in the United States in 2012, 2011 and for a part of 2010. Included in this column are contributions to a funded account delivering the same value as contributions to the Portuguese social security system that are not permitted during periods of non-Portugal residence (\$190,018) which are converted from euros to U.S. dollars based on the same exchange rates as his base salary as disclosed in footnote 2 under the *Summary Compensation Table*. Also included here are Mr. Zagalo de Lima's international assignment allowances which include the following standard expatriate payments: housing allowance (\$132,870), which is given to employees to cover the cost of housing in the host country; host country cost of living allowance (\$45,407), which is given to employees to cover the cost of living differences between the home country and the host country; home maintenance allowance (\$22,364), which is given to employees to cover the cost of maintaining a home country residence; and home leave allowance (\$35,267). In addition, Mr. Zagalo de Lima received a foreign service premium (\$15,970) as part of his international assignment allowance.
- (4) Mr. Zagalo de Lima's tax related reimbursements are covered under the Xerox international assignment policy. According to the policy, Mr. Zagalo de Lima is responsible for paying taxes on salary, short-term and long-term incentive awards and other compensation, but only up to the level he was paying in his home country of Portugal, capped at a maximum tax rate of 40%. The tax reimbursement is the difference between what was deducted from his pay using a hypothetical tax rate for his home country and what was paid in the host country.
- (5) In accordance with applicable SEC rules, dividend equivalents paid in 2012 and 2011 on restricted stock units and performance shares are not included in the All Other Compensation column because those amounts were factored into the grant date fair values.
- (6) Amounts in this column may include financial planning, executive physicals, home security for the Chief Executive Officer, medical benefits for Mr. Blodgett under the SEA, and other incidental benefits. Also included in this column is a \$3,018,979 payment to Mr. Blodgett which represents the first half of Mr. Blodgett's acquisition cash payment paid to him on the second anniversary of the ACS acquisition date (February 5, 2012) in accordance with the SEA. For further information on this payment, see the *Executive Compensation Summary for Lynn Blodgett* section in the Compensation Discussion and Analysis.

For further information on the components of the executive compensation program, see the Compensation Discussion and Analysis.

**GRANTS OF PLAN-BASED AWARDS IN 2012**

The following table provides additional detail for each of the named executive officers on potential amounts payable under the short-term incentive plan (APIP) and the long-term incentive plan (E-LTIP) as presented in the *Summary Compensation Table*. Threshold, target and maximum award opportunities are provided.

**GRANTS OF PLAN-BASED AWARDS IN 2012**

Name	Grant Date (A)	Date of Action (A)	Estimated Future Payout Under Non-Equity Incentive Awards (B)			Estimated Future Payout Under Equity Incentive Awards (C)			All Other Stock Awards: Number of Shares or Stock Units (#) (D)	Grant Date Value (E)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
U. M. Burns	7/1/12	2/22/12	165,000	1,650,000	3,300,000	32,825	984,753	1,477,130	7,750	
L. Maestri	7/1/12	2/22/12	69,800	698,000	1,396,000	12,707	381,195	571,793	3,000	
L. R. Blodgett	7/1/12	2/22/12	85,000	850,000	1,700,000				63,533	
A. Zagalo de Lima	7/1/12	2/22/12	69,890	698,896	1,397,792	12,707	381,195	571,793	500	
J. A. Firestone	7/1/12	2/22/12	71,400	714,000	1,428,000	10,589	317,663	476,495	2,500	
	7/1/12	2/22/12				10,589	317,663	476,495	500	

- (A) The Grant Date is the effective date of the E-LTIP stock awards. The Date of Action is the date the Committee approved the value of the E-LTIP awards.
- (B) This column reflects the threshold, target and maximum payout opportunity under the 2012 APIP set by the Committee on February 22, 2012. The actual APIP payout, which was based on 2012 performance and paid in April 2013, is presented in the *Summary Compensation Table* in column (E). The APIP measures and weightings for 2012 were adjusted earnings per share (40%), operating cash flow (40%) and revenue growth (at constant currency) (20%). Threshold payout was determined based on only achieving the revenue growth performance measure. If threshold performance is not achieved on any of the performance measures, there will be no APIP payout. See the *Summary Compensation Table*, footnote (E), for additional information regarding the actual payout of these awards.
- (C) The threshold, target and maximum payout opportunity under E-LTIP is presented in this column. The value of stock awards and the methodology for determining the number of shares were approved by the Committee on February 22, 2012. Three-year E-LTIP performance share awards were granted on July 1, 2012 to Ms. Burns, Mr. Maestri, Mr. Blodgett, Mr. Zagalo de Lima and Mr. Firestone. The number of performance shares at target for these awards was determined by dividing the approved values of the respective awards by the closing stock price on the grant date and rounding the number of shares up to the nearest share. The July 1, 2012 closing stock price was \$7.87.

Performance shares under the E-LTIP can be earned by achieving annual performance targets between threshold and maximum for revenue growth and by achieving annual and/or three-year cumulative performance targets between threshold and maximum for adjusted earnings per share and for operating cash flow. The performance period is January 1, 2012 through December 31, 2014. Performance shares that are earned vest on July 1, 2015. The performance measures are weighted as follows: revenue growth - 20%; adjusted earnings per share - 40%; and operating cash flow - 40%. The threshold is based on the minimum number of performance shares earned if the annual performance is achieved at the minimum level.



for revenue growth in only one of the three years. If threshold performance is not achieved on any of the performance measures, no performance shares will be earned. Target reflects the number of performance shares earned if target performance is achieved on all performance measures. Maximum describes the greatest number of performance shares that can be earned if maximum or higher performance is achieved on all performance measures. The number of performance shares earned will be interpolated in the event that the Company's performance varies between threshold and maximum, as determined by the Committee. See footnote (C) to the *Summary Compensation Table* for additional information on these equity awards.

- (D) This column includes three-year restricted stock unit retention awards to Mr. Maestri, for the significant value he brought to the CFO role early on, and to Mr. Zagalo de Lima, in recognition of his expanded role, as approved by the Committee on February 22, 2012 and granted on July 1, 2012.
- (E) The value reported in this column with respect to the equity incentive awards reported in column (C) is based upon the target award and the grant date closing stock price noted above in footnote (C). This value is recorded over the requisite serviced period as required by FASB ASC Topic 718.

**OUTSTANDING EQUITY AWARDS AT 2012 FISCAL YEAR-END**

The following table displays outstanding option awards and unvested stock awards held by each of the named executive officers at the end of fiscal year 2012. Included is the number of shares underlying exercisable and unexercisable options, the exercise price and expiration date for all outstanding option awards and the number and market value for all unvested stock awards.

**OUTSTANDING EQUITY AWARDS AT 2012 FISCAL YEAR-END**

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options Exercisable (#) (A)	Number of Securities Underlying Unexercised Options Unexercisable (#) (A)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (B)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (B)	(#) (C)	(C)
U. M. Burns					654,755	4,465,429	1,971,318	13,444,389
L. Maestri*					100,223	683,521	512,575	3,495,762
L. R. Blodgett	708,528		\$7.3300	7/30/2014	356,128	2,428,793	714,228	4,871,035
	425,117		\$8.3500	7/9/2017				
	556,841		\$7.1000	8/15/2017				
	895,517	850,235	\$6.3300	8/20/2019				
A. Zagalo de Lima					403,079	2,748,999	587,967	4,009,935
J. A. Firestone					216,212	1,474,566	617,245	4,209,611

\* As a result of Mr. Maestri's separation on February 28, 2013, all his stock awards have been cancelled.

(A) All stock options are 100% vested and exercisable with the exception of Mr. Blodgett's 850,235 ACS stock options that were converted to Xerox stock options upon the ACS acquisition and will become exercisable in equal increments on August 20<sup>th</sup> of 2013 and 2014 pursuant to the terms of his SEA. There have been no stock options granted by the Company since 2004.

- (B) The awards presented in these columns include earned, unvested (as of December 31, 2012) performance share awards granted on the following dates: on February 5, 2010 to Mr. Blodgett which was a special one-time performance share award in connection with the ACS acquisition (which vested on February 5, 2013);

on July 1, 2010 and on July 1, 2011 to each of the named executive officers which will vest on July 1, 2013 and July 1, 2014, respectively, under E-LTIP. Also included are unvested restricted stock units granted by the Company on the following dates: on March 1, 2010 (which vested on March 1, 2013) for Mr. Firestone; on July 1, 2010, which will vest on January 1, 2014 for Mr. Zagalo de Lima; and on July 1, 2012, which will vest on July 1, 2015 for Mr. Maestri and Mr. Zagalo de Lima. The value of these awards is based on the market closing price of Xerox Common Stock of \$6.82 as of December 31, 2012.

- (C) The awards presented in these columns consist of unearned, unvested (as of December 31, 2012) performance shares at target granted under the E-LTIP on July 1, 2010, July 1, 2011 and July 1, 2012. The performance period for the 2010 grant was January 1, 2010 through December 31, 2012. The performance period for the 2011 grant is January 1, 2011 through December 31, 2013. The performance period for the 2012 grant is January 1, 2012 through December 31, 2014. Also included is Mr. Blodgett's special one-time performance share award granted on February 5, 2010 in connection with the ACS acquisition. The performance period was February 6, 2010 through December 31, 2012. The value of these grants is based on the market closing price of Xerox Common Stock of \$6.82 as of December 31, 2012.

For purposes of this table, all shares that were unearned as of December 31, 2012 are reported in column (C).

As determined by the Committee in February 2013, each named executive officer earned 33.33% of his or her 2010 performance share award based on 2012 annual performance results as follows: Ms. Burns 313,677 shares; Mr. Blodgett 83,650 shares; Mr. Zagalo de Lima 62,737 shares, and Mr. Firestone 83,650 shares. An additional 63.14% of this award was earned for three-year cumulative performance as follows: Ms. Burns 594,104 shares, Mr. Blodgett 158,433 shares, Mr. Zagalo de Lima 118,824 shares, and Mr. Firestone 158,433 shares. These 2010 earned performance shares will vest on July 1, 2013.

As determined by the Committee in February 2013, based on 2012 performance results, no shares were earned for the 2011 performance share award.

Also based on 2012 performance results, the Committee determined in February 2013 that each named executive officer earned 13.33% of his or her 2012 performance share award as follows: Ms. Burns 131,300 shares; Mr. Maestri 50,826 shares; Mr. Blodgett 50,826 shares, Mr. Zagalo de Lima 42,355 shares; and Mr. Firestone 42,355 shares. These 2012 earned performance shares will vest on July 1, 2015.

Based on 2012 performance results for Xerox Services, Mr. Blodgett did not earn performance shares for 2012 performance under his special one-time acquisition grant. See the *Executive Compensation Summary for Lynn Blodgett* in the Compensation and Discussion Analysis for further information on this award.

**OPTION EXERCISES AND STOCK VESTED IN 2012**

The *Option Exercises and Stock Vested* table shows amounts realized by the named executive officers on options that were exercised and stock awards that vested during 2012.

**OPTION EXERCISES AND STOCK VESTED IN 2012**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (A)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) (B)	Value Realized on Vesting (\$ (C)
U. M. Burns			1,444,696	11,450,958
L. Maestri				
L. R. Blodgett				
A. Zagalo de Lima			150,111	1,181,374
J. A. Firestone			461,409	3,663,489

- (A) Only Mr. Blodgett had outstanding stock options as of year-end 2012. He did not exercise any of his options during the year.
- (B) Shares shown in this column include stock awards that vested under the 2009 E-LTIP. Also shown in this column are RSU retention awards that were granted in 2007 and vested in 2012 for Ms. Burns and Mr. Firestone. All awards granted under the 2007 and 2009 E-LTIP are subject to a holding period. Executives must retain 50% of net shares for the later of one year or until they achieve their required ownership level.
- (C) The aggregate dollar amount realized upon vesting includes the value of shares withheld to pay taxes.

**PENSION BENEFITS FOR THE 2012 FISCAL YEAR**

The *Pension Benefits* table below reflects the actuarial present value for the named executive officers' total accumulated benefit as of December 31, 2012 under the pension plans in which they participate. Mr. Zagalo de Lima's benefit is based on a December 31 measurement date and a conversion from euros to U.S. dollars at an exchange rate on December 31, 2012 of 1.3214 U.S. dollars per euro. See the *Pension Plans* section of the Compensation Discussion and Analysis for a description of the U.S. and International pension plans.

**PENSION BENEFITS FOR THE 2012 FISCAL YEAR**

Name	Plan Name (A)	Number of Years of Credited Service (B)	Present Value of Accumulated Benefit (\$) (C)	Payments During Last Fiscal Year (\$)
U. M. Burns	Retirement Income Guarantee Plan	31.5	1,032,780	
	Unfunded Supplemental Executive Retirement Plan	31.5	13,089,969	
L. Maestri				
L. R. Blodgett				
A. Zagalo de Lima	Xerox International Pension Plan	30	7,108,442	
J. A. Firestone	Retirement Income Guarantee Plan	14.5	508,881	
	Unfunded Supplemental Executive Retirement Plan	14.5	4,865,334	

- (A) Pension benefits are provided to the named executive officers under the Retirement Income Guarantee Plan (RIGP), the Unfunded Retirement Income Guarantee Plan (Unfunded RIGP), the Unfunded Supplemental Executive Retirement Plan (SERP) and, for Mr. Zagalo de Lima, the Xerox International Pension Plan. For named executive officers qualifying for SERP benefits, the Unfunded RIGP benefit is included in the SERP benefit. The Unfunded RIGP benefit would only come into play on a stand-alone basis should these named executive officers leave Xerox before qualifying for the SERP.

- (B) All calculations are based on actual pay.  
The benefit formulas and assumptions used to calculate these estimates are as follows:

*U.S. Pension Plans*

The pay used to calculate the RIGP, Unfunded RIGP and SERP benefits is base pay plus actual short-term incentive payment (incentive payment is considered for the calendar year in which it is paid). The present value of the accumulated benefit is the present value of the benefit payable at the earliest unreduced retirement age (60 for Ms. Burns and Mr. Firestone) based on the following assumptions: all participants are assumed to elect a lump sum from RIGP; SERP benefits which are not available as lump sums are assumed to be paid as 50% Joint and Survivor annuities; pre-retirement FASB ASC Topic 715 discount rate of 3.65% for RIGP and 3.95%

for SERP; no pre-retirement mortality or turnover assumed; post-retirement FASB ASC Topic 715 discount rate of 3.95% (4.95% for RIGP lump sums); post-retirement mortality for RIGP lump sums is based on the Applicable Mortality table, as defined for lump sum calculations under section 417(e) of the Internal Revenue Code. The Applicable Mortality table is defined for years up to and including 2013, and for subsequent years, the assumption is that the IRS will continue to apply the same mortality improvements as they did to get from the 2012 to 2013 table in each future year. The RP 2000 Mortality table with projection to year of payment is used for annuitant mortality for purposes of SERP benefits. Although all of the pension plans do not provide unreduced benefits at the ages previously noted, the SERP supplements these other pension plans to deliver an overall unreduced retirement benefit at these ages. Therefore, age 60 is the earliest unreduced retirement age for SERP participants.

RIGP benefits are determined as the greater of a Highest Average Pay formula benefit (1.4% of highest five-year average pay multiplied by benefit service of up to 30 years), a Cash Balance Retirement Account and a retirement account that was transferred to RIGP in 1990. Early retirement benefits under RIGP are available for employees who leave Xerox at age 55 with 10 years of service or later and the Highest Average Pay formula is reduced from age 65 (age 62 with 30 years of service) at 5% per year. Mr. Firestone is currently eligible for early retirement. The RIGP benefits are generally based on total pay, subject to IRS limits on the compensation that can be reflected in a qualified plan.

Unfunded RIGP benefits are generally determined under the same terms as the RIGP benefit except the pay used in the Highest Average Pay formula is not subject to IRS limits and in years in which pay was deferred under the Deferred Compensation Plan for Executives, this deferred compensation was included for the year it was deferred. Unfunded RIGP also provides for an Unfunded RIGP Cash Balance Retirement Account (CBRA). This Unfunded RIGP CBRA provides pay credits on pay in excess of the IRS limits for years 2003 and later and interest on these pay credits while the Highest Average Pay formula reflects all years of service. The purpose of Unfunded RIGP is to replace benefits that cannot be provided in RIGP due to IRS compensation limits.

SERP benefits are determined under a different formula than RIGP and with the same pay used for Unfunded RIGP. SERP benefits reflect base pay plus short-term incentive (not subject to any limits) and are determined under a formula that provides a benefit of 1-2/3% of five-year Highest Average Pay less 1-2/3% of Social Security multiplied by benefit service of up to 30 years. This basic formula is subject to the following adjustments: SERP participants are entitled to a minimum benefit of 25% of Highest Average Pay less 25% of Social Security. A total benefit is determined by the SERP formula. The total benefit is offset by the RIGP benefit and the remaining benefit is paid from the SERP and referred to as the SERP benefit.

The named executive officers covered by the SERP are eligible to commence SERP benefits upon retirement (with a 6 month delay) on or after the attainment of age 60 with 10 years of service. SERP benefits that commence at these ages are not reduced for early commencement. The SERP was originally designed to permit executive officers to retire with unreduced benefits at age 60 (instead of the age 62 with 30 years of service or the age 65 provisions in RIGP).

Effective December 31, 2012, all future accruals under RIGP, Unfunded RIGP and SERP were frozen and no future benefits will be accrued.

#### *International Pension Plan*

Mr. Zagalo de Lima is a citizen of Portugal. He had been on international assignment in the United Kingdom and currently is on international assignment in the United States. He is not covered by qualified and non-qualified plans in the U.S. and does not have local retirement plans (other than Portuguese social security and an arrangement to deliver the value of social security contributions for periods in which they cannot be made due to residency issues; this arrangement is referred to as his social security replacement benefits). The Xerox International Pension Plan provides benefits for Mr. Zagalo de Lima to supplement these Portuguese social security and social security replacement benefits. The pay used to calculate the Xerox International Pension Plan benefit is 146% of his base pay if he retires after age 55 but before age 58 and 166% of his base pay if he retires at or after age 58. The Plan formula targets a total retirement income of 60% of pay before age 65 and 70% of pay after age 65 when combined with the Portuguese social security benefits and social security



replacement benefits. These benefits are funded and the Plan assets are accumulated in an insurance contract. If the Plan assets as of retirement exceed the value of the formula benefit (the formula benefit is net of the Portuguese social security benefits and social security replacement benefits), the Plan assets will be distributed in lieu of any other benefits under the Xerox International Pension Plan. If the formula benefit exceeds the value of Plan assets, the Plan assets will be distributed and a single sum payment for the excess will be paid by Xerox. As of December 31, 2012, the value of the formula benefit exceeded the value of his Plan assets. International Pension Plan benefits for Mr. Zagalo de Lima are paid as a lump sum; ASC Topic 715 discount rate of 2.50% is used with no pre-age 65 mortality and with post-age 65 mortality in accordance with the RP 2000 Mortality table with projection to year of payment, and no turnover is assumed.

**NON-QUALIFIED DEFERRED COMPENSATION FOR THE 2012 FISCAL YEAR**

The Non-Qualified Deferred Compensation table discloses named executive officer withdrawals and earnings, if any, and fiscal year end balances under the Xerox Corporation Deferred Compensation Plan for Executives.

<b>Name</b>	<b>Executive Contributions in Last FY (\$ (A))</b>	<b>Registrant Contributions in Last FY (\$ (A))</b>	<b>Aggregate Earnings in Last FY (\$ (B))</b>	<b>Aggregate Withdrawals/ Distributions (\$)</b>	<b>Aggregate Balance at Last FYE (\$)</b>
U. M. Burns			12,277		388,982
L. Maestri					
L. R. Blodgett					
A. Zagalo de Lima					
J. A. Firestone					

Interest is calculated at the Prime Rate which was not above 120% of the applicable long term rate at the time this rate was established.

- (A) The Deferred Compensation Plan for Executives was frozen in 2002. Deferrals into the plan have not been permitted since 2001.
- (B) No portion of the amount shown for 2012 under Aggregate Earnings in the Last Fiscal Year for Ms. Burns is reported in the *Summary Compensation Table* as above market interest.

Previously, the plan allowed for the deferral of base salary (up to 50%) and short-term incentive and performance units (up to 100%) as long as the compensation would have been payable in cash if not deferred. Participants were required to elect the percentage to be deferred, the investment applicable to the amount deferred and the method of payment. Payments to Ms. Burns, based on her elections, will commence in the year of retirement (or year following if retirement is after July 1) and will be paid annually for 5 years. Under this plan, there is also an opportunity for in-service hardship withdrawals if approved by the Chief Executive Officer (or by the Board of Directors in the case of a request by the Chief Executive Officer). In the event of a Change in Control, deferred compensation balances will be paid out in a lump sum.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to named executive officers in the event of a termination of employment or a change in control. The amount of compensation payable to each named executive officer in each situation effective December 31, 2012 is listed in the table below. The equity awards presented in this table reflect grants not vested as of December 31, 2012 and are based on the market closing price of Xerox Common Stock of \$6.82 as of December 31, 2012. For Mr. Zagalo de Lima, the conversion to dollars is based on an exchange rate on December 31, 2012 of 1.3214 dollars per euro.

	<b>Lump Sum Payments (\$)</b>	<b>Non- Equity Incentive Awards (\$)</b>	<b>Equity Incentive Awards (\$)</b>	<b>Qualified Pension Benefits (\$)</b>	<b>Non- Qualified Pension Benefits (\$)</b>	<b>Healthcare /Life Insurance Benefits (\$)</b>	<b>Excise Tax (\$)</b>
<b>U. M. Burns</b>							
Voluntary Termination/ Retirement (A)				820,352	7,995,889		
Involuntary Termination not for Cause (B)	676,923	1,650,000	8,855,518	820,352	7,995,889		
Involuntary or Good Reason Termination after Change in Control (CIC) (C)	5,500,000	1,650,000	17,909,818	820,352	12,615,409	70,646	3,011,000
Death (D)		1,650,000	17,909,818	487,903	4,086,161	3,300,000	
<b>L. Maestri</b>							
Voluntary Termination/ Retirement (A)							
Involuntary Termination not for Cause (B)	957,000	698,000	1,006,414				
Involuntary or Good Reason Termination after Change in Control (CIC) (C)	3,456,000	698,000	4,179,282			25,997	
Death (D)		698,000	4,179,282			2,142,000	
<b>L. R. Blodgett</b>							
Voluntary Termination/ Retirement (A)		850,000	2,655,524				
Involuntary Termination not for Cause (B) *	3,458,979	850,000	4,430,731			2,757	
Involuntary or Good Reason Termination after Change in Control (CIC) (C)	3,458,979	850,000	7,716,450			2,757	
Death (D)	3,018,979	850,000	7,716,450			850,000	
<b>A. Zagalo de Lima</b>							
Voluntary Termination/ Retirement (A)	146,392				5,648,043		
Involuntary Termination not for Cause (B)	1,610,315	698,896	2,226,737		5,648,043		
Involuntary or Good Reason Termination after Change in Control (CIC) (C)	2,879,047	698,896	6,758,934		5,648,043	89,461	
Death (D)	146,392	698,896	6,758,934		5,648,043	3,730,275	
<b>J. A. Firestone</b>							
Voluntary Termination/ Retirement (A)		714,000	2,785,649	553,712	3,144,616		
Involuntary Termination not for Cause (B)	357,000	714,000	2,785,649	553,712	3,144,616		
Involuntary or Good Reason							

Edgar Filing: XEROX CORP - Form DEF 14A

Termination after Change in Control (CIC) (C)	2,856,000	714,000	5,684,177	553,712	4,864,548	71,858
Death (D)		714,000	5,684,177	351,371	2,697,034	2,142,000

- 
- (A) Ms. Burns, Mr. Maestri and Mr. Zagalo de Lima are not retirement eligible. Assuming voluntary termination on December 31, 2012, there would be no payments due to Ms. Burns other than vested pension benefits and her deferred compensation balance (see *Non-Qualified Deferred Compensation* table for balances as of December 31, 2012). There will be no payments due to Mr. Maestri. Mr. Zagalo de Lima would receive a payment equal to three pay periods of base salary under Portuguese law in addition to his vested pension benefits.

Assuming retirement on December 31, 2012, Mr. Blodgett and Mr. Firestone would receive a short-term incentive (Non-Equity Incentive Award) for full-year 2012 performance if approved by the Committee. The amount shown above reflects payout at target (actual payout could be higher or lower). In addition, Mr. Firestone and Mr. Blodgett would be eligible to receive pro-rated performance shares based on the number of full months of service from date of grant on the original vesting date under the terms of the E-LTIP, and Mr. Firestone would receive vested pension benefits. Mr. Blodgett would forfeit any unpaid portion of his Acquisition Cash Payment and all performance shares granted to him under his SEA as well as any outstanding unvested August 2009 Options.

Short-term incentive awards, long-term incentive awards and U.S. non-qualified pension plan benefits are subject to clawback provisions as described in the *Compensation Recovery Policy* ( *Clawbacks* section in the Compensation Discussion and Analysis .

- (B) Assuming involuntary termination without cause, under the terms of the Company's U.S. workforce surplus policy, Ms. Burns, Mr. Maestri and Mr. Firestone would be eligible for salary continuance payments based on their years of service in accordance with this policy as follows: Ms. Burns 32 weeks and Mr. Maestri and Mr. Firestone 26 weeks. The amounts reported in the table assume salary continuance is paid as a lump sum. In addition, Ms. Burns, Mr. Maestri and Mr. Firestone would receive a short-term incentive payment (Non-Equity Incentive Award) for 2012 performance if approved by the Committee, shown at target (actual payout could be higher or lower), pro-rated performance shares based on the number of full months of service from the date of grant on the original vesting date per the terms of the E-LTIP, their deferred compensation balance, if any, and vested pension benefits, if any.

In addition, Mr. Maestri, per his offer letter, would receive a payment of any unpaid portion of his cash sign-on bonus.

Assuming involuntary termination without cause, prior to the third anniversary of the ACS acquisition closing date, Mr. Blodgett would receive accelerated payment of any unpaid portion of his Acquisition Cash Payment as outlined in his SEA and 12 months of outplacement services, shown as a lump sum. He would also receive 26 weeks of salary continuance payments as provided under his Non-Compete and Non-Solicitation Agreement with the Company, shown as a lump sum and payment of his short-term incentive (Non-Equity Incentive Award) for 2012 performance shown at target (actual payout could be higher or lower). In addition, he would receive pro-rated performance shares based on the number of full months of service from the date of grant on the original vesting date per the terms of his July 1, 2010, July 1, 2011 and July 1, 2012 E-LTIP. For Mr. Blodgett's February 5, 2010 award he would receive shares at maximum for 2010 performance, no shares for 2011 performance and a pro-rated number of shares at target for 2012 performance. He would also receive a continuation of certain welfare benefits until the third anniversary of the acquisition closing date. Any outstanding unvested August 2009 Options would become fully vested and exercisable until the expiration date (amount noted in Equity Incentive Awards column assumes exercise at the market closing price of Xerox Common Stock of \$6.82 as of December 31, 2012). If Mr. Blodgett voluntarily terminated with good reason, as outlined in his SEA, he would receive all of the amounts shown in section (B) of the table above except for 26 weeks of severance payments.

Assuming involuntary termination without cause, Mr. Zagalo de Lima would be eligible for a payment in accordance with the redundancy program in Portugal. This payment is calculated based on one pay period-worth of salary multiplied by the number of years with the company (rounded to 30 years as of December 31, 2012) shown as a lump sum plus a payment equal to three pay periods of base salary in accordance with Portuguese law. Mr. Zagalo de Lima would also receive a short-term incentive payment

(Non-Equity Incentive Award) for 2012 performance shown at target (actual payout could be higher or lower), pro-rated performance shares based on the number of full months of service from the date of grant on the original vesting date per the terms of the E-LTIP, and vested pension benefits.

Short-term incentive awards, long-term incentive awards and U.S. non-qualified pension plan benefits are subject to clawback provisions as described in the *Compensation Recovery Policy ( Clawbacks )* section in the Compensation Discussion and Analysis .

(C) Change-in-control severance agreements for Ms. Burns, Mr. Maestri, Mr. Zagalo de Lima and Mr. Firestone provide specified severance benefits if, within two years following a change in control of the Company, employment is terminated either:

- involuntarily other than for cause, death, or disability, or
- voluntarily for good reason.

These severance benefits include:

- A lump sum cash payment equal to 2 times the then-current annual base salary and short-term incentive award target.
- Continuation of specified welfare benefits at active employee rates for a period of 24 months.
- A tax reimbursement sufficient to compensate the named executive officer for the amount of any excise tax imposed by Section 4999 of the Internal Revenue Code, (but no related tax gross-up) was eliminated in 2010 for all new participants, including Mr. Maestri, and was eliminated in 2012 for all remaining participants except that, if a change in control occurred during 2012, the prior agreement would have applied to the remaining participants. In addition, if excise tax is payable, the Company will reduce the named executive officer's CIC payment to a level that will not trigger an excise tax payment if it is determined that doing so will result in a greater net after-tax amount for the executive.)
- Payment of reasonable legal fees and expenses incurred when the named executive officer, in good faith, is involved in a dispute while seeking to enforce the benefits and rights provided by the severance agreement.
- In addition, pursuant to the terms of the applicable agreements, upon involuntary or good reason termination, these executives would also be entitled to: Accelerated vesting of stock awards, which will occur following a change in control only upon an involuntary termination of employment (other than a termination for cause) or a voluntary termination for good reason (commonly described as double-trigger ) A short-term incentive (Non-Equity Incentive Award) payment for the 2012 performance shown at target (actual payout could be higher or lower).

In addition to the benefits above, when the change in control occurs, Ms. Burns and Mr. Firestone are immediately entitled to payment of the present value of the accrued non-qualified U.S. pension benefits, as of the date of a change in control, provided the change in control conforms with applicable tax regulations regarding deferred compensation. Payment is made without regard to the plan's requirements for age or years of service. In the event of a change in control that does not conform with deferred compensation regulations, participants will vest in the plan benefits but will receive payment according to the normal payment provisions of the plans. The Committee views this payment upon a conforming change in control and accelerated vesting upon a nonconforming change in control as appropriate in order to protect the pension benefit that the named executive officer has earned at Xerox. A payment to Mr. Zagalo de Lima of his policy value under the Xerox International Pension Plan would only be made upon his termination of employment. (See Non-Qualified Pension Benefit below for additional information concerning this benefit.)

Each change-in-control severance agreement provides that the executive will remain an employee of the Company for nine months following a potential change in control, or, on the date which the named executive officer is first entitled to receive the benefits described above, if earlier.

Edgar Filing: XEROX CORP - Form DEF 14A

In addition, Mr. Maestri, per his offer letter, would receive a payment of any unpaid portion of his cash sign-on bonus. Mr. Zagalo de Lima would receive a payment equal to three pay periods of base salary in accordance with Portuguese law.

59

---

Although Mr. Blodgett did not have a change-in-control agreement with Xerox until fiscal year 2013, during 2012 he was entitled to payments related to involuntary termination not for cause and voluntary termination for good reason under the SEA or other benefit programs in which he participated. Prior to the third anniversary of the ACS acquisition closing date (February 2013), Mr. Blodgett would receive the same amounts as shown in section (B) of the table, and discussed in footnote (B), with the exception of the amount shown in the Equity Incentive Awards column. This column shows accelerated payments associated with accelerated vesting of unvested performance shares from his July 1, 2010, July 1, 2011 and July 1, 2012 ELTIP awards at target and, for his February 5, 2010 award, at maximum for 2010 performance, no shares for 2011 performance and at target for 2012 performance. If Mr. Blodgett voluntarily terminated with good reason, he would receive the same amounts as shown in section (B) of the table above except for 26 weeks of severance payments.

- (D) Following death, the estates or, with respect to certain types of payments and elections made, the spouses for Ms. Burns and Mr. Firestone, would receive payment of a 2012 short-term incentive shown at target (actual payout could be higher or lower), accelerated vesting of performance shares at target and restricted stock units if any, deferred compensation balance, if any, a life insurance benefit, and vested qualified and non-qualified pension benefits. Subject to certain eligibility conditions, the pension death benefit is generally a 50% survivor annuity or, if eligible to retire under the SERP, a 100% survivor annuity. Following death, Mr. Maestri's estate would receive payment of a 2012 short-term incentive shown at target (actual payout could be higher or lower), accelerated vesting of performance shares at target and restricted stock units, if any, and a life insurance benefit.

Following death, Mr. Blodgett's estate would be eligible for accelerated payment of any unpaid portion of his Acquisition Cash Payment outlined in his SEA, payment of his short-term incentive for 2012 performance shown at target (actual amounts could be higher or lower), accelerated vesting and payment of unvested performance shares from his July 1, 2010, July 1, 2011 and July 1, 2012 ELTIP awards at target and, for his February 5, 2010 award, at maximum for 2010 performance, zero for 2011 and at target for 2012 performance, and a life insurance benefit. In addition, any outstanding unvested August 2009 Options would become fully vested and exercisable until the expiration date (amount noted in Equity Incentive Awards column assumes exercise at the market closing price of Xerox Common Stock of \$6.82 as of December 31, 2012).

Following death, Mr. Zagalo de Lima's estate would receive a payment equal to three pay periods of base salary in accordance with Portuguese law, a payment of his 2012 short-term incentive shown at target (actual amounts could be higher or lower), accelerated vesting of performance shares at target and, restricted stock units, if any, and vested pension benefits. In addition, Mr. Zagalo de Lima's estate would receive a life insurance benefit.

#### *Change-in-Control Severance Agreement*

Generally, for purposes of change-in-control severance agreements, a change in control is deemed to have occurred, subject to specific exceptions, if:

- Any person beneficially owns 20 percent or more of the combined voting power of our outstanding securities.
- A majority of our Directors are replaced under specific circumstances.
- There is a merger or consolidation involving the Company unless (i) the directors of the Company who were members of the board immediately before the merger/consolidation continue to constitute a majority of the board of directors or (ii) the merger/consolidation is effected to implement a recapitalization and no person becomes the beneficial owner of 20 percent or more of the combined voting power of the Company's outstanding voting securities.
- All or substantially all of the Company's assets are sold, or the Company's shareholders approve a plan of complete liquidation or dissolution.

A voluntary termination for good reason in the event of a change in control includes:

- The material diminution of authority, duties, or responsibilities, including being an executive officer of the Company before a change in control and ceasing to be an executive officer of the surviving company. (This provision was revised in 2010 for new participants, including Mr. Maestri, to include that benefits will only be triggered if the executive officer has not voluntarily terminated his/her employment and the material diminution of authority, duties, or responsibilities has not been remedied, in either case, before the second anniversary of the potential change in control of the Company. This provision was revised similarly for all remaining participants in 2012 except that if a change in control occurred during 2012, the prior agreement would have applied for the remaining participants.)
- A material reduction in base salary or target short-term incentive.
- Failure by the Company to increase annual base salary at intervals consistent with the Company's prior practice and failure to increase salary consistent with increases for similarly situated executives. (This provision was eliminated in 2010 for new participants, including Mr. Maestri, and was eliminated in 2012 for all remaining participants except that if a change in control occurred during 2012, the prior agreement would have applied to the remaining participants.)
- A material change in the geographic location where the executive is required to be based.
- Failure by the Company to continue any material compensation or benefit plan, vacation policy, or any material perquisites unless an alternative plan is provided, or failure to continue the executive's participation in these plans.
- Failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform in a manner consistent with this agreement.

#### *Termination Following Disability*

Assuming termination following disability on December 31, 2012, Ms. Burns, Mr. Maestri, Mr. Blodgett, Mr. Zagalo de Lima and Mr. Firestone would be eligible for pro-rated performance shares based on the number of full months of service from the date of grant, their deferred compensation balance, if any, and vested pension benefits as shown for Voluntary Termination/Retirement. Mr. Maestri would also receive the payment of any unpaid portion of his cash sign-on bonus. Mr. Blodgett would be eligible for accelerated payment of any unpaid portion of his Acquisition Cash Payment outlined in his SEA. In addition, any outstanding unvested August 2009 Options would become fully vested and exercisable until the option expiration date.

#### *Involuntary Termination for Cause*

Assuming involuntary termination for cause due to engagement in detrimental activity against the Company, there would be no payments to Ms. Burns, Mr. Maestri, Mr. Blodgett, Mr. Zagalo de Lima (unless prohibited by applicable local law) and Mr. Firestone other than their deferred compensation balance, if any, and vested qualified pension benefits. All unvested shares and non-qualified pension benefits would be immediately cancelled upon termination for cause for all named executive officers. See the *Compensation Recovery Policy* ( *Clawback* section of the Compensation Discussion & Analysis for additional information.

#### *Non-Qualified Pension Benefit*

In the event of a change in control, the non-qualified pension amounts shown in the table above for Ms. Burns and Mr. Firestone represent the lump sum payments that would be paid for all non-qualified pension benefits. These amounts were calculated as specified in the Unfunded Supplemental Executive Retirement Plan based on the present value of future benefits using the minimum required interest rate and mortality for qualified plan lump sum payments. As described in footnote (C), these benefits would not be paid as a lump sum without the occurrence of a change in control that conformed to deferred compensation tax regulations. The present value of the benefits payable upon an event other than a change in control represents the present value of the accumulated benefits for each participant. Since these amounts are not paid as lump sums, and for change in control purposes, this present value is already determined using the required section 280G assumptions, these assumptions have been used for this purpose as well to express these benefits as a present value. These





present values are based on assumed termination of employment on December 31, 2012. Upon termination, the annual non-qualified benefits for recipients not yet age 55 would be payable at the later of age 55 or 6 months following their termination date as a single life annuity. A payment to Mr. Zagalo de Lima of his policy value would only be made upon his termination of employment.

*Other Payments*

Similar to other employees of the Company, U.S. executives who are retirement eligible, based on age and actual years of service, would receive retiree health care benefits. Mr. Firestone would be eligible for retiree health care benefits if he separated from Xerox on December 31, 2012. Also, like other employees, the named executive officers would be eligible for payment of all earned and accrued but unused vacation due as of the date of the separation (or last day worked prior to salary continuance if applicable) under the terms of the Company's vacation policy.

**EQUITY COMPENSATION PLAN INFORMATION**

The *Equity Compensation Plan Information* table provides information as of December 31, 2012, with respect to shares of Xerox common stock that may be issued under our existing equity compensation plans, including the 2004 Performance Incentive Plan; Xerox Corporation 2004 Equity Compensation Plan for Non-Employee Directors (2004 Directors Plan); the Xerox Corporation 1996 Non-Employee Director Stock Option Plan (1996 Plan); and two plans from the acquisition of ACS - the 2007 Equity Incentive Plan (2007 ACS Plan) and the 1997 Stock Incentive Plan (1997 ACS Plan).

As of year-end, all outstanding stock options expired under the Xerox Corporation 1991 Long-Term Incentive Plan and the Xerox Canada Inc. Executive Rights Plan.

**EQUITY COMPENSATION PLAN INFORMATION**

<b>Plan Category</b>	<b>A Number of Securities to be Issued upon Exercise of Outstanding Options and Rights</b>	<b>B Weighted- Average Exercise Price of Outstanding Options and Rights (\$)</b>	<b>C Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column A)</b>
Equity Compensation Plans Approved by Shareholders	78,799,363(1)	6.864(1)	87,024,260(3)
Equity Compensation Plans Not Approved by Shareholders	0(2)	0.000	0(3)
<b>Total</b>	<b>78,799,363</b>	<b>6.864</b>	<b>87,024,260(4)</b>

(1) Consists of (i) 30,646,704 RSUs outstanding under the 2004 Performance Incentive Plan; (ii) 13,586,466 performance shares outstanding under the 2004 Performance Incentive Plan; (iii) 715,382 DSUs outstanding under the 2004 Directors Plan; (iv) 33,731,832 outstanding options under the 1996 Plan, 2007 ACS Plan, and 1997 ACS Plan; and (v) 118,979 deferred shares that have vested and are pending delivery. Prior to 2009, executives were eligible to defer delivery of their vested stock award.

In connection with the acquisition of ACS in February 2010, the outstanding ACS options were converted into 96,662,000 Xerox options out of which 33,693,499 remain outstanding as of December 31, 2012. Weighted average exercise price shown in column B of this table does not take into account RSUs, performance shares or DSUs.

(2) All current equity compensation plans have been approved by shareholders.

- (3) The 1996 Plan was discontinued as of May 20, 2004 and the 1997 and 2007 ACS Plans were discontinued as of February 5, 2010. No further grants can be made under these plans. Any shares that are cancelled, forfeited, or lapse under the 2004 Performance Incentive Plan become available again for issuance under the 2004 Performance Incentive Plan. Any shares that are cancelled, forfeited or lapse under the 2004 Directors Plan become available again for issuance under the 2004 Directors Plan.
- (4) The number above reflects the shares available if all grants are made in the form of options. As anticipated, if all remaining shares are issued as full value shares instead of options, approximately 52,204,115 shares would be available for issuance as of December 31, 2012 (52,011,618 shares under 2004 Performance Incentive Plan and 192,497 shares under 2004 Directors Plan). Under the terms of the 2004 Performance Incentive Plan and the 2004 Directors Plan, each one (1) stock option issued is counted as 0.6 of a share.

## OTHER INFORMATION

### *Indemnification Actions*

The Company's by-laws provide for indemnification of officers and directors to the full extent permitted by New York law. Mr. Blodgett is also indemnified pursuant to a separate indemnification agreement entered into with ACS, which was assumed by the Company in connection with our acquisition of ACS. Consistent with both our by-laws and this agreement, in connection with In re Xerox Corporation Securities Litigation and Coriale, et al. v. Xerox Corporation, et al., the Company has advanced counsel fees and other reasonable fees and expenses, actually and necessarily incurred by the present and former directors and officers who are involved. The Company has advanced an aggregate of approximately \$3,400 of such fees and expenses since the previous report to shareholders. In accordance with the requirements of the Business Corporation Law of the State of New York (BCL), each of the individuals is required to execute an undertaking to repay such expenses if they are finally found not to be entitled to indemnification under the Company's by-laws and the BCL.

### *Directors and Officers Liability Insurance and Indemnity*

On August 11, 2012, the Company renewed its policies for directors and officers liability insurance. The policies are issued by Federal Insurance Company, XL Specialty Insurance Company, St. Paul Mercury Insurance Company, Twin City Fire Insurance Company, Houston Casualty Company, Arch Specialty Insurance Company, ACE American Insurance Company, Allied World Assurance Company, Axis Reinsurance and Illinois National Insurance Company. The policies expire August 11, 2013, and the total annual premium is approximately \$3.0 million.

## PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected PricewaterhouseCoopers LLP (PwC), an independent registered public accounting firm, to act as independent auditors of the Company for 2013. Representatives of the firm are expected to be at the meeting to respond to appropriate questions and to make a statement, if they wish.

### **Principal Auditor Fees and Services**

Aggregate fees for professional services rendered for the Company by PwC were (\$ in millions):

	2012	2011
Audit Fees	\$ 18.6	\$ 20.3
Audit Related Fees	2.4	2.1
Tax Fees	0.9	0.9
All Other Fees	0.5	0.4
Total Fees	\$ 22.4	\$ 23.7

*Audit* fees were for professional services rendered for the audits of the consolidated financial statements of the Company in accordance with standards of the Public Company Accounting Oversight Board, statutory and subsidiary audits, procedures performed in connection with documents filed with the SEC, consents, comfort letters and other services required to be performed by our independent auditors.



*Audit Related* fees were for assurance and related services associated with employee benefit plan audits, information systems control reviews, due diligence reviews, special reports pursuant to agreed upon procedures or international reporting requirements and other attest services.

*Tax* fees were primarily for services related to tax compliance.

*All Other* fees are primarily associated with system/process change advice and recommendations, benchmarking services and research materials.

Pursuant to its charter, the Audit Committee is required to review and pre-approve all of the audit and non-audit services to be performed by the Company's independent registered public accounting firm, including the firm's engagement letter for the annual audit of the Company, the proposed fees in connection with such audit services, and any additional services that management chooses to hire the independent auditors to perform. The authority for such pre-approval may be delegated to one or more members of the Audit Committee, provided that the decisions of any member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next meeting. Additionally, the Audit Committee can establish pre-approval policies and procedures with respect to the engagement of the Company's independent accountant's for non-audit services.

In accordance with the Audit Committee Charter, all of the foregoing audit and non-audit fees paid to, and the related service provided by, PwC were pre-approved by the Audit Committee.

#### ***Audit Committee Report***

The responsibilities of the Audit Committee are discussed under *Committee Functions, Membership and Meetings* on page 18 and can also be found on our website at [www.xerox.com/governance](http://www.xerox.com/governance). Management is responsible for the Company's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an audit of the Company's consolidated financial statements and the effectiveness of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States) and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

Consistent with the foregoing, the Audit Committee has:

- Reviewed and discussed the audited consolidated financial statements of the Company for the year ended December 31, 2012, including the specific disclosure under *Management's Discussion and Analysis Financial Condition and Results of Operations*, with the management of the Company and PwC including the Company's key accounting policies and use of estimates;
- Discussed with PwC the matters required to be discussed by PCAOB AU Section 380 (Communication with Audit Committees); and
- Received the written disclosures and the letter from PwC required by the applicable PCAOB independence rules, New York Stock Exchange Rule 303A.07 (Auditor Quality Control Procedures) and has discussed with PwC that firm's independence and quality control procedures.

Based upon the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's 2012 Annual Report to Shareholders and in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 for filing by the Company with the SEC.

Richard J. Harrington, Chairman  
William Curt Hunter  
Robert J. Keegan  
Robert A. McDonald

**The Board of Directors recommends a vote**

**FOR**

**the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year 2013**

**PROPOSAL 3 PROPOSAL TO APPROVE, ON AN ADVISORY BASIS, THE 2012 COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

As required by Section 14A(a)(1) of the Securities Exchange Act of 1934, as amended (Exchange Act), our shareholders are entitled to vote at the Annual Meeting to approve the compensation of the Company's named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K. The shareholder vote on executive compensation is an advisory vote only, and is not binding on the Company or the Board of Directors.

Our executive compensation programs are intended to emphasize a pay-for-performance philosophy that supports our business strategy and seeks to align the interests of our executives with our shareholders. These programs are designed to compensate our named executive officers for their contributions to our growth and profitability, long-term success and the enhancement of shareholder value. We seek to implement our pay-for-performance philosophy on an annual and a long-term basis through a combination of base pay, annual incentives and long-term incentives. To that end, the Company provides pay that is highly weighted towards equity. Equity awards represent the majority of each named executive officer's compensation as a percentage of total target compensation (base, short-term incentive and long-term incentive). Specifically:

- Approximately 74% of total target compensation for the CEO in fiscal 2012 was in equity as part of our long-term incentive program; approximately 16% was in cash as part of our short-term incentive program; and approximately 10% in base salary; and
- Approximately 65% (on a weighted average basis) of total target compensation for the named executive officers (other than the CEO) in fiscal 2012 was in equity as part of our long-term incentive program; approximately 17% was in cash as part of our short-term incentive program; and approximately 18% in base salary.

The actual amounts received (and the percentage of total compensation) from performance-based compensation may differ from target compensation depending upon the Company's performance and, for equity awards, our stock price.

Equity awards granted to named executive officers have generally been in the form of performance shares. Historically, the actual payout value for performance share awards at vesting as a percentage of grant date award value has been significantly lower than the target award value. For example, for performance share awards granted to our named executive officers in 2006, 2007 and 2008 and paid three years after the grant date, the actual payouts received were valued at 42%, 35% and 48%, respectively, based on achievement against the performance metrics and the stock price at vesting. In 2009, in light of the unpredictable economic environment at that time, restricted stock units with a payout based on the increase or decrease of our stock price were granted in lieu of performance shares. Based on the 2009 award design and the stock price as calculated on the vesting date in 2012, the actual payout received was valued at 137.48% of the grant date value.

We believe that the short-term incentive compensation received in 2012 appropriately reflected the performance of our named executive officers and Xerox during a year of challenging global economic conditions, and that actual payouts of 65% or 78% received under our short-term equity incentive program demonstrate alignment with our shareholders and Xerox's performance against the targets set by our Compensation Committee.

In addition, the Compensation Committee regularly reviews best practices. The Company's best practices include:

- Emphasizing pay for performance to align executive compensation with the Company's business strategy and the creation of long-term shareholder value
- Annual equity awards typically granted 100% in performance shares
- Double-trigger vesting of equity awards upon a change in control
- In the event of material noncompliance with financial reporting requirements resulting in an accounting restatement, clawback provisions to permit recoupment of short- and long-term incentive compensation paid during the preceding three years, in excess of what would have been paid under such accounting restatement.





- Clawback provisions that permit recoupment in the event the participant engages in detrimental activity against Xerox
- Stock ownership and post-retirement stock holding requirements
- Effective December 31, 2012, all future accruals under the Unfunded Supplemental Executive Retirement Plan (SERP) were frozen and no future benefits will be accrued.
- No excise tax reimbursement for new change-in-control severance agreements entered into in October 2010 and later. Initiated phase out of excise tax gross-ups for agreements entered into prior to October 2010. Phase out of excise tax gross-ups for agreements entered into prior to October 2010 was completed in early 2013.
- Limited perquisites and no tax gross-ups on perquisites
- Independent consultant to the Compensation Committee who does not perform any other services for the Company
- Prohibition on hedging of Company stock
- Generally no employment agreements or golden parachutes

Please read the Compensation Discussion and Analysis beginning on page 24 of this Proxy Statement and the tabular and other disclosures on executive compensation beginning on page 47 of this Proxy Statement for additional details about our executive compensation programs, including information about the fiscal year 2012 compensation of our named executive officers.

We are asking our shareholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the compensation philosophy, policies and practices described in this Proxy Statement. Accordingly, we recommend that shareholders vote in favor of the following resolution:

*RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures.*

Although the vote is non-binding, the Compensation Committee and the Board value the opinions of the shareholders and will consider the outcome of the vote when making future compensation decisions. We currently conduct annual advisory votes on executive compensation, and we expect to conduct the next advisory vote at our 2014 annual meeting of shareholders.

**The Board of Directors recommends a vote**

**FOR**

**the proposal to approve the compensation of the named executive officers as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K as required by Section 14A(a)(1) of the Exchange Act**

**PROPOSAL 4 PROPOSAL TO APPROVE THE 2013 AMENDMENT AND RESTATEMENT OF THE 2004 EQUITY COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

***Proposal***

Shareholder approval is sought for the 2013 Amendment and Restatement of the 2004 Equity Compensation Plan For Non-Employee Directors (Amended Plan). The Board is requesting that shareholders approve an increase of 2 million shares available for issuance under the 2004 Equity Compensation Plan for Non-Employee Directors (Plan). Approximately 150,000 shares remain available for award under the Plan as of February 1, 2013. The Board plans to continue the practice of paying a

portion of annual director retention fees in the form of

Xerox stock under the Plan and therefore is requesting an increase in shares available under the Amended Plan to adequately provide for future awards. This is a material amendment requiring shareholder approval under the rules of the New York Stock Exchange (NYSE).

The Board is proposing the Amended Plan because it believes it will advance the Company's interests and those of its shareholders by aligning the long-term interests of directors with those of the Company's shareholders. Awards made to directors under the Plan are not actually converted into shares until one year after service termination of the applicable Board member. The Board believes it is important to align director compensation with shareholder value by paying a significant portion of annual director fees in the form of Xerox stock.

### ***Background***

As originally approved by shareholders on May 20, 2004, there were 1 million shares of common stock available for issuance under the Plan. By its terms, the Plan remains in effect until the earlier of the date when no shares are available for issuance under the Plan or the date when the Board terminates the Plan. As of February 1, 2013, approximately 150,000 shares remain available for award under the Plan.

At the time the Plan was approved by shareholders, the annual equity retainer for non-employee directors was \$65,000. Effective in July 2010, the annual equity retainer for non-employee directors was increased to \$130,000 in order to remain competitive with compensation of other boards of directors and encourage increased ownership of Company stock by directors. The number of shares awarded to directors under the Plan can vary widely from year to year depending on the Company's common stock price at the time the shares are awarded.

If shareholders fail to approve the proposed Amended Plan, the amendment described above will not be given effect and the Plan will continue as in effect prior to such amendment. It is expected that the Plan will run out of shares available for award by the end of 2013. Thereafter, the Company would need to compensate non-employee directors entirely in cash instead of partly in cash and partly in Xerox stock, which would defeat the goals of requiring non-employee directors to establish and maintain a meaningful equity ownership interest in the Company and aligning the long-term interests of non-employee directors with those of the Company's shareholders.

The following summary of the material features of the Amended Plan is qualified in its entirety by the complete text of the Amended Plan, a copy of which is attached to this Proxy Statement as Exhibit A.

### ***Summary of the Amended Plan***

#### ***Shares Subject to the Amended Plan***

Upon approval by shareholders on May 21, 2013 of the additional 2 million shares authorized for issuance under the Amended Plan, a total number of 3 million shares of Common Stock, par value \$1.00, of the Company ( Common Stock ) will be available for issuance over the life of the Amended Plan, of which approximately 850,000 shares have already been awarded or issued as of February 1, 2013. While the Board does not anticipate granting stock options, if in the future it did, any shares issued in connection with options or stock appreciation rights ( SARs ) would be counted against this limit as 0.6 shares for each one (1) share issued.

In determining the number of shares available, the following will not be counted against shares available for issuance under the Amended Plan: settlement of SARs in cash or any form other than shares; and payment in shares of dividends and dividend equivalents in conjunction with outstanding awards.

In addition, in determining shares available for issuance under the Amended Plan, any awards granted under the Amended Plan that are cancelled, forfeited or lapse will become eligible again for issuance under the Amended Plan.

The Board may make adjustments as it deems appropriate in the shares available under the Amended Plan and in outstanding grants in the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting shares, provided that these actions are consistently and equitably applicable to all affected non-employee directors.



### ***Administration of the Amended Plan***

The Amended Plan is administered by the Board upon advice of the Board's Corporate Governance Committee. The Board has full and exclusive power, within the limitations of the Amended Plan, to do all things necessary or desirable in connection with the administration of the Amended Plan. This includes, but is not limited to, prescribing, amending and rescinding rules relating to the Amended Plan, constructing the form of documentation used to evidence any grant awarded under the Amended Plan, establishing and verifying the extent of satisfaction of any conditions to exercisability and/or receipt or vesting of awards, and interpreting and construing the Amended Plan, any rules and regulations under the Amended Plan and the terms and conditions of awards granted under the Amended Plan. Furthermore, the Board has the full power and authority to determine under what circumstances an award is canceled or suspended, such as for activity by non-employee directors which constitutes a conflict of interest with the Company or is in violation of Company policies.

All determinations, interpretations, and other decisions under or with respect to the Amended Plan are final, conclusive and binding upon the Company, all participants and any holder or beneficiary of any award under the Amended Plan. The Board may consider such factors as it deems relevant, in its sole and absolute discretion, in making its decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Company and any attorneys, consultants and accountants as it may select.

The Board may periodically amend the Amended Plan as it deems appropriate, without further action by the Company's shareholders except to the extent required by applicable law or NYSE listing requirements. Notwithstanding the foregoing, the Amended Plan may not be amended to materially increase the number of shares of Common Stock authorized for issuance under the Amended Plan, unless the amendment is approved by the Company's shareholders or is a result of a reorganization or other adjustment in the stock permitted under the Amended Plan.

Additionally, the Board may terminate the Amended Plan at any time. Amendments or termination of the Amended Plan will not affect the rights and obligations arising under outstanding stock options or stock grants previously awarded and then in effect without the participant's consent.

All questions pertaining to the construction, regulation, validity and effect of the Amended Plan will be determined in accordance with the laws of the state of New York and applicable Federal law.

### ***Eligibility***

Any non-employee director, defined as a member of the Board who is not at the time also an employee of the Company or any of its direct or indirect majority-owned subsidiaries, is eligible to receive an award under the Amended Plan. We currently have 9 non-employee directors.

### ***Types of Awards***

The Amended Plan provides increased flexibility in structuring long-term incentive awards for non-employee directors. Part of this flexibility includes the ability to grant awards singly, in combination or in tandem so that the settlement or payment of one award automatically reduces or cancels the other. All awards will be evidenced by agreements provided by the Board which set forth the terms and conditions of each award.

While the Board currently anticipates granting awards only of deferred stock units, the following is a list of awards that may be granted, either individually or collectively, to participants pursuant to the provisions of the Amended Plan.

*Deferred Stock Units ( DSUs )* DSUs are a bookkeeping entry that represents the right to receive one share of Common Stock at a future date, such as retirement from the Board. Outright grants may be made as part of the non-employee directors' annual compensation for services rendered or as a result of a voluntary election by non-employee directors to defer cash compensation otherwise payable to non-employee directors. DSUs can be structured to include the right to receive dividend equivalents which are credited in the form of additional DSUs payable in Common Stock following termination of Board service.

The Board may require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under rules and procedures established under the Amended Plan. It may also provide that deferred settlements include the payment or crediting of interest on the deferral amounts or the payment or crediting of dividend equivalents on deferred settlements denominated in shares.

**Stock Options** Stock options constitute a right to purchase a specified number of shares of Common Stock during a specified period, no longer than seven years, at a purchase price not less than 100% of Fair Market Value on the effective date of grant. For purpose of the Amended Plan, Fair Market Value is defined as of any date, as the average of the high and low trading prices of a share of Common Stock as reported in The Wall Street Journal listing of composite transactions for New York Stock Exchange issues or similar successor consolidated transaction reports for the relevant date, unless the Board specifies otherwise. Note that Fair Market Value cannot be less than the par value of the Common Stock.

Participants may exercise stock option grants in whole or in installments in accordance with any vesting schedule established by the Board or upon the death of the non-employee director. At the time of exercise, participants may pay the full purchase price of Common Stock in cash or shares, including tendering (either actually or by attestation) Common Stock or surrendering a stock award valued at Fair Market Value on the date of surrender. Lastly, under no circumstances may stock option awards be made which provide by their terms for the automatic award of additional stock options upon the exercise of such awards, including, without limitation, reload options. Notwithstanding any provision of the Amended 2004 Non-Employee Director Plan, a repricing of a Stock Option shall not be allowed by the Board.

**Stock Appreciation Rights ( SARs )** SARs constitute a right to receive a payment, in cash and/or Common Stock, as determined by the Board, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the SAR is exercised over the Fair Market Value on the effective date of grant of the SAR as set forth in the applicable award agreement. The maximum term for SARs is seven years.

**Stock Awards** Stock awards are awards made in Common Stock of the Company. All or part of any stock award may be subject to conditions established by the Board and set forth in the award agreement which may include, but is not limited to, continuous service with the Company.

Generally, all awards under the Amended Plan are nontransferable except by will or the laws of descent and distribution or pursuant to a domestic relations order. In limited circumstances, the Board may provide that an option award may be transferable by the participant to family members or family trusts established by the participant. In addition, awards under the Amended 2004 Non-Employee Director Plan are exercisable only by the non-employee director during his or her lifetime except that the Board may permit non-employee directors to designate a beneficiary to exercise the rights of the director and receive any distributions upon his or her death.

Lastly, the Amended Plan is unfunded and does not create a trust or a separate fund or funds. The Amended Plan does not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of a grant awarded under the Amended Plan, these rights (unless otherwise determined by the Board) are no greater than the right of an unsecured general creditor of the Company.

### ***Change in Control***

Upon the occurrence of a change in control of the Company, as defined in the Amended Plan, with certain exceptions, all awards outstanding under the Amended Plan become immediately vested and are settled or paid out. The amount of cash to be paid shall be determined (i) in the case of stock options, by multiplying the number of stock options by the difference between the exercise price and the CIC Price (as defined in the Amended Plan), (ii) in the case of DSUs, by multiplying the number of DSUs by the CIC Price and (iii) in the case of SARs, by multiplying the number of SARs by the difference between the exercise price of the related option per share and the CIC Price.

**CIC Price** shall mean the higher of (a) the highest price paid for a share of the company's Common Stock in the transaction or series of transactions pursuant to which a change in control of the Company shall have occurred, or (b) the highest price paid for a share of the Company's Common Stock during the 60-day period immediately

preceding the date upon which the event constituting a change in control shall have occurred as reported in The Wall Street Journal in the New York Stock Exchange Composite Transactions or similar successor consolidated transactions reports.

***Federal Tax Aspects of the Amended Plan***

The Company believes that under the present law, the following are the federal tax consequences generally arising with respect to awards granted under the Amended Plan. The grant of an option or SAR will create no tax consequences for an optionee or the Company. Upon exercising an option, the optionee must recognize ordinary income equal to the difference between the exercise price and the fair market value of the stock on the date of exercise; the Company will be entitled to a deduction for the same amount. The treatment of an optionee on a disposition of shares acquired through the exercise of an option depends on how long the shares have been held. If the shares are held for more than one year, long-term capital gain or loss treatment will apply. There will be no tax consequence to the Company in connection with a disposition of shares acquired under an option.

With respect to other awards (including dividends and dividend equivalents) granted under the Amended Plan that are settled either in cash or in stock or other property that is either transferable or not subject to substantial risk of forfeiture, the participant must recognize ordinary income equal to the cash or the fair market value of shares or other property received; the Company will be entitled to a deduction for the same amount. With respect to awards (including dividends and dividend equivalents) that are settled in stock or other property that is restricted as to transferability and subject to substantial risk of forfeiture, the participant must recognize ordinary income equal to the fair market value of the shares or other property received at the time the shares or other property become transferable or not subject to substantial risk of forfeiture, whichever occurs earlier; the Company will be entitled to a deduction for the same amount. Different tax rules may apply with respect to participants who are subject to section 16 of the 1934 Act.

Income that is currently recognized will be reported to directors on IRS Form 1099 for such year.

***Additional Information***

The closing price of the Company's Common Stock as reported on New York Exchange Composite Transactions on February 28, 2013, was \$8.11.

To be adopted, the proposed Amended Plan must be approved by the holders of a *majority* of the votes cast at the meeting.

**The Board of Directors recommends a vote**

**FOR**

**the proposal to approve the 2013 Amendment and Restatement of the Company's  
2004 Equity Compensation Plan for Non-Employee Directors**

**OTHER MATTERS**

The Board of Directors does not intend to present any other matters at this meeting. The Board has not been informed that any other person intends to present any other matter for action at this meeting. If any other matters properly come before the meeting, the persons named in the accompanying proxy intend to vote the proxies in accordance with their best judgment.

By order of the Board of Directors,

Don H. Liu  
Senior Vice President, General Counsel and Secretary  
April 8, 2013

**EXHIBIT A 2013 AMENDMENT AND RESTATEMENT OF XEROX CORPORATION 2004 EQUITY COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

1. Purpose

The purpose of the Xerox 2004 Equity Compensation Plan for Non-Employee Directors (the Plan ) is to provide the means whereby Xerox Corporation (the Company ) may include the Company s equity in the total compensation of non-employee members of the Company s Board of Directors ( Board ).

2. Effective Date and Term of Plan

This Plan shall be effective as of May 20 2004, subject to the approval of the Company s shareholders at the 2004 annual meeting and remain in effect until the earlier of: (i) the date when no additional shares are available for issuance under the Plan; or (ii) the date when the Board terminates the Plan in accordance with Section 10. The effective date of this amendment and restatement is the date hereof and dates set forth herein.

3. Eligibility

Any person who is a Non-Employee Director of the Company shall be eligible to receive an Award under the Plan (each a Participant ). For purposes of the Plan, Non-Employee Director shall mean a member of the Board who is not at the time also an employee of the Company or any of its direct or indirect majority-owned subsidiaries (regardless of whether such subsidiary is organized as a corporation, partnership or other entity).

4. Administration of the Plan

The Plan shall be administered by the Board of Directors of the Company upon advice of the Board s Governance Committee. Subject to the express provisions of the Plan, the Board shall have full and exclusive power to do all things necessary or desirable in connection with the administration of the Plan, including, without limitation:

(a) to prescribe, amend and rescind rules relating to the Plan and to define terms not otherwise defined herein;

(b) to approve the form of documentation used to evidence any grant awarded hereunder, including providing for such terms as it considers necessary or desirable;

(c) to establish and verify the extent of satisfaction of any conditions to exercisability applicable to stock options and stock appreciation rights ( SARs ) or to receipt or vesting of stock grants;

(d) to determine whether, and the extent to which, adjustments are required pursuant to Section 8 hereof, provided that any such adjustment shall not cause any outstanding Award to be treated as the grant of new stock right or a change in the form of payment of the existing stock right for purposes of section 409A of the Internal Revenue Code of 1986, as amended (the Code ), as set forth in Treasury guidance; and

(e) to interpret and construe the Plan, any rules and regulations under the Plan and the terms and conditions of any stock option or stock grant awarded hereunder, and to make exceptions to any procedural provisions in good faith and for the benefit of the Company.

All determinations, interpretations, and other decisions under or with respect to the Plan shall be final, conclusive and binding upon the Company, all Participants and any holder or beneficiary of any Award, as hereinafter defined, under the Plan. The Board may consider such factors as it deems relevant, in its sole and absolute discretion, in making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Company and such attorneys, consultants and accountants as it may select.

All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the state of New York and applicable Federal law and the relevant rules of the New York Stock Exchange, Inc. ( NYSE ).





## 5. Shares Subject to the Plan

A total number of 3,000,000 shares of Common Stock,<sup>1</sup> par value \$1.00, as presently constituted, subject to adjustment as provided in Section 8, of the Company shall become available for issuance under the Plan. Provided, however, that any shares issued in connection with options or SARs shall be counted against this limit as 0.6 shares for each one (1) share issued.

For purposes of the preceding paragraph, the following shall not be counted against shares available for issuance under the Plan: (i) settlement of SARs in cash or any form other than shares and (ii) payment in shares of dividends and dividend equivalents in conjunction with outstanding awards.

In determining shares available for issuance under the Plan, any Awards that are cancelled, forfeited or lapse shall become eligible again for issuance under the Plan. Upon exercise of SARs, only the shares issued shall be counted against the available share limit.

Any shares issued under the plan may consist in whole or in part, of authorized and unissued shares or of treasury shares, and no fractional shares shall be issued under the Plan. Cash may be paid in lieu of any fractional shares in settlements of Awards under the Plan.

## 6. Awards

The Board shall determine the type of award(s) to be made to each Non-Employee Director under the Plan and shall approve the terms and conditions governing such awards through the issuance of an award agreement. Awards may be granted singly, in combination, or in tandem so that the settlement or payment of one automatically reduces or cancels the other. However, under no circumstances may stock option awards be made which provide by their terms for the automatic award of additional stock options upon the exercise of such awards, including, without limitation, reload options.

The following is a list of awards that may be granted, either individually or collectively, to Participants pursuant to the provisions of the Plan ( Awards ).

(a) Deferred Stock Unit ( DSU ) is a bookkeeping entry that represents the right to receive one share of Common Stock at a future date, Outright grants may be made as part of the Non-Employee Director s annual compensation for services rendered or as a result of a voluntary election by the Non-Employee Director to defer cash compensation otherwise payable to him or her, provided that, after December 31, 2004, such deferral election complies with the requirements of section 409A of the Code. DSUs will include the right to receive dividend equivalents which are credited in the form of additional DSUs payable in Common Stock following the Non-Employee Director s separation from service with the Company, as defined for purposes of section 409A of the Code.

(b) Stock Option is a grant of a right to purchase a specified number of shares of Common Stock during a specified period no longer than seven years. The purchase price of each option shall not be less than 100% of Fair Market Value on the effective date of grant. The price at which shares of Common Stock may be purchased under a Stock Option shall be paid in full at the time of the exercise in cash or shares, including tendering (either actually or by attestation) Common Stock or surrendering a Stock Award valued at Fair Market Value, as defined herein, on the date of surrender. A Stock Option may be exercised in whole or in installments on the earliest of: i) the vesting schedule established by the Board; or ii) the death of the Non-Employee Director.

Notwithstanding any provision of the Plan, a repricing of a Stock Option shall not be allowed by the Board.

---

<sup>1</sup> 3,000,000 reflects the number of shares if all grants were made in whole value shares (e.g., deferred stock units). If all grants were made in the form of options or SARs, the number available is 5,000,000.

Fair Market Value for all purposes under the Plan shall mean the average of the high and low prices of Common Stock as reported in the Wall Street Journal in the New York Stock Exchange Composite Transactions or similar successor consolidated transactions report for the relevant date, or if no sales of Common Stock were made on said exchange on that date, the average of the high and low prices of Common Stock as reported in said composite transaction report for the preceding day on which sales of Common Stock were made on said exchange. Under no circumstance shall Fair Market Value be less than the par value of the Common Stock.

(c) Stock Appreciation Right (SAR) is a right to receive a payment, in cash and/or Common Stock, as determined by the Board, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the SAR is exercised over the Fair Market Value on the effective date of grant of the SAR as set forth in the applicable award agreement. The maximum term for SARs under the Plan is seven years.

(d) Stock Award is an Award made in stock. All or part of any Stock Award may be subject to conditions established by the Board and set forth in the award agreement which may include, but is not limited to, continuous service with the Company.

#### 7. Dividend and Dividend Equivalents

At the Board's discretion, Awards denominated in Common Stock may earn dividends or dividend equivalents paid currently in cash or shares of Common Stock or credited to an account established by the Board in the name of the Non-Employee Director and converted into additional DSUs. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Board may establish, including reinvestment in additional shares or share equivalents.

#### 8. Adjustments and Reorganizations

(a) If the Company shall at any time change the number of issued shares without new consideration to the Company (such as by stock dividend, stock split, recapitalization, reorganization, exchange of shares, liquidation, combination or other change in corporate structure affecting the shares) or make a distribution of cash or property which has a substantial impact on the value of issued shares (other than by normal cash dividends), such change shall be made with respect to (i) the aggregate number of shares that may be issued under the Plan; (ii) the number of shares subject to awards of a specified type or to any individual under the Plan; and/or (iii) the price per share for any outstanding stock options, SARs and other awards under the Plan.

(b) Except as otherwise provided in subsection 8(a) above, notwithstanding any other provision of the Plan, and without affecting the number of shares reserved or available hereunder, the Committee shall authorize the issuance, continuation or assumption of outstanding stock options, SARs and other awards under the Plan or provide for other equitable adjustments after changes in the shares resulting from any merger, consolidation, sale of all or substantially all assets, acquisition of property or stock, recapitalization, reorganization or similar occurrence in which the Company is the continuing or surviving corporation, upon such terms and conditions as it may deem necessary to preserve the rights of the holders of awards under the Plan.

(c) In the case of any sale of all or substantially all assets, merger, consolidation or combination of the Company with or into another corporation other than a transaction in which the Company is the continuing or surviving corporation and which does not result in the outstanding shares being converted into or exchanged for different securities, cash or other property, or any combination thereof (an Acquisition), any individual holding an outstanding award under the Plan, including any Optionee who holds an outstanding Option, shall have the right (subject to the provisions of the Plan and any limitation applicable to the award) thereafter, and for Optionees during the term of the Option upon the exercise thereof, to receive the Acquisition Consideration (as defined below) receivable upon the Acquisition by a holder of the number of applicable shares which would have been obtained upon exercise of the Option or portion thereof or obtained pursuant to the terms of the applicable award, as the case may be, immediately prior to the Acquisition. The term Acquisition Consideration shall mean the kind and amount of shares of the surviving or new corporation, cash, securities, evidence of indebtedness, other property or any combination thereof receivable in respect of one share of the Company upon consummation of an Acquisition.

9. Transferability and Exercisability

Except as otherwise provided herein, all Awards under the Plan shall be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by the Non-Employee Director other than by will or the laws of descent and distribution except pursuant to a domestic relations order entered by a court of competent jurisdiction. Notwithstanding the preceding sentence, the Board may provide that any Stock Option Award may be transferable by the Participant to family members or family trusts established by the Participant.

Except as otherwise provided herein, during the life of the Non-Employee Director, Awards under the Plan shall be exercisable only by him or her except as otherwise determined by the Board. In addition, if so permitted by the Board, Non-Employee Directors may designate a beneficiary to exercise the rights of the Non-Employee Director and receive any distributions under the Plan upon the death of the Non-Employee Director.

10. Amendment and Termination of Plan

The Board may periodically amend the Plan as it deems appropriate, without further action by the Company's shareholders, except to the extent required by applicable law. Notwithstanding the foregoing, and subject to adjustment pursuant to Section 8, the Plan may not be amended to materially increase the number of shares of Common Stock authorized for issuance under the Plan, unless any such amendment is approved by the Company's shareholders.

Notwithstanding the foregoing, an amendment that constitutes a material revision, as defined by the rules of the NYSE, shall be submitted to the Company's shareholders for approval. In addition, any revision that deletes or limits the scope of the provision in Section 6 prohibiting repricing of options will be considered a material revision.

The Plan may be terminated at such time as the Board may determine. Amendments or termination of the Plan will not affect the rights and obligations arising under Stock Options or other Stock Awards theretofore granted and then in effect without the Participant's consent.

11. Term of Award

The term of each Award is determined by the Board; provided, however, that the term of any Stock Option or SAR shall not be greater than seven years from the effective date of grant.

12. Cancellation or Suspension of an Award

The Board shall have the full power and authority to determine under what circumstances any Award shall be canceled or suspended (e.g., activity by Non-Employee Directors which constitutes a conflict of interest with the Company or is in violation of Company policies).

13. Deferred Settlement

The Board may require or permit Participants to elect to defer, in a manner consistent with the requirements of section 409A of the Code, the issuance of shares or the settlement of Awards in cash under such rules and procedures as it may establish under the Plan. It may also provide that deferred settlements include the payment or crediting of interest on the deferral amounts or the payment or crediting of dividend equivalents on deferred settlements denominated in shares.

14. Unfunded Plan

Unless otherwise determined by the Board, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any Participant or other person. To the extent any person holds any rights by virtue of a grant awarded under the Plan, such right (unless otherwise determined by the Board) shall be no greater than the right of an unsecured general creditor of the Company.



15. General Restriction

Each award shall be subject to the requirement that, if at any time the Board shall determine, in its sole discretion, that the listing, registration or qualification of any Award under the Plan upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the exercise settlement thereof, such Award may not be granted, exercised or settled in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

16. Governing Law

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the state of New York and applicable Federal law.

17. Successors and Assigns

The Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of such Participant's creditors.

18. Rights as a Shareholder

A Participant shall have no rights as a shareholder until he or she becomes the holder of record of Common Stock.

19. Change in Control

Notwithstanding anything to the contrary in the Plan, the following shall apply to all awards granted and outstanding under the Plan:

A. Definitions

The following definitions shall apply to this Section 19:

A Change in Control, unless otherwise defined by the Board, shall be deemed to have occurred if

(i) Any Person is or becomes a beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities;

(ii) The following individuals (referred to herein as the Incumbent Board) cease for any reason to constitute a majority of the directors then serving: (A) individuals who as of the date hereof constitute the Board, and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who were directors as of the date hereof, or whose appointment, election or nomination for election was previously so approved or recommended;

(iii) There is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which results in the directors of the Company who were members of the Incumbent Board immediately before such merger or consolidation continuing to constitute at least a majority of the board of directors of the Company, the surviving entity or any parent thereof, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from

the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding voting securities; or

A-5

---

(iv) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company, or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately before such sale. For purposes of this definition of Change in Control, Person shall have the meaning given in Section 3(a)(9) of the 1934 Act, as modified and used in Section 13(d) and 14(d) of the 1934 Act, except that such term shall not include Excluded Persons. Excluded Persons shall mean (1) the Company and its subsidiaries, (2) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, (3) any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, (4) any person who becomes a beneficial owner in connection with a transaction described in sub clause (A) of clause (iii) above, (5) an underwriter temporarily holding securities of the Company pursuant to an offering of such securities, or (6) an individual, entity or group who is permitted to, and actually does, report its beneficial ownership on Schedule 13G (or any successor Schedule), provided that if any Excluded Person described in clause (6) subsequently becomes required to or does report its beneficial ownership on Schedule 13D (or any successor Schedule), then, for purposes of this definition, such individual, entity or group shall no longer be considered an Excluded Person and shall be deemed to have first acquired beneficial ownership of securities of the Company on the first date on which such individual, entity or group becomes required to or does so report on such Schedule.

A Section 409A-Conforming Change in Control is a Change in Control that conforms to the definition under section 409A of the Code of a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, as such definition is set forth in Treasury guidance.

CIC Price shall mean the higher of (i) the highest price paid for a share of the Company's Common Stock in the transaction or series of transactions pursuant to which a Change in Control of the Company shall have occurred, or (ii) the highest price paid for a share of the Company's Common Stock during the 60-day period immediately preceding the date upon which the event constituting a Change in Control shall have occurred as reported in The Wall Street Journal in the New York Stock Exchange Composite Transactions or similar successor consolidated transactions report.

#### B. Acceleration of Vesting and Payment of Stock Options, SARs, DSUs and Dividend Equivalents

Upon the occurrence of an event constituting a Change in Control, all stock options and SARs (to the extent the CIC Price exceeds the exercise price), and dividend equivalents outstanding on such date shall become 100% vested and shall be paid in cash as soon as may be practicable. Upon such payment, such awards and any related stock options shall be cancelled.

Upon the occurrence of an event constituting a Change in Control, all DSU's shall become 100% vested. If such Change in Control is a Section 409A-Conforming Change in Control, the DSUs shall be paid in cash as soon as practicable. If such Change in Control is not a Section 409A-Conforming Change in Control, the DSUs shall be paid in cash as soon as practicable following the earliest to occur of (i) the Non-Employee Director's separation from service with the Company, as defined for purposes of section 409A of the Code, or (ii) the scheduled payment date of the DSU.

The amount of cash to be paid shall be determined (i) in the case of stock options by multiplying the number of stock options by the difference between the exercise price and the CIC Price, (ii) in the case of DSUs by multiplying the number of DSUs by the CIC Price and (iii) in the case of SARs, the difference between the exercise price of the related option per share and the CIC Price.

C. Notwithstanding the foregoing, any stock option and SARs held by a director subject to Section 16 of the Securities Exchange Act of 1934, as amended ( 1934 Act ), which have been outstanding less than six months (or such other period as may be required by the 1934 Act) upon the occurrence of an event constituting a Change in Control shall not be paid in cash until the expiration of such period, if any, as shall be required pursuant



to such Section, and the amount to be paid shall be determined by multiplying the number of SARs, stock options, or unexercised shares under such stock options, as the case may be, by the CIC Price determined as though the event constituting the Change in Control had occurred on the first day following the end of such period.

Section 409A of the Internal Revenue Code.

Notwithstanding any other provision of the Plan, no election by any participant or beneficiary, and no payment to any individual, shall be permitted under the Plan if such election or payment would cause any amount to be taxable under section 409A of the Internal Revenue Code with respect to any individual.

The Chief Executive Officer of Xerox Corporation, or her delegate, may amend the Plan as she, in her sole discretion, deems necessary or appropriate to comply with Section 409A of the Internal Revenue Code and guidance thereunder.

IN WITNESS WHEREOF, the Company has caused this Restatement to be signed as of the \_\_\_\_ day of \_\_\_\_\_ 2013, effective as of the date hereof, and dates set forth herein.

XEROX CORPORATION

By:

Vice President

A-7

---

002CSN8252

---

**IMPORTANT ANNUAL MEETING INFORMATION**

MR A SAMPLE  
 DESIGNATION (IF ANY)  
 ADD 1  
 ADD 2  
 ADD 3  
 ADD 4  
 ADD 5  
 ADD 6

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 9:00 a.m., Eastern Time, on May 21, 2013 (8:00 a.m., Eastern Time, May 17, 2013 for ESOP and Savings Plans participants).**

**Vote by Internet**

Go to [www.envisionreports.com/XRX](http://www.envisionreports.com/XRX)  
 Or scan the QR code with your smartphone  
 Follow the steps outlined on the secure website

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone  
 Follow the instructions provided by the recorded message

**Xerox Corporation Annual Meeting of Shareholders Proxy Card**

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Proposals The Board of Directors recommends a vote FOR all nominees.**

1. Election of

Directors:	For	Against	Abstain	For	Against	Abstain	For	Against	Abstain		
01 - Glenn A. Britt	c	c	c	02 - Ursula M. Burns	c	c	c	03 - Richard J. Harrington	c	c	c

Edgar Filing: XEROX CORP - Form DEF 14A

04 - William Curt Hunter	c	c	c	05 - Robert J. Keegan	c	c	c	06 - Robert A. McDonald	c	c	c
07 - Charles Prince	c	c	c	08 - Ann N. Reese	c	c	c	09 - Sara Martinez Tucker	c	c	c
10 - Mary Agnes Wilderotter	c	c	c								

**B Proposals** The Board recommends a vote **FOR** Proposals 2, 3 and 4.

	For	Against	Abstain		For	Against	Abstain
2. Ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2013.	c	c	c	3. Approval, on an advisory basis, of the 2012 compensation of our named executive officers.	c	c	c
4. Approval of the 2013 Amendment and Restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors.	c	c	c	Note: Such other business as may properly come before the meeting or any adjournment thereof.	<b>Meeting Attendance</b> Mark the box to the right if you plan to attend the Annual Meeting.		

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title. If signing in the name of a corporation or partnership, please sign full corporate or partnership name and indicate title of authorized signatory.

Date (mm/dd/yyyy)

Please print date

below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

C 1234567890 J N T

1 U P X 1 5 7 4 5 9 1

Receive Proxy Materials Electronically

Your e-mail address can now help save the environment. Vote online and register for electronic communications with the eTree<sup>®</sup> program and we'll have a tree planted on your behalf. Electronic delivery saves Xerox a significant portion of the costs associated with printing and mailing annual meeting materials, and Xerox encourages shareholders to take advantage of the 24/7 access, quick delivery and reduced mail volume they will gain by consenting to electronic delivery. If you consent to electronic delivery of meeting materials, you will receive an e-mail with links to all annual meeting materials and to the online proxy voting site for every annual meeting. To sign up for electronic delivery and have a tree planted on your behalf, please provide your e-mail address while voting online, or register at [www.eTree.com/xerox](http://www.eTree.com/xerox).

**6 IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. 6**

**Proxy Xerox Corporation**

**ANNUAL MEETING OF SHAREHOLDERS**

**9:00 A.M. TUESDAY, MAY 21, 2013**

**XEROX CORPORATE HEADQUARTERS**

**45 GLOVER AVENUE, NORWALK, CT 06850**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FROM SHAREHOLDERS OF COMMON STOCK**

The undersigned appoint URSULA M. BURNS, RICHARD J. HARRINGTON and SARA MARTINEZ TUCKER, and each of them (or if more than one are present, a majority of those present), as proxies for the undersigned, with full power of substitution, to represent the undersigned and to vote the shares of Common Stock of Xerox Corporation which the undersigned is entitled to vote at the above annual meeting and at all adjournments thereof (a) in accordance with the following ballot and (b) in accordance with their best judgment in connection with such other business as may come before the meeting.

**THIS PROXY WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED. IF NO DIRECTION IS INDICATED, THE PROXIES WILL HAVE AUTHORITY TO VOTE FOR EACH OF THE NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSALS 2, 3 AND 4, IN ACCORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATIONS.**

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

**NOTICE TO PARTICIPANTS IN THE XEROX EMPLOYEE STOCK OWNERSHIP PLAN, XEROX SAVINGS PLANS AND THE XEROX BUSINESS SERVICES SAVINGS PLAN**

This card also constitutes confidential voting instructions for participants in the Xerox Employee Stock Ownership Plan (ESOP), Savings Plan of Xerox Corporation and the Xerographic Division, Rochester Regional Joint Board (together, the Xerox Savings Plans) and the Xerox Business Services Savings Plan (Services Savings Plan). A participant who signs on the reverse side hereby instructs the trustees of the ESOP and the Xerox Savings Plans (State Street Bank & Trust Company) and the Services Savings Plan (The Bank of New York Mellon) to vote all the shares of Common Stock of Xerox Corporation allocated to his or her stock account in accordance with the instructions on the reverse side. ESOP and Xerox Savings Plans participants authorize the trustee to vote a proportion of the shares of Common Stock held in the

ESOP trust and Xerox Savings Plans trust for which no instructions have been received in accordance with the instructions on the reverse side. If no instructions have been received from a Services Savings Plan participant, the Services Savings Plan trustee will not vote the shares allocated in the account. Your voting instructions must be received by 8:00 AM Eastern Time on Friday, May 17, 2013 to allow sufficient time for processing. The Plan trustees will hold your voting instructions in complete confidence except as may be necessary to meet legal requirements.

---

IMPORTANT ANNUAL MEETING INFORMATION

MR A SAMPLE  
DESIGNATION (IF ANY)  
ADD 1  
ADD 2  
ADD 3  
ADD 4  
ADD 5  
ADD 6

**Vote by Internet**

- Go to [www.envisionreports.com/XRX](http://www.envisionreports.com/XRX)
- Or scan the QR code with your smartphone
- Follow the steps outlined on the secure website

## Xerox Corporation Annual Meeting of Shareholders Notice

### Important Notice Regarding the Availability of Proxy Materials for the Xerox Corporation Annual Meeting of Shareholders to be Held on May 21, 2013

Under Securities and Exchange Commission rules, you are receiving this notice that the proxy materials for the annual shareholders' meeting are available on the Internet. Follow the instructions below to view the materials and vote online or request a copy. The items to be voted on and location of the annual meeting are on the reverse side. Your vote is important!

This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting. The proxy statement and annual report to shareholders are available at:

**[www.envisionreports.com/XRX](http://www.envisionreports.com/XRX)**

### **Easy Online Access — A Convenient Way to View Proxy Materials and Vote**

**When you go online to view materials, you can also vote your shares.**

**Step 1:** Go to [www.envisionreports.com/XRX](http://www.envisionreports.com/XRX) to view the materials.

**Step 2:** Click on **Cast Your Vote or Request Materials**.

**Step 3:** Follow the instructions on the screen to log in.

**Step 4:** Make your selection as instructed on each screen to select delivery preferences and vote.

When you go online, you can also help the environment by consenting to receive electronic delivery of future materials.

Obtaining a Copy of the Proxy Materials – If you want to receive a paper or e-mail copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your

request for a copy as instructed on the reverse side on or before May 10, 2013 to facilitate timely delivery.

---



## Xerox Corporation Annual Meeting of Shareholders Notice

Xerox Corporation Annual Meeting of Shareholders will be held on Tuesday, May 21, 2013 at Xerox Corporate Headquarters, 45 Glover Avenue, Norwalk, CT 06850 at 9:00 a.m. Eastern Time.

Proposals to be voted on at the meeting are listed below along with the Board of Directors' recommendations.

**The Board of Directors recommends a vote FOR all nominees and FOR Proposals 2, 3 and 4.**

1. Nominees.

01 - Glenn A. Britt	02 - Ursula M. Burns	03 - Richard J. Harrington	04 - William Curt Hunter
05 - Robert J. Keegan	06 - Robert A. McDonald	07 - Charles Prince	08 - Ann N. Reese
09 - Sara Martinez Tucker	10 - Mary Agnes Wilderotter		

2. Ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2013.

3. Approval, on an advisory basis, of the 2012 compensation of our named executive officers.

4. Approval of the 2013 Amendment and Restatement of the Company's 2004 Equity Compensation Plan for Non-Employee Directors.

Note: Such other business as may properly come before the meeting or any adjournment thereof.

PLEASE NOTE – YOU CANNOT VOTE BY RETURNING THIS NOTICE. To vote your shares you must vote online or request a paper copy of the proxy materials to receive a proxy card. If you wish to attend the meeting, please check the "Meeting Attendance" box when voting and a ticket will be sent to you.

### Directions to the Xerox Corporation 2013 Annual Meeting of Shareholders - 45 Glover Avenue, Norwalk, CT 06850

**New England Thruway/I-95/Connecticut Turnpike**

**North Bound From New York**

1. Take exit 15 to merge onto US-7 N toward Norwalk/Danbury
2. Turn right at Grist Mill Rd/US-7 (signs for US-7/Wilton/Danbury)
3. Turn right at Glover Ave.
4. Turn right at 45 Glover Ave. and follow the driveway to the front of the building

**South Bound From New Haven**

1. Take exit 15 to merge onto US-7 N toward Norwalk/Danbury
2. Turn right at Grist Mill Rd/US-7 (signs for US-7/Wilton/Danbury)
3. Turn right at Glover Ave.
4. Turn right at 45 Glover Ave. and follow the driveway to the front of the building

**Hutchinson River Parkway/Merritt Parkway (CT15)**

**North Bound From New York**

1. Take exit 39B to merge onto US-7 N toward Norwalk/Danbury
2. Turn right at Grist Mill Rd/US-7 (signs for US-7/Wilton/Danbury)
3. Turn right at Glover Ave.
4. Turn right at 45 Glover Ave. and follow the driveway to the front of the building

**South Bound From New Haven**

1. Take exit 40B toward US-7/Danbury
2. Turn left at Creeping Hemlock Dr
3. Go diagonally across Main St. onto Glover Ave.
4. Go over railroad tracks, bearing right on Glover Ave.
5. Turn left at 45 Glover Ave. and follow the driveway to the front of the building

Here's how to order a copy of the proxy materials and select a future delivery preference:

**Paper copies:** Current and future paper delivery requests can be submitted via the telephone, Internet or email options below.

**Email copies:** Current and future email delivery requests must be submitted via the Internet following the instructions below. If you request an email copy of current materials you will receive an email with a link to the materials.

**PLEASE NOTE:** You must use the number in the shaded bar on the reverse side when requesting a set of proxy materials.

Edgar Filing: XEROX CORP - Form DEF 14A

- ® **Internet** Go to [www.envisionreports.com/XRX](http://www.envisionreports.com/XRX). Click Cast Your Vote or Request Materials. Follow the instructions to log in and order a paper or email copy of the current meeting materials and submit your preference for email or paper delivery of future meeting materials.
  
- ® **Telephone** Call us free of charge at 1-866-641-4276 using a touch-tone phone and follow the instructions to log in and order a paper copy of the materials by mail for the current meeting. You can also submit a preference to receive a paper copy for future meetings.
  
- ® **Email** Send email to [investorvote@computershare.com](mailto:investorvote@computershare.com) with Proxy Materials Xerox in the subject line. Include in the message your full name and address, plus the number located in the shaded bar on the reverse, and state in the email that you want a paper copy of current meeting materials. You can also state your preference to receive a paper copy for future meetings.

To facilitate timely delivery, all requests for a paper copy of the proxy materials must be received by May 10, 2013.

---