



Lexmark International, Inc.
740 West New Circle Road
Lexington, KY 40550
USA

United Nations Global Compact Communication on Progress

Statement of continued support for the United Nations Global Compact

The United Nations Global Compact (UNGC) provides a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. Lexmark is committed to advancing corporate responsibility throughout the global community and supports the principles of the United Nations Global Compact. This commitment is demonstrated through Lexmark's Corporate Social Responsibility policies which reflect the principles valued by the Electronic Industry Code of Conduct and the United Nations Global Compact. Business signatories to the UNGC offer stakeholders an annual Communication on Progress (COP). As a signatory to the UNGC, Lexmark offers portions of Lexmark's Corporate Social Responsibility Report for 2008 that address Lexmark's commitment to the principles of the Global Compact and the practical actions Lexmark has taken. To view Lexmark's 2008 CSR Report, please visit Lexmark's corporate website.

Sincerely,

A handwritten signature in blue ink, reading "Paul J. Curlander".

Paul J. Curlander
Chairman and Chief Executive Officer
Lexmark International, Inc.

United Global Compact

2009 Communication on Progress



Human Rights and Labor: Principles 1-6

Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2 – Businesses should make sure they are not complicit to human rights abuses.

Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labor

Principle 5 – Businesses should uphold the effective abolition of child labor

Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation

Practical actions taken to integrate the principles and progress:

Equal Employment Opportunity

Lexmark is committed to equal opportunity in all areas of our operations. All Lexmark business activities and employment-related activities will be administered without regard to race, color, religion, gender, sexual orientation, gender identity, national origin, disability, age or veteran status.

Lexmark values diversity in its workplace. The company has adopted a Diversity Mission Statement by which our employees abide, respecting and valuing individual differences among their peers. This mentality helps Lexmark operate with one unified vision. This vision allows Lexmark to utilize the talents of its employees and fosters good relations within the company as well as the communities where we live and work.

Suppliers

In addition to our employee diversity focus, Lexmark's supplier diversity program is founded on the Lexmark values of mutual respect, corporate citizenship and integrity. Diverse businesses comprise a vital segment of our economy, and healthy diverse businesses are therefore advantageous to our economy and our community. Lexmark sets goals annually to increase contracting opportunities for eligible diverse suppliers. These goals are reviewed to determine if they are attainable and represent a meaningful contribution to Lexmark's supplier diversity program. Lexmark strives to encourage and afford

opportunities to diverse suppliers, while ensuring that we receive the highest quality products and services at the most economical costs. All Lexmark employees are encouraged to take an active role in the support of the supplier diversity program by ensuring that all suppliers are encouraged and given an opportunity to do business with Lexmark.

Also regarding the selection and management of our suppliers, Lexmark's membership and participation in the EICC has further strengthened our organizational efforts in support of human rights, labor standards and other CSR values. The EICC Electronics Industry Code of Conduct is a code of best practices adopted and implemented by some of the world's major electronics brands and their suppliers to improve conditions in the electronics supply chain. The code sets forth performance, compliance, auditing and reporting guidelines across five areas of social responsibility including labor, health and safety, environment, management systems and ethics policies. In accordance with EICC guidelines, beginning in 2008 Lexmark requested third-party audits for a number of its Tier 1 suppliers to monitor compliance in these areas.

Employee Rights

The conventions of ILO, to which Lexmark adheres, aim to promote worker's rights, decent employment opportunities and channels of communication between employees. Other ILO and United Nations Global Compact (UNGC) initiatives include the abolition of forced labor, the freedom of association and protection of the right to organize and the prohibition of child labor are discussed in Lexmark's Supplier Code of Conduct to which Lexmark and applicable Lexmark suppliers are accountable. The Supplier Code of Conduct also discusses Lexmark's policy on Freely Chosen Employment. No U.S. employees are represented by a union; however, employees in France are represented by a Statutory Works Council. Lexmark honors their employees' free choices and complies with all state and federal workplace laws and guidelines, including those associated with labor organizing activities. In Lexmark's experience, open communication and direct engagement between workers and management are key factors in resolving workplace issues. Workers are able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment.

Ethics

Lexmark uses a third party to manage its corporate ethics hotline. This has remained effective over time as it ensures employee confidentiality. All employees on a worldwide basis are subject to the same Code of Business Conduct. An online process is in place that allows each employee to access the Code of Business Conduct and also to verify that the policy has been read and understood. All employees are required to verify compliance on an annual basis. The status of this annual review process is tracked by the Human Resources department on a global basis and reported to the Lexmark Ethics Committee and the Corporate Governance Committee of the Board of Directors. All modifications to the Code of Business Conduct are reviewed by the Ethics Committee prior to any updates.

Employee Programs

Lexmark global operations offer employee benefits with the goal of improving working and living conditions. A flu clinic in Lexington and a health clinic in Juárez, Mexico, were made available for all employees and their families living in the area. These clinics provided health related educational services, counseling and prevention and risk-control programs. In the United States, employees can choose to receive full medical, dental and vision insurance for themselves and their families. In China, employees are eligible for medical insurance, personal accident insurance, household property insurance, medical reimbursement for children, social pension insurance, a welfare fund, a housing fund and an annual routine

health check. Also in China, where housing costs are high and availability is low, Lexmark offers some benefits related to living facilities. The living facilities offered through Lexmark are not mandatory, but they are available for those employees who wish to use the service. Furthermore, Lexmark has gone beyond basic health benefits by offering programs such as education assistance, flexible scheduling and paid time off for volunteer activities.



In October 2008, Lexmark received the When Work Works, Alfred P Sloan Award for Excellence in Workplace Flexibility. Lexmark's flexible work/life balance programs enhance operational efficiency, promote business goals and enrich the quality of life for employees. The Lexmark Telecommuting Program allows U.S. employees who receive approval from their manager to work from an alternate workplace. The Lexmark regular part-time program allows U.S. full-time employees to work a reduced schedule, with a minimum schedule of 20 hours per week. Lexmark also offers a paid Volunteer Time-Off Program to encourage employees to actively participate in the life of their communities by volunteering their time, talents and resources. Full-time employees qualify for up to 24 hours of volunteer time off per calendar year. Part-time employees qualify for 12 hours per calendar year.

Environment: Principles 7-9

Principle 7 – Businesses should support a precautionary approach to environmental challenges

Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies

Practical actions taken to integrate the principles and progress:

Environmental sustainability is a keystone of Lexmark's guiding principles and culture. The section below describes our efforts to be responsible stewards of the earth's resources through:

- Compliance
- Energy efficiency
- Materials management
- Product and service development
- Transportation
- Waste management
- Water conservation
- Other notable environmental programs

1.0 Product Sustainability

Life Cycle Assessment

Lexmark designs products with the entire life cycle in mind; from manufacturing, to distribution, to use, to end of life. Our product life cycle initiatives are working toward cradle-to-cradle design. Approaching product design through the lens of the LCA requires that special attention is brought to a product's durability and ability to be recycled into a new product of equal quality. We choose materials using the LCA guidance and are actively involved in materials research that will enable us to increase the recycled content of the materials we use and the products we manufacture. With participation from our customers, we seek long-term innovative solutions to enable a closed-loop manufacturing system.

Lexmark attempts to ensure that our products leave a minimal impact on the environment. Products and service categories are covered by and assessed for compliance with company procedures for determining product or service health and safety impacts. This approach is applied at all stages of the product life cycle, including the following:

- Development of product concept
- Research and development
- Certification
- Manufacturing and production
- Marketing and promotion
- Storage distribution and supply
- Use and service
- Disposal, reuse, or recycling

Lexmark considers our products' end of life even before they are manufactured. Materials used in printers and print cartridges are selected for their recyclability. The variety of materials and number of parts used

is limited, allowing for easier disassembly and recycling. Our materials selection and substitution program maintains an environmentally sustainable perspective in the design of our products and packaging by:

- Striving to use durable materials
- Selecting materials that make our products safe to use
- Avoiding materials that have a negative impact on the environment
- Selecting materials for their ability to be reused or recycled at end of life

Lexmark uses the standardized LCA to analyze our products in accordance with the ISO 14040 and ISO 14044 methods. We commissioned LCA studies on our laser and inkjet products to outside environmental companies. The LCA studies were performed in compliance with ISO 14040 and ISO 14044, including an independent third-party review.

The LCA study measured our products environmental impact on 11 indicators, in accordance with a methodology established in 2002 by the Institute of Environmental Sciences, Leiden University, in the Netherlands. Some of the environmental indicators measured include the following:

- Nonrenewable resource depletion (abiotic depletion)
- Nonrenewable primary energy
- Global warming and climate change
- Photochemical oxidation (ozone pollution)

The LCA studies provided a realistic, data-based assessment of tradeoffs in product design, manufacturing, transportation, end life and the potential to make system-wide improvements. Lexmark incorporates the LCA results into our product design process to develop sustainable products that combine the high standards of performance, efficiency and environmental stewardship. Our solutions help our customers reduce paper consumption in the use phase of the product with duplex and multi-page printing features, as well as workflow solutions that take paper out of processes. We also enable our customers to use their printers more efficiently by sharing devices through network and WiFi connectivity. We have increased printer lifespan with more robust designs. In addition we have made significant energy reduction progress and have reduced packaging materials by more than 25 percent in some cases.



Case Study of Lexmark Products through All Life Cycle Phases

To clearly understand the environmental impact of our printers, we examine each phase of a product's life, from manufacturing to end of life, using a LCA. Lexmark commissioned assessments for some of our well-known products: the Lexmark X646dte multifunction laser printer, the Lexmark X9350 inkjet printer and the Lexmark X7675 inkjet printer. This ISO-compliant analysis revealed that the environmental impacts of printers are more complex than may initially appear.

The laser printer assessment indicated the main environmental carbon footprint impact of the Lexmark X646dte workgroup monochrome product results from the "use" phase, with the majority of the impacts attributed to the paper that is consumed. The assessment of the inkjet products showed that the environmental carbon footprint impacts of the home and small office product Lexmark X9350 is related to the manufacturing of the printer (raw materials and assembly), followed by the use phase and paper consumption. The environmental carbon footprint impact of the Professional Series Lexmark X7675 relates to the use phase and paper consumption, followed by printer manufacturing.

Collecting accurate environmental data on the life cycle phases of our products is helping Lexmark focus our design efforts where they matter most.

2.0 Products and Supplies

The environmental performance of products has become a key issue for businesses, as society and consumers are increasingly concerned about the environmental impact of the products they use. Our Design for Environment program focuses on minimizing the environmental impacts of our products in these essential areas: paper and supplies conservation; product durability and upgradeability; materials selection and substitution; energy efficiency; acoustics and packaging.

Lexmark employs green design principles when developing new products. Product development teams look for ways to reduce the product environmental footprint, such as extending product life span, avoiding environmentally harmful materials, making products easy to recycle, and decreasing the products' energy consumption.

Lexmark's "Print Less, Save More" solutions help customers understand the impact of their printing and reduce their operating costs and paper consumption. Lexmark is committed to providing customers with real solutions to help them print smarter. Lexmark engineers design products with features to help our customers reduce the number of pages they print and the number of cartridges they use over the lifetime of their printers. Some examples of these product features include: document scanning options; duplex

and multi-page printing; print preview; quick print and draft modes. Our laser printers allow our clients to select a toner darkness level; lower darkness settings are ideal for printing documents that do not require optimum quality.

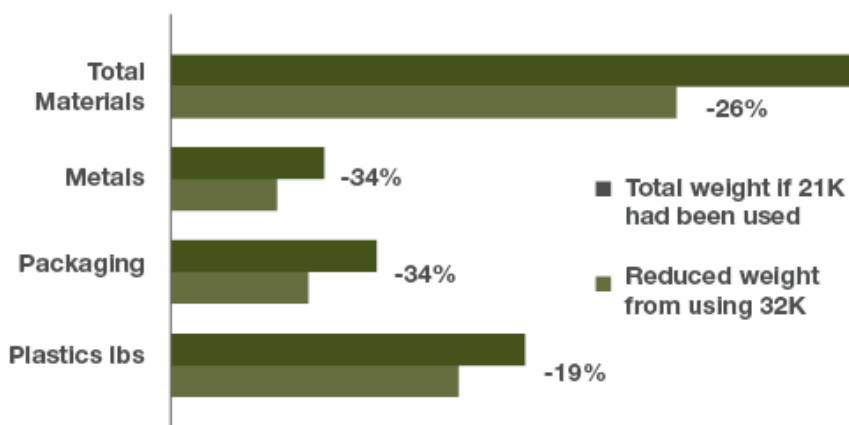
High-Yield and Extra High-Yield Cartridges: Resource Conservation in Action

Lexmark toners and inks are available in high-yield and extra high-yield cartridges, enabling our customers to print more pages with fewer cartridges. For example, Lexmark's Extra High-Yield Toner Cartridge for our new Lexmark T650 and X650 workgroup monochrome laser printers has an ISO yield rating of 36,000 pages. That's more than five times the page yield of the 7,000-page standard yield cartridge for that printer.

Over the life of a printer, regular use of high-yield or extra high-yield cartridges can add up to considerable savings in the amount of materials consumed. For example, by using Extra High-Yield 32,000-page cartridges in their Lexmark T640 Series printer fleets instead of the lower yield 21,000-page cartridge, in 2008 alone, Lexmark customers in the United States and Europe reduced the total weight of necessary plastics, metals and packaging by approximately 26 percent.

Figure 3.1

Materials Savings in 2008 from using Extra High-Yield T640 Series 32K Cartridges Instead of 21K Cartridges (US & EMEA)



Eco-friendly alternatives for SOHOs are also available. Lexmark High-Yield and Extra High-Yield Print Cartridges are offered for many of Lexmark's versatile AIO inkjet printers, including the Lexmark Professional Series.

Paper: Resource Conservation in Action

Along with providing many options to help customers physically print fewer sheets of paper, Lexmark products support the use of recycled content office paper, which requires less energy and reduces the demand for materials manufactured from virgin pulp. We consistently test papers that represent recycled cut size copier papers available on the global market to ensure high quality performance.

Paper Saving Tips

Lexmark does not endorse specific suppliers; however, the following paper usage guidelines will help alleviate the environmental impact of printing:

1. Minimize paper consumption.
2. Be selective about the origin of wood fiber. Buy from suppliers who carry certifications such as the Forestry Stewardship Council or The Programme for the Endorsement of Forest Certification. These certifications guarantee that the paper manufacturer uses wood pulp from forestry operators who employ environmentally and socially responsible forest management and restoration practices.
3. Choose the most appropriate paper for printing needs: normal 75 or 80 gsm certified paper, lower weight paper or recycled paper.

3.0 Materials Selection

Product Recyclability

Lexmark designs products for recyclability. More than 99 percent of the materials used in Lexmark's inkjet and laser printers are recyclable. Lexmark exceeds the European Waste Electrical and Electronic Equipment (WEEE) Directive's requirement that a minimum of 65 percent of the product by weight shall be recyclable. We specifically select materials that are recyclable and design our printers for easy disassembly to facilitate ease of recycling at the end of product life in the initial stages of the planning process. We are also actively involved in materials research that will enable us to responsibly incorporate recycled components back into our products.

Use of Chemicals in our Products

We take great pride in our successful strategies to offer high quality products that are durable and recyclable. We are also conscientious about the use of certain chemicals in our materials and manufacturing processes. Lexmark complies with international legislation that restricts the use of substances such as lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ether (PBDE) flame retardants, as outlined in the European Union's 2003 passage of the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS). In fact, a few years before the RoHS requirements went into effect, Lexmark completely eliminated PBBs and PBDEs from our products. Since July 1, 2006, all Lexmark products, including the ink and toner cartridges (which are not included in the scope of the RoHS), have been fully compliant with the RoHS directive.

Lexmark, in cooperation with our suppliers, ensures that proper processes are in place for our continued compliance with international material restriction regulations including the European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation, which seeks to improve the public health and the environment by controlling the production and use of harmful chemical substances. In 2008, Lexmark completed the first steps of REACH, including Pre-Registration, material review and required communications associated with the initial release of the Substances of Very High Concern (SVHC) list of chemicals. As REACH evolves with chemical registration deadlines and new chemicals added to the SVHC list on a regular basis, Lexmark will continue to track REACH developments and

comply with all requirements of the REACH legislation. More information regarding Lexmark's REACH initiatives can be made available to our customers by request.

Best Practices with Non-Regulated Materials

Lexmark is proactive in working to minimize or eliminate the use of other chemicals and substances that are not regulated. For example, Lexmark successfully eliminated 98 percent of PVC in our inkjet cartridge packaging worldwide by substituting it with a combination of paperboard and either high-density polyethylene or polyethylene terephthalate.

Lexmark is actively evaluating alternatives for brominated flame retardants. These chemicals are typically used for the purpose of fire safety; however, if they are not incinerated properly upon disposal, toxins can be released into the atmosphere. Eliminating brominated flame retardants can be challenging for electronics manufacturers who must balance product safety and environmental protection. To date, Lexmark has safely eliminated the use of brominated flame retardants in the covers and chassis of our laser and inkjet printers, and we are working with others in the electronics industry to expand the use and availability of safe and sustainable alternatives for other electronic components we manufacture.

The inks and toners in genuine Lexmark print cartridges are specially designed to deliver superb imaging quality.

A minimal concentration of solvents is used to ensure Lexmark inks flow smoothly and dry quickly. We do not use methyl alcohol or ethylene glycol in our inks.

Lexmark toner cartridges are designed to securely contain toner dust within the cartridge to deliver a "clean hands" experience. Material safety data sheets containing health and safety information on Lexmark's print cartridges are available on Lexmark's Web site.

4.0 Energy Efficient Products

Reducing energy use is one of the most effective ways to reduce greenhouse gas emissions, a major contributor to climate change. Lexmark is committed to designing energy efficient products. This is evident by the number of Lexmark products that are Energy Star qualified. Launched in 1992, Energy Star is a joint program of the U.S. Environmental Protection Agency (U.S. EPA) and the U.S. Department of Energy (U.S. DOE) that has grown into a globally recognized symbol for energy efficient products and practices.

As a charter partner of the program, Lexmark is committed to developing and promoting products that meet the strict requirements of the Energy Star program. This commitment can be seen in the design and release of products with Instant Warm-Up fusing technologies and factory standard duplex options. Worldwide, many currently available Lexmark laser products meet the power consumption requirements of Germany's Blue Angel eco-label.

By focusing on key hardware components, such as fusers and external power adapters, as well as electromechanical systems and controls, Lexmark's design engineers made significant improvements in 2008 in the energy efficiency of our products. For example:

- Lexmark expanded our Instant Warm-Up Fusing technology into the color laser products, the Lexmark X540 Series and the C540 Series. These products respectively use 50 percent and 28 percent less energy than comparable previous products.

- Eco-Mode is now offered on all new 2008 Lexmark laser printers and multifunction devices. Selecting this feature optimizes energy efficiency by reducing the printer's power consumption compared to the default settings by as much as 28 percent on some models. Selecting "Eco-Mode with Duplex" will automatically activate two-sided printing, increasing the overall paper savings as well.
- The new Lexmark T650 Series of monochrome laser printers use 30 percent less power in sleep mode than the previous Lexmark T640 Series products.
- Lexmark inkjet printers now use ultra-efficient external power supplies that meet the Energy Star program's new requirements for external power supplies.
- Lexmark has extended the use of the energy efficient Galvo Printhead to the Lexmark T650 Series monochrome laser printer. The Galvo Printhead uses 90 percent less power during printing when compared to the conventional Polygon mirror Printhead.

Looking forward to 2009, Lexmark is committed to the following:

- Meet the requirements of the European Union's Energy Using Products requirements for standby/off modes and external power supplies.
- Design products to meet the Energy Star Imaging Equipment V1.1 specifications which become effective July 1, 2009. The Energy Star V1.1 criteria requires products to be 14 percent more efficient than products qualified under the Energy Star V1.0 criteria.
- Increase product energy efficiency by 25 percent from 2008 to the next generation of products.
- Continue to develop additional products that use the Instant Warm-Up fusing technology and Galvo Printhead technology.

Conventional Fuser Technology



In 2008, Lexmark expanded Instant Warm-Up fusers to its color laser product line. The fuser is one of the highest energy usage components in a printer and is a critical focus item when looking at ways to minimize energy usage.

Traditional fuser technologies use a metal roller and halogen lamp to fuse the toner to the paper. This technology is very robust, but the metal roller must maintain a high temperature to achieve a fast response time for the customer. Instant Warm-Up fusing uses a thin ceramic heater and a flexible belt to more directly transfer the heat and pressure to fuse the toner. This fuser can quickly heat up to fusing temperature, allowing the fuser energy to be greatly reduced when the product is not printing. The power savings:

- Monochrome Instant Warm-Up fusers reduce power use by 82 to 87 percent.
- Color Instant Warm-Up fusers reduce power use by 70 to 80 percent.

This innovative fuser technology allows for significant reductions in energy usage while enhancing the customer experience with rapid recovery times.

Instant Warm-Up Fuser Technology



Lexmark also incorporates the use of Galvo scanner technology in the laser scanning units in some printers. Traditional laser scanning technology uses a rotating polygon mirror to scan the laser across the photoconductive (PC) drum, creating the image to be printed. The Galvo scanning technology uses a torsional oscillating silicon micro-electro-mechanical system (MEMS) device to scan the laser across the PC drum. The Galvo technology uses electromagnetic forces that cause the Galvo MEMS device to move at its mechanical resonance. The Galvo technology has the following advantages:

- 75 Percent less weight
- 20 dBA noise reduction
- 90 Percent less power consumed

Acoustics is the science of sound and vibration. Lexmark's design teams assess our equipment acoustics and focus on reducing unwanted noise while selectively incorporating helpful sounds. Finding technical solutions to environmental "noise pollution" requires creativity and innovation. All laser products announced in the fall of 2008 were designed with a Quiet Mode feature that allows users to adjust the sound level of their printer to meet their personal preferences.

Germany's Blue Angel eco-label was one of the first to include noise levels in its certification criteria. Today, all of Lexmark's laser printing products meet the noise requirement in the Blue Angel specification.

6.0 Materials Use in Packaging

By implementing sustainable principles, Lexmark maximizes our resource efficiency and minimizes our environmental impact on a global and local level. We understand that material selections are inherently important when analyzing resource conservation and efficiency. Apart from focusing on product manufacturing, Lexmark expands the scope of its sustainability efforts to include improvements in packaging. When designing a package, packaging engineers at Lexmark are presented with a variety of potential material choices. When given a number of options, the number one priority is product protection – and selecting the right materials is essential to achieving this goal.

For cushioning purposes, expanded polystyrene (EPS) is used most commonly. This material has been used in the packaging industry for quite some time and allows for consistent, low cost protection. For products requiring additional protection, fabricated polyethylene foams may also be used.

For some of our smaller items such as toner cartridges and field replacement unit (FRU) parts, an even wider array of materials is used. These include die cut corrugated, molded pulp, bubble wrap and paper dunnage. All products are shipped in corrugated boxes specified to meet warehouse stacking and shipping requirements.

In addition, printed materials included with Lexmark products, such as user manuals and setup guides, are available online or on compact disc in an effort to help reduce paper, packaging weight and air emissions associated with shipping.

Product Packaging

The Lexmark packaging team assesses the life cycle impact of packaging on the environment. We focus on not only how much packaging is delivered to the customer, but how packaging designs affect transportation efficiencies along the way. In addition, we carefully study component choices as they relate to the environment, minimize materials use and choose materials that are easy to recycle whenever possible.

We design our packaging with the environment in mind. At the design phase, engineers look at the shipping requirements of the product. Our engineers consider the overall size of the product, the shape of the outer covers and how this can affect the accessories shipped with the printer. The overall ruggedness of the printer is another significant factor. Simply stated, the more rugged the printer is, the less packaging the unit requires. It should be noted that Lexmark applies this eco-logic not only to printers, but also supplies and service parts. In 2008, Lexmark had no incidents of noncompliance with regulations or codes concerning our product labeling and no fines for noncompliance with laws associated with our products.

Less packaging helps reduce costs and material disposal in landfills. Less packaging also ensures that goods are being transported in the most efficient manner. Our efficiency can be quantified through the LCA, with the anticipated output consisting of reductions in greenhouse gas emissions, energy savings and natural resource conservation.

Examples of Lexmark's efficiency improvements in packaging efforts include:

- Packaging for the Lexmark T652/T654dtn monochrome laser printers has been reduced to one box, which includes the printer and tray in the same box clipped to a bottom corrugated tray.
- Packaging for the new Lexmark X656dte monochrome laser MFP has been reduced by more than seven pounds from the Lexmark X646dte's packaging, which equates to a savings of 34,762 BTUs of energy and the reduction of 2,786 grams of greenhouse gas emissions per package.
- The corrugated fiberboard in the outer cartons of all Lexmark printers, accessory options and parts contain 10 to 25 percent recycled content. The corrugated fiberboard is completely recyclable.
- Our EPS foam has five percent recycled content.
- Our toner cartridge boxes are designed to be used twice – once when the cartridge is shipped new and again when the empty cartridge is returned to Lexmark for recycling.
- Cushioning materials for Lexmark toner cartridges are made from easy to recycle corrugated cardboard whenever possible.
- All molded pulp consists of 100 percent recycled content.



7.0 End of Product Life

Product Durability and Upgradeability

Lexmark consciously designs products with durability and upgradeability in mind. This enhances the customer's value and helps us achieve environmental goals associated with the product life cycle. Durable products offer enhanced performance through the availability of hardware, firmware and software upgrades that consume less energy and use fewer resources over the product's lifetime. Lexmark offers a variety of life-extending options such as memory upgrades, hard drive upgrades, optional network adapters, optional multifunction units, optional duplex upgrades and fuser maintenance kits.

Our product quality and assurance teams work closely in collaboration with our design engineers to ensure the durability of our products. Lexmark printing solutions undergo extensive testing to verify the robustness of our designs and to accurately establish recommended page volume. We then back our products with technical support and extended warranties. In 2008, we introduced a five-year warranty on select U.S. and European Professional Series inkjet printers.

Lexmark's Customer Support Service team developed an efficient dismantle and salvage process to minimize waste from our laser printers. The process recovers service parts from printers otherwise destined to be recycled. The aggressive reuse and recycling targets established and met by this team have reduced Lexmark's environmental footprint by eliminating the need for raw materials to produce service parts while contributing to extending the life of other machines. This contribution has resulted in increased customer satisfaction by providing in-stock service parts. It also provided a \$7 million annual savings to the business.

Lexmark Products and the Environment

We strive to be a socially and environmentally responsible organization for our customers and employees. We know that when our customers invest in our products, they are in part, making purchasing decisions that reflect their values. The practice of reducing, recovering, reusing and recycling exemplifies this shared value system.

Lexmark offers our customers environmentally sound disposal options for their used Lexmark printers. In the United States, we offer the Lexmark Equipment Collection Program. Customers can return their

Lexmark-branded products to Lexmark by whatever shipping method is most convenient for them and we will recycle the equipment for free.

For enterprise customers who are in the process of installing a large fleet of new Lexmark products, Lexmark develops customized collection strategies. We work in partnership with certified electronics disposal agencies to collect the customer's used devices, mark them for recycling and arrange for them to be sent to the nearest recycling facility.

Lexmark's equipment recycling efforts are expanding worldwide. Lexmark is active in equipment recycling efforts on a global scale. In many parts of Europe, our equipment take-back strategy is implemented through country-specific programs that are operated in accordance with the European Union WEEE directive (2002/96/EC). Consumers in the European Union can take their equipment to locally authorized collection centers, or in some cases to local retailers. For business customers in the European Union, Lexmark has established a fully compliant logistics system for transporting used products to the nearest storage and sorting facility, where the equipment is properly processed for recycling.

In 2008, customers in Victoria, Australia, could recycle their printers through a program called Byteback™. This free service encouraged recycling efforts in Victoria. The Byteback™ program was created as a model to help industry prepare for a national approach to the responsible disposal and collection of computer equipment. Lexmark was a founding industry partner in the Byteback™ program built by Sustainability Victoria in partnership with Australian Information Industry Association (AIIA), along with Apple, Canon, Epson, Fujitsu, Fuji, Xerox, Hewlett-Packard, IBM and Lenovo.

Lexmark Supplies and the Environment

Conserving our planet's natural resources is a key sustainability challenge as the world population and economy continue to grow. According to the World Business Council on Sustainable Development, natural resource consumption is expected to rise to 170 percent of the Earth's biocapacity by 2040¹. This makes the recycling and reuse of the products we use more urgent than ever before. At Lexmark, we recognize this challenge and since our founding in 1991 have been dedicated to providing our customers with free and easy ways to return their used Lexmark supplies back to us for recycling. With the help of our customers, Lexmark continues to make excellent progress in keeping cartridges out of landfills so that these products can be recycled or reused, reducing the need for new raw materials and helping to preserve our environment.

¹ "Sustainable Consumption Facts and Trends." World Business Council on Sustainable Development, 2009.



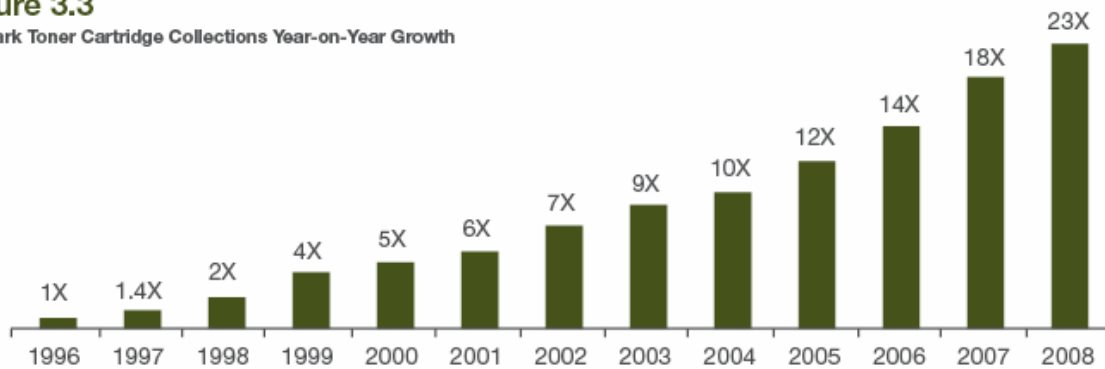
Lexmark Cartridge Collection Program: Reducing Waste to Landfill

The Lexmark Cartridge Collection Program continues to divert millions of Lexmark toner and inkjet cartridges from landfills annually by enabling our customers to return used print cartridges to Lexmark free of charge for reuse or recycling. Customers can return individual toner cartridges simply by placing the used cartridge in the new cartridge box and applying the pre-paid label provided for shipment. Other methods of return for toner cartridges include bulk returns or container pickup service for large-volume customers (availability varies by country). For inkjet cartridge returns, customers can request free recycling bags from Lexmark's easy-to-use Web site. Currently, our collection programs are available in more than 60 countries, which represent approximately 90 percent of our global market.

Our extensive cartridge collection network has made Lexmark an industry leader in the recovery, remanufacturing and recycling of empty toner cartridges. The number of empty cartridges we collect and process continues to grow each year. From 1996 to 2008, the number of toner cartridges Lexmark collected for remanufacturing or recycling achieved 23X growth. The ratio of returns to shipments has also increased dramatically. In 1996, on a worldwide basis, less than one out of every 10 toner cartridges shipped was returned for remanufacturing or recycling. In 2008, the worldwide ratio improved to four in ten. In some regions, the return rate is even higher. In the United States, for example, the number of toner cartridges returned continued to average between 40 and 50 percent in 2008.

Figure 3.3

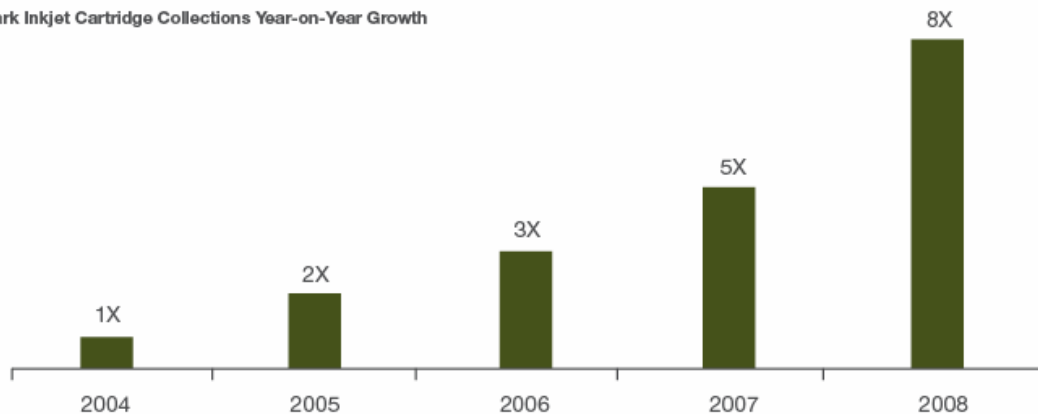
Lexmark Toner Cartridge Collections Year-on-Year Growth



The percentage of inkjet cartridges Lexmark collects is growing steadily each year as well. Lexmark began collecting and recycling inkjet cartridges in 2004, and by 2008 we achieved 830 percent growth. Lexmark inkjet cartridges are now collected in virtually every country where Lexmark printers are sold.

Figure 3.4

Lexmark Inkjet Cartridge Collections Year-on-Year Growth



We credit these achievements to our customers' exceptional environmental commitment, along with creative incentives that make it easy to do the right thing for the planet, such as:

- **Lexmark C540/X540 Series Rewards Program:** This unique environmental program for our new Lexmark C540/X540 Series color laser printers rewards customers for recycling their used toner cartridges with Lexmark. Customers can earn free high-yield toner and imaging kits for returning their empty cartridges to Lexmark for recycling or reuse.
- **Lexmark Return Program cartridges** are offered for many of our most popular printer models. These toner and inkjet cartridges are sold at discounted prices in exchange for agreeing to return the empty cartridges only to Lexmark for remanufacturing, reuse or recycling.

- **Retail promotions** reward our customers and the causes they care most about. For example, last year Lexmark and Sam's Club in Puerto Rico teamed together to provide a two dollar discount on a new Lexmark inkjet cartridge along with a two dollar donation to the Children's Hospital of Puerto Rico (Hospital del Niño de Puerto Rico) for each used inkjet cartridge customers returned. The Children's Hospital is the only long-term pediatric care facility for patients from birth to 21 years of age with severe and chronic disabilities and limited economical resources. The hospital's mission is to rehabilitate and educate patients on their potential and integrate them into society.

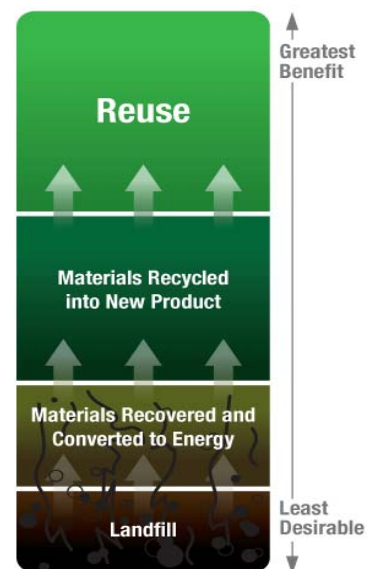
- **High profile recycling campaigns and partnerships with leading global recyclers**, such as Cartridges 4 Planet Ark and Close The Loop. In Australia, Lexmark teams with Planet Ark to provide collection boxes in convenient locations such as office buildings, stores and postal offices. The cartridges are then recycled by Close the Loop, which ensures that 100 percent of the materials are recycled into other uses.

- **Charitable Tie-Ins:** In South Africa, the Cotlands recycling Initiative for Babies seeks to protect the environment and children. By returning empty laser and inkjet cartridges to Lexmark, which are dismantled and recycled, customers can contribute directly to Cotlands, an organization that cares for abandoned and abused babies or those who have HIV-AIDS. Contributions to the fund are made on a per unit basis on both inkjet and laser cartridges. In France, similar actions are taken in partnership with the French Cancer League. This initiative generates money to support teenagers through recovery and the return to school after periods of long absence.

Resource Conservation through Recycling and Reuse

Not only does the Lexmark Cartridge Collection Program help reduce waste to landfill, but it also conserves natural resources in conjunction with our recycling program. When managing the end-of-life for the empty cartridges our customers return to us, Lexmark always aims to be at the top levels of the standard environmental hierarchy. At the bottom of the hierarchy is landfill disposal, the least desirable option. At the highest levels are recycling and reuse, which produce the greatest sustainability benefit for the environment. In order to consistently 'push up' this environmental hierarchy, Lexmark follows a zero-landfill policy for all of the empty cartridges that we collect and one hundred percent of the empty cartridges returned to Lexmark are either reused or material recycled.

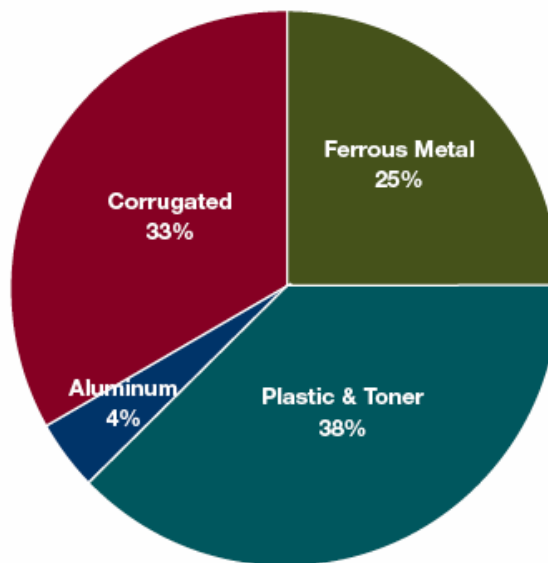
Our ultimate goal is to give as many cartridges as possible a second life through materials reuse. Since 1996, Lexmark has reused more than 19 million pounds of recovered cartridge material by converting millions of empty toner cartridges



into Lexmark Certified Reconditioned cartridges. The eligible empties that we collect are disassembled and cleaned, and critical components are replaced with genuine Lexmark components. Each reconditioned cartridge is tested to assure high-quality output and reliable performance. Lexmark toner cartridges that cannot be successfully reconditioned are demanufactured using a process that maximizes materials recovery for use in secondary products.

Figure 3.5

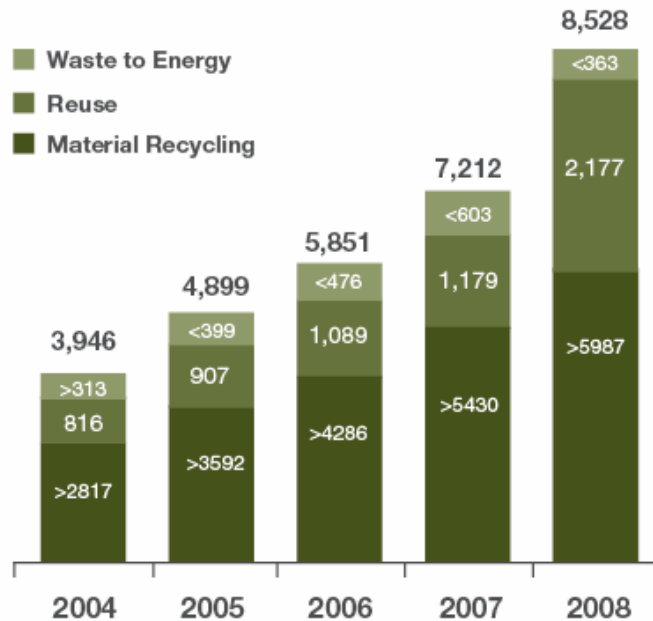
2008 Materials Recovery from Toner Cartridge
Recycling and Reuse – Percent of Total



In 2008 alone, Lexmark recycled or reused more than 8,000 metric tons of plastic, metals and packaging. Conserving these materials for reuse in cartridges and other products translates into fewer raw materials that need to be mined or extracted, reducing the impact on the environment.

Figure 3.6

**Lexmark Used Toner Cartridge Disposition
(Metric Tons)**



Note: The 2007 Lexmark Environmental Sustainability Report displayed Lexmark's total toner end-of-life disposition numbers in U.S. tons. The above chart expresses the same numbers in metric tons to be consistent with this report.

Likewise, Lexmark inkjet cartridges that are not remanufactured are broken down into component materials that ultimately gain a second life in another form. Examples of post-consumer waste products created from recycled Lexmark inkjet cartridges include fountain pens, ballpoint pens, industrial carpet padding, sound-proofing material and a synthetic lumber substitute that is used for landscaping, fencing and other outdoor purposes.

3.8 Energy Efficiency in Our Operations

As a company with facilities located around the world, Lexmark understands the importance of implementing energy efficiency standards to address the challenges of global climate change. Energy efficiency is integral to our sustainability and we understand that reducing energy consumption is among the most effective ways to reduce greenhouse gas emissions. Decreasing our energy use also reduces our operating and maintenance costs and improves our bottom line.

With energy efficiency in mind, we are improving operations at our facilities and anticipating the energy challenges of the future. Since 2001, energy efficiency initiatives at Lexmark's headquarters in Lexington, Ky., have reduced electricity usage by 30 percent and gas usage by 48 percent. Between 2007 and 2008,

energy conservation and efficiency improvements at the Lexington facility reduced electricity consumption by 800,000 kilowatt hours.

Nearly 99 percent of Lexmark's direct energy consumption is fueled by natural gas as its primary energy source. Whereas 100 percent of our indirect energy consumption is derived from power companies that produce electricity from various sources such as fossil fuels, nuclear energy and a small percentage from solar, wind and geothermal.

Lexmark encourages its employees to embrace sustainable development practices in their daily work routines. We participate in activities such as Earth Hour, which increase employee environmental awareness by reminding us how dependent we have become on electricity and precious natural resources. Lexmark's facilities in the United States, Canada, Australia, Mexico, China and the Philippines turned off all nonessential lighting for the annual Earth Hour event. At the Juárez, Mexico, PS&SD site alone, one hour without lights saved 222 kilowatts of electricity, which was equivalent to turning off the lights in about 71 offices for an entire day.

Green Building Initiatives with an Emphasis on Energy Efficiency

According to the U.S. DOE, buildings consume about 37 percent of the energy and 68 percent of the electricity in the United States. In November 2008, Lexmark France was selected to develop the first "positive energy office building" with a consortium called "Stake Positive Energy." The initiative focuses on increasing the efficiency of the building and its occupants overall energy consumption patterns during the usage phase. The building has been designed to incorporate renewable energy and integrate energy saving devices and high-performance building techniques. Operationally, the eight initial partner companies, Lexmark France included, will monitor its energy efficiency and related carbon emissions and consistently assess overall cost savings. This "green office" is planned to open in 2010.

Lexmark has chosen to be a part of the consortium initiative to further promote our sensible and successful campaign to print less and save more and our overall commitment to sustainable development. Lexmark's participation in this group focuses on how to offer energy efficient printing products and services to the future customers.

We have implemented various facility operation programs geared towards reducing indirect energy consumption and other overall reductions. Every facility Lexmark owns has effective energy management systems in place to conserve energy, including natural gas, fuel oil, compressed air, steam and electricity. Our energy systems undergo audits on a regular basis to identify areas for continued improvement. In recent years, audit findings have prompted installation of energy efficient windows and lighting, use of reflective roofing materials and advancements in our manufacturing processes that reduce our overall energy consumption.

Over the past several years, important programs have been incorporated into our operations to reduce energy consumption at our global headquarters in Lexington, Ky. Since 2006, more than 40 energy efficiency projects were successfully integrated across the 374-acre campus, which was originally constructed in the 1950s. These energy conservation projects included complete lighting retrofits, upgrades to the steam and compressed air systems, adjustments to heating and cooling controls, as well as significant updates to the site's direct digital controls equipment and utility plant.

Around the world, Lexmark continually looks for opportunities to use renewable energy to power our business operations. To that end, a portion of the electricity used at the Boulder, Colo., facility comes from wind power, accounting for 250,000 kilowatt hours in 2008. In Switzerland, our sales and marketing office uses energy generated from the country's abundant source of hydroelectric power. Lexmark is

proud of our successful strategies toward sustainable development that highlight the importance of energy efficiency among our customers, employees and our community.

Green Building Initiatives with Leadership in Energy and Environmental Design Standards

Lexmark is committed to sustainable design and construction standards for facility improvement initiatives worldwide. Projects employ basic sustainable construction standards set by the U.S. Green Building Council (USGBC).

Lexmark's latest addition to the Juárez, Mexico, production campus, the Lexmark Cartridge Collection Program building was designed and constructed according to Leadership in Energy and Environmental Design (LEED) Green Building standards. The design features and construction methods addressed include sustainable site selection, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.

Lexmark recently renovated the interior finishes and heating, ventilation and air conditioning components in a research and development building at the Lexington site. Materials removed from the building were separated into recyclables, and most notably, 10 tonnes of scrap metal were recycled. New flooring, artwork and signage include recycled content. The primary replacement office task chairs contain recycled content, are Cradle to Cradle certified and manufactured less than 800 kilometers away to minimize environmental impacts from transportation. Old functional chairs and furniture were reused elsewhere on site. Finally, the building was painted with low volatile organic compound (VOC) paint.

Sustainable construction methods were also employed to demolish an obsolete manufacturing building on the Lexington site resulting in the recycling or reuse of more than 70 percent of the building materials. Materials diverted from landfills included 25 tonnes of metal siding; 9,300 square meters of ceiling tile; 17,000 tonnes of concrete; 2,200 tonnes of steel; and more than 40 tonnes of electronic equipment and associated office supplies.

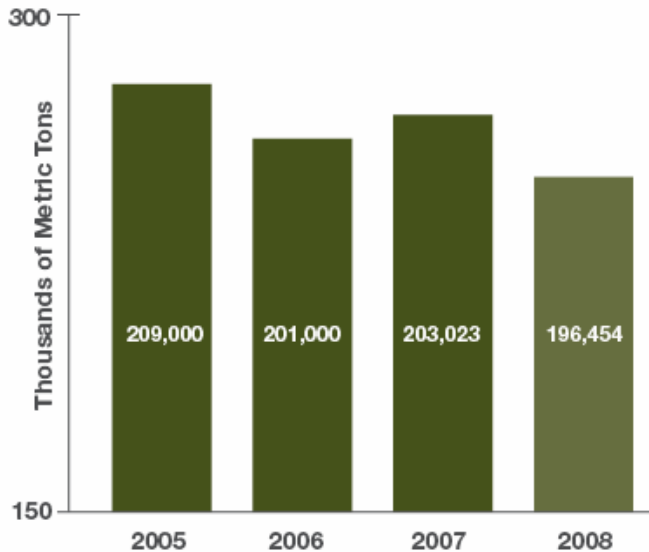
Ongoing energy audits and projects at the Lexington, Ky., site further reduced 2008 electrical consumption by eight percent; water by 19 percent; and natural gas and fuel oil by two percent – despite a colder winter than the prior year. The recent replacement of an air compressor at the utility plant contributed to this energy reduction. The new air compressor was selected based on its high efficiency. Because the new unit is air cooled, the air compressor cooling tower and associated pumps and fans were decommissioned, ultimately reducing site water usage by 2,800,000 liters per year and electrical usage by 800,000 kilowatt hours per year. The waste heat from the air compressor heats the utility plant in the winter, saving 50 cubic meters of natural gas per year.

Emissions, Effluents and Waste Management

In 2008, Lexmark's total direct and indirect greenhouse gas emissions totaled 196,454 metric tons (tonnes), a three percent reduction from 2007. Other relevant indirect greenhouse gas emissions totaled 10,917 tonnes for the year, which includes air and vehicle miles traveled as reported by Lexmark's travel agency.

Figure 3.7

Worldwide Greenhouse Gas Emissions
(Metric Tons CO₂)



Carbon Disclosure

For more than four years, Lexmark has been actively involved in the Carbon Disclosure Project, a program that helps corporations evaluate greenhouse gas emissions and develop effective reduction strategies. Our company-wide carbon footprint is measured by the energy usage at Lexmark's owned or operated facilities, efficiency methods in our day-to-day operations, energy used to transport our products and employee travel.

Between 2005 and 2007, Lexmark's global headquarters recorded a nine percent reduction in greenhouse gas emissions and a 17 percent reduction in natural gas and fuel use. Over the course of 2008, Lexmark headquarters' carbon dioxide emissions decreased by 11 percent. This was driven in part by an eight percent reduction in electricity consumption and a previous switch in 2007 in boiler fuels to burn excess fuel oil, reduce expenses and minimize the potential for fuel oil spills.

Worldwide, Lexmark reduced its carbon dioxide emissions by three percent over the course of 2008.

Carbon Footprint

Lexmark goes the extra mile to minimize its greenhouse gas emissions. We have subjected our business to analysis and wherever possible, we have applied and incorporated energy efficiency measures and strategies to reduce the carbon footprint of our products, our operations and the transportation of our goods and services. Part of our efforts to control climate change is to integrate more efficient energy devices into our facilities and to develop products that comply with the U.S. EPA Energy Star program. Currently, Lexmark Australia and New Zealand is undertaking a voluntary carbon footprint, greenhouse gas and energy audit. This audit will analyze the organization's current activities, impact on the environment and overall energy use. Recommendations from the audit will help Lexmark develop a strategy to reduce its overall energy consumption and greenhouse gas emissions on a global scale.

Lexmark's staff in Italy calculated the carbon footprint of their operations with LifeGate, an eco-company that promotes environmental planning for businesses and consumers. To offset these emissions, Lexmark funded the planting of more than 12,000 trees throughout Italy and Costa Rica. For more than four years, Lexmark Italy has offset their carbon footprint by investing in renewable energy such as solar array towers, wind generators, and hydroelectric power, which eliminated approximately 106 tonnes of carbon dioxide emissions in its first year alone. In 2008, the carbon footprint for Lexmark Italian offices was estimated to be around 57 tonnes of carbon dioxide representing a 29 percent reduction from 2007.

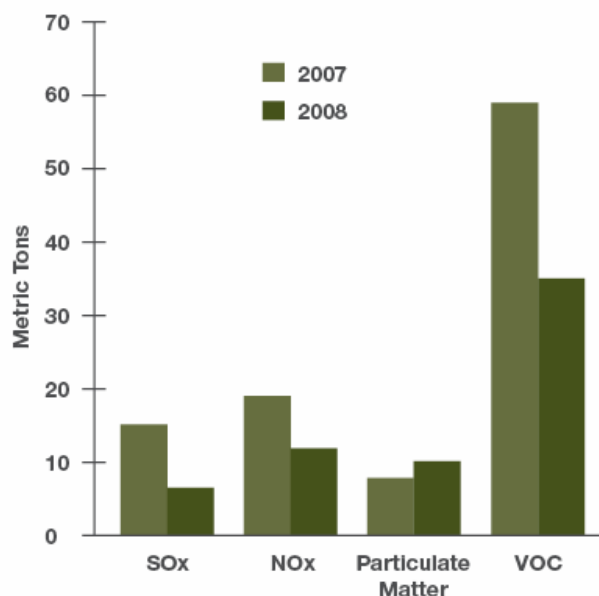
Lexmark has also incorporated renewable energy at facilities in Boulder, Colo., where a portion of the electricity used at that facility comes from wind power, and in Switzerland, where our sales and marketing office utilize the country's abundant source of hydroelectric power.

Lexmark works diligently to develop and implement industry leading environmental practices that relate not only to our operations, our products and services, but to everything we do, everywhere in the world. In fact, Lexmark participates in the U.S. EPA's Climate Leaders Program, which we believe provides another opportunity to achieve goals set up to control or cap the release of increased greenhouse gas emissions. This further supports our worldwide practice of environmentally responsible corporate citizenship.

Air Emissions

We constantly work toward reducing or eliminating any harmful chemical substances used in the manufacturing process. For substances difficult to reduce or eliminate, our policy is to minimize and mitigate their release into the air, water and soil. Lexmark does not use ozone depleting substances in the production of our products.

Figure 3.8



Note: Data represents SOx, NOx, Particulate Matter and VOC emissions from Lexmark manufacturing and research and development facilities located in Mexico and the United States.

3.9 Water Conservation

Managing water wisely is important to us and to the communities where we operate. Our overall water usage is primarily dictated by the cooling requirements at our facilities. These cooling requirements vary from year to year depending on fluctuations in the outside temperature.

In 2008, our facility in Mexico completely eliminated its coolant water use from our water pumps, saving approximately 3,500 cubic meters of water. In 2008, Lexmark's corporate headquarters in Lexington, Ky., achieved a 19 percent reduction in water usage. And over the past seven years, water use at our corporate headquarters was reduced by a total of 37 percent. In 2008, the total non-potable water withdrawal at our Cebu, Philippines, location was 9,824 cubic meters. At our location in Orléans, France, about 7,200 cubic meters were obtained from well water. All other water is supplied by city water utilities with Lexmark's total consumption equal to 882,110 cubic meters.

Water Discharge

Water used at Lexmark sites is largely evaporated to air at cooling towers to support water cooled chillers or air compressors. Lexmark water discharges (other than use for irrigation and cooling tower water evaporation) are sent to city sewer lines for proper treatment at local utility sewage treatment plants.

Water Reuse

Lexmark facilities consistently monitor water usage, which has allowed us to develop effective strategies to integrate water conservation measures into our manufacturing processes. Recent conservation initiatives in the United States, Mexico and Philippines include the installation of low-flow and waterless plumbing fixtures, the collection of rainwater for landscaping and the recycling of processed or "gray" water (nonhazardous wastewater that can be reused in non-potable applications).

At our inkjet cartridge manufacturing facility in Cebu, Philippines, Lexmark captures a portion of the area's prevalent rainfall – averaging about 64 inches annually. The collected rainwater is then diverted into a holding tank, filtered through sand and used to flush toilets and water flowers and plants.

3.10 Waste Reduction

Lexmark strives to eliminate waste and focuses on waste minimization and reuse. Reducing the amount of waste our operations generate is integral to controlling costs and reducing adverse impacts to environment and public health. Whenever possible, Lexmark reuses or recycles waste materials. Where no reuse or recycling options are available, we work to identify environmentally preferable disposal methods.

Effective waste management practices can significantly reduce energy use and natural resource consumption by decreasing the volume of virgin materials used for manufacturing processes, materials disposed of in landfills and minimizing the release of contaminants into the air, soil and water. For example, process innovations in Lexmark's cartridge manufacturing facilities are helping us reduce our liquid waste streams and the amount of chemicals used in our manufacturing processes.

Figure 3.9

Waste Comparison

■ 2007

■ 2008

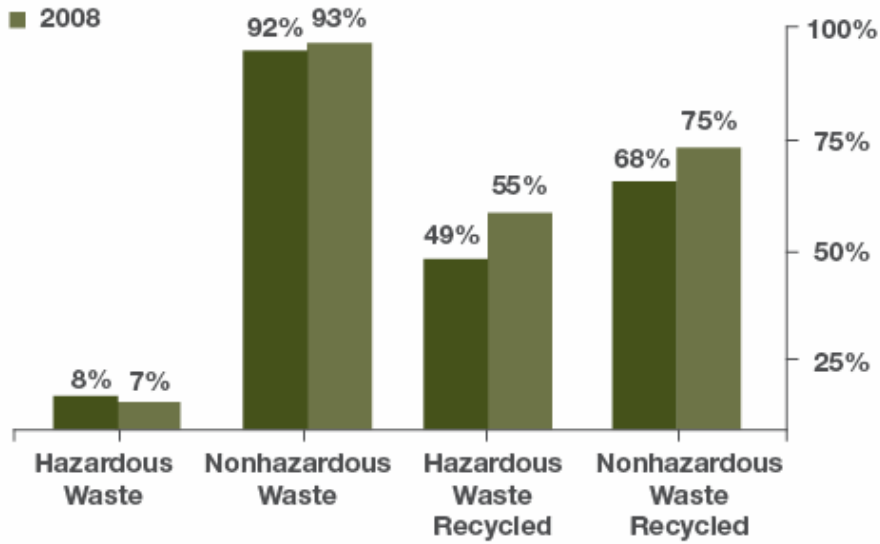
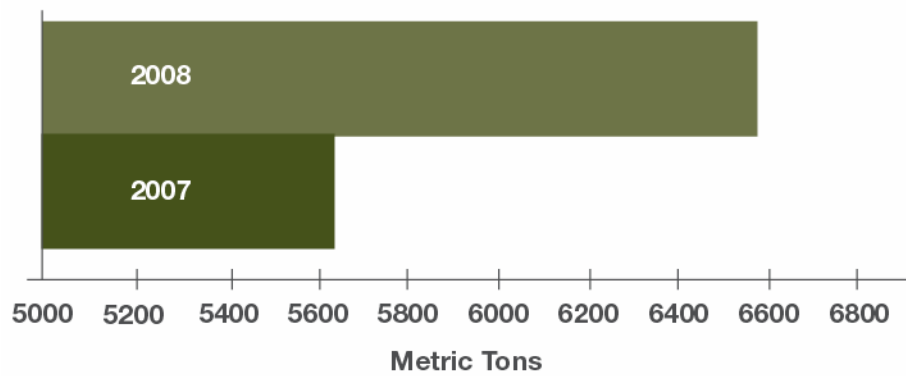


Figure 3.10

Recycling Comparison: Total Paper, Plastic, and Metal Recycled



Pollution Prevention

Lexmark takes pride in our conscientious hazardous waste management practices and are continually percent of Lexmark's waste stream is considered hazardous under the terms of the Basel Convention Annex I, II, III and VII.

Our manufacturing facilities are taking on the challenge of reducing waste by setting specific goals. We are proud to announce that we are on target for the 2011 goal of achieving a 25 percent improvement in the amount of waste our plants currently recycle.

3.11 Environmental, Health and Safety Compliance

Lexmark supports its communities with the environment in mind. We strive to be a responsible neighbor and employer by implementing good management practices that help us reduce our environmental impact, improve workplace safety, promote our employees' health and well-being and provide opportunities for us to contribute to a high quality of life in the communities where we live and work.

Good environmental performance is not just a legal obligation; it also makes good business sense. Reducing pollution means increasing efficiency and wasting fewer resources. Improved health and safety conditions result in a more productive work force. Supplying goods and services that respect the environment helps expand markets and improve sales.

ISO 14001 and OHSAS 18001 are voluntary standards that guide organizations in establishing management systems for their businesses. ISO 14001 provides a framework for environmental management, while OHSAS 18001 provides a framework for employee occupational health and safety. All of Lexmark's global manufacturing facilities have received ISO 14001 and OHSAS 18001 certifications which include:

- Boulder, Colo., United States
- Cebu, Philippines
- Juárez, Mexico (two facilities)

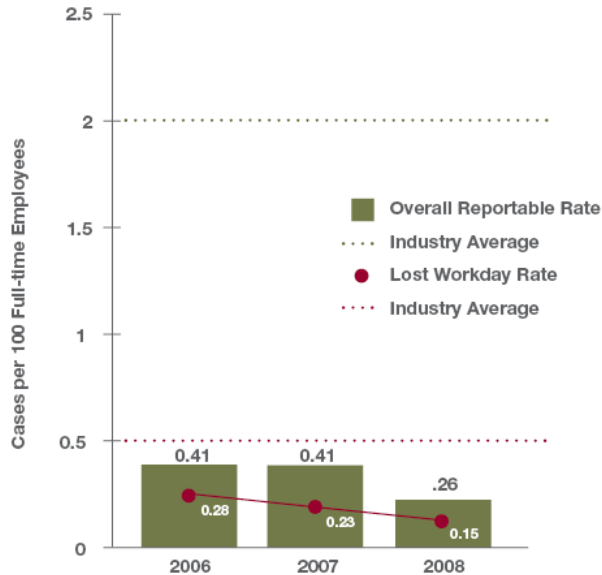
Lexmark's Lexington, Ky., facility in the United States and the Lexmark facility in Orléans, France, a support center for the supply, distribution and after-sales of office items, printers and associated supplies, also hold ISO 14001 and OHSAS 18001 certifications.

Each Lexmark facility sets site-specific goals for continually improving its performance within these two important management systems. Environmental goals may include reducing energy usage, improving water conservation or generating less waste, while health and safety goals may focus on ways to proactively minimize or eliminate the potential for slips, falls or other personal injuries.

Two important measures of safety performance are injury rate and lost work days rate. Lexmark's 2008 injury rate worldwide was much lower than the U.S. average¹ for companies in similar industries; in fact, 87 percent lower. In addition, by always putting safety first, last year our lost workday rate worldwide was also lower than the industry average¹.

Figure 3.12

Worldwide Injury Rate Trend



Source¹: Bureau of Labor Statistics, U.S. Department of Labor (U.S. Industry average in 2007 – latest available)

To measure how well we are performing against our environmental, health and safety goals, Lexmark routinely conducts self-audits. These audits are conducted in conjunction with the conformance audits required as part of ISO and OHSAS recertification. We use the audit findings to improve our internal processes and promote best practices across our global operations. Lexmark employees are highly engaged in driving the objectives of our health and safety management systems. Once a year, employees are asked to provide feedback in a comprehensive survey, which helps us identify further opportunities for growth. Some of our employees participate in management/worker committees to monitor health and safety practices (less than one percent).

All Lexmark facilities are covered by Lexmark's Corporate Environmental, Health and Safety Instructions, which define the essential programs that each Lexmark facility must manage to meet the objectives of Lexmark's Environmental, Health and Safety Policy. Environmental, health and safety instructions are minimum criteria for the development of written programs which include legal and regulatory compliance and assurance that environmental, health and safety processes have been adequately addressed at each Lexmark facility. Any changes to environmental, health and safety policies are communicated to all applicable employees through a number of methods, including: bulletin boards, Web site postings, electronic communications, handbooks and meetings with managers.

Lexmark also focuses on emergency preparedness and response planning. Emergency response teams are established for each major manufacturing and development facility.

In 2006 and 2007, Lexmark did not receive any fines for environmental, health or safety non-compliance. In 2008, Lexmark received a \$1,500 fine for administrative environmental non-compliance.

3.12 Transportation

Product

Transporting our products is part of our business; we rely on transportation every day to deliver our products to customers around the world. While there is no avoiding the necessity to transport goods, we have measures in place to decrease the adverse environmental impacts associated with these activities. Lexmark works with environmentally progressive partners who apply innovative ideas and best practices to their transportation processes such as diesel hybrid trucks or the use of rapidly renewable biofuels.

In September 2008, Lexmark joined the U.S. EPA SmartWay Transport Partnership and exceeded the program's requirement for the amount of allowable freight to be shipped using SmartWay carriers. SmartWay is a collaborative program between the U.S. EPA and the freight industry designed to increase the use of energy efficient vehicles and includes impressive goals to reduce greenhouse gas emissions and lower air pollution emissions. In an effort to help curb climate change, Lexmark pledged to continuously minimize the environmental impact of its product shipments throughout the United States. It is with great pride that we continue our efforts to shrink our carbon footprint by reducing the energy consumption and emissions associated with transportation.

Other measures we take to promote more efficient transportation include the following:

- **Cube Utilization** – Maximizing the use and capacity of containers for the transport of our products is an effective practice we have adopted to handle more cubic feet of freight per container shipment.
- **Direct Ship Model** – In the direct ship model, our goal is to reduce the total mileage our products travel by utilizing direct ship and direct import models. Delivery service providers move freight directly from the port to the customer's destination, which ultimately eliminates warehousing in route. Similarly, in the direct import model, ocean carriers pick up customer-directed products at key supplier points and transport the goods directly to the ultimate consignee, eliminating inland cargo moves that increase energy usage and air emissions.
- **Intermodal Freight Transportation** – Lexmark is expanding the use of intermodal freight transportation, an approach that optimizes the transportation of freight per vehicle by using multiple modes of transportation, such as ocean, rail, air, inland water and road. Also referred to as multimodal, this approach reduces the miles a container travels as well as the number of times a product is handled during shipment, which saves time, money and fuel.
- **Shared Distribution Centers** – We work hard to increase the efficiency of our distribution center operations. For example, we moved toward the use of multi-client distribution centers. Multi-client facilities accommodate multiple outbound customers in one location which conserves land resources, electricity and water.

Employee Travel

Lexmark's products are sold in more than 150 countries, and we have sales offices in 70 countries. Our manufacturing centers are located on three continents. Despite our far-reaching operations, our goal is to be the most flexible and responsive provider of distributed printing solutions and services without sacrificing the natural environment. Upholding our commitment to responsive business practices may

require that our employees travel for face-to-face meetings with customers, partners and coworkers, many of whom are separated by significant distances. However, in an effort to reduce greenhouse gas and air emissions from travel, we encourage the use of real-time alternatives, such as conference calls, web-based meetings and videoconferencing. Integrating high-tech solutions not only saves energy, but also increases the frequency and quality of our communications.

Table 3.13

Lexmark U.S. travel statistics

YEAR	Automobile Travel (miles)	Air Travel (miles)	Greenhouse Gas Emissions (metric tons CO ₂ e)
2005	1,850,249	51,691,367	12,673
2006	1,800,928	45,698,893	11,258
2007	1,709,492	41,791,371	10,316
2008	1,949,633	44,024,973	10,917

When air travel is necessary, Lexmark sends only those employees who are absolutely essential to accomplish business objectives. In addition, whenever possible, employees are encouraged to optimize their travel itinerary by combining several business trips and using public transportation, trains and buses instead of taxis and rental cars. These efforts reduce the carbon footprint associated with our essential business travels.

Lexmark also takes advantage of communication technologies to conduct many operations remotely, including meetings, online conference calls and training. Lexmark now conducts almost all employee education and training courses online. Web-based instruction allows our employees to keep their critical skills up to date while saving costs and reducing potential adverse environmental impacts.

Lexmark understands how important it is to make it easy for our employees to ride to work together. At our corporate headquarters in Lexington, Ky., efforts to encourage carpooling included participating in a transportation program for employees commuting from nearby Winchester, Ky., and facilitating a carpooling connection program through the Lexmark Club. Employees taking part in shared transportation programs save money while reducing their carbon footprint.

3.13 Serving Our Communities

Water Quality Restoration

In 2008, the Cane Run watershed, a portion of which flows through Lexmark's corporate campus in Lexington, Ky., was selected as a priority for restoration and protection efforts by the U.S. EPA. One of the larger goals in this initiative includes increasing awareness by educating people about best management practices, such as reducing the movement of sediment, nutrients, pesticides and other pollutants from land to water. Restoration efforts are managed under the Cane Run Watershed program. Measures to improve water quality have led to improvements in storm water management.

Lexmark employees continually volunteer for restoration efforts in partnership with the University of Kentucky and Lexington-Fayette Urban County Government to help improve water quality within the watershed. Lexmark volunteers wear knee-high waders to walk the creek banks and remove garbage

from the creeks within the watershed. By the end of the cleanup in 2008, two 20-cubic-foot roll-off boxes were full of construction debris, carpet, plastic bags, styrofoam, a fire extinguisher, tires and other general refuse removed from the two creeks within the watershed. The Cane Run Watershed Project is an ongoing initiative that receives continued support from Lexmark, including steps to reestablish the riparian buffer along the tributary.

Other water quality restoration programs include costal resource management at Olango Island and watershed protection and rehabilitation at Magsaysay, Balamban. The latest project is the Buhisan Watershed Protection and Rehabilitation Program. Lexmark participated with various Cebu-based companies and business leaders in the unveiling of a five-year plan that will ensure safe drinking water for Cebu's future generations. In the plan, a nature center, butterfly sanctuary and camp site will be developed within the Buhisan Watershed, which covers 630 hectares out of the 29,000-hectare Central Cebu Protected Landscape. Jun Sarmiento, chairman of the United Nation's Millennium Development Goals (MDG) Business and Environment Cluster and Lexmark manager, said the activity manifests volunteerism on the part of the companies and allows participants to take part in a global movement. Because the unveiling was in line with the country's Earth Day Celebration, the group also held a tree planting activity for employees of Lexmark and other local companies.

For our environmental efforts to date, with much of the focus centered on water quality and water efficiency in the area, Lexmark was appointed to the Top Environmental Performer Award through the Philippines Economic Zone Authority.

Additional environmental outreach efforts in Lexington, Ky. include a water restoration project that the city of Lexington believes will defray stormwater run-off and improve water quality for the community at large. Lexmark, in partnership with Coca-Cola Enterprises (Coca-Cola), EcoGro, Bluegrass Rain Garden Alliance, University of Kentucky School of Agriculture and Lexington-Fayette Urban County Government, broke ground on what was the first rain garden constructed as part of the City of Lexington's "2010 Rain Gardens by 2010" initiative. Rain gardens help prevent flooding and filter stormwater run-off for pollutants before entering local waterways and groundwater by offering shallow depressions that capture run-off water from impervious surfaces like rooftops, roadways or parking lots. Rain gardens also enhance the beauty of Lexington's landscape and create a small, hospitable habitat for the local wildlife population.

The Coca-Cola rain garden was designed in the shape of a bottle and it was planted with native Kentucky species that can thrive with minimal upkeep. In addition, 85 percent of the materials used to construct the rain garden were recycled, reused or salvaged, including 30.6 cubic meters of compost and 25.8 tonnes of recycled glass. The brick and rocks were salvaged from construction and remodeling projects in nearby areas of Lexington, Ky.

Since 2002, Lexmark's staff in Cebu, Philippines, has been actively involved in the rehabilitation of its costal lands on nearby Olango Island. Lexmark employees have reforested more than 12 acres of mangroves on the island, which is also home to a 2,275-acre wildlife sanctuary. In addition to providing wildlife habitat, mangroves are highly regarded for their ability to prevent shoreline erosion and mitigate the damage and loss of life caused by natural disasters like tsunamis and typhoons.

Since 1999, employees at our corporate headquarters in Lexington, Ky., have co-sponsored "Reforest the Bluegrass." This annual event enhances an urban forest and improves stormwater management in the Lexington area. Over the years, our employees have volunteered and planted more than 150,000 tree seedlings, and the U.S. EPA has designated the project as a Five Star Restoration Site.

Biodiversity

Lexmark strives to be a good environmental steward at our facilities around the world. Lexmark owns property in three countries: the Philippines, Mexico and the United States. We lease commercial or industrial space in the other nations where we conduct business. Lexmark treads lightly on the land we inhabit. None of Lexmark's facilities are sited in or located adjacent to protected habitat or environmentally sensitive areas.

Investing in a Greener Tomorrow

Over the past several years, at our global headquarters in Lexington, Ky., important programs have been incorporated into our operations to reduce energy consumption. Since 2006, more than 40 energy efficiency projects have been successfully integrated across the 374-acre campus. These projects have included progressive building methods such as demolition and removal of 268,000 square feet of building space. This allowed for increased green space, complete lighting retrofits, upgrades to the steam and compressed air systems, adjustments to heating and cooling controls, as well as significant updates to the site's direct digital equipment and utility plant. We invested a total of \$3 million in these green building measures that serve to protect the environment through the implementation of high-performance building techniques.

Additional investments in 2008 include our commitment to improve the sanitary sewer system near the Cane Run Creek that flows through Lexmark's corporate campus in Lexington, Ky. Lexmark partnered with local resources and invested \$1.3 million to provide upgrades and expanded capacity for the local sanitary sewer system and protect surface water.

Lexmark continues to make tangible commitments to a greener tomorrow. We have taken proactive steps to manage impacts on the world around us. Throughout the month of April 2008, we joined forces with the Arbor Day Foundation, a nonprofit environmental education organization, to offer special promotions and discounts to our customers. During the month of April, the Arbor Day Foundation planted one tree in a U.S. national forest for the sale of promotional AOI wireless inkjet printers sold in the United States. Lexmark's donation through this program was \$40,445 to plant 40,445 trees in national forests. Our donation was allocated to Panhandle National Forest in Idaho and Humboldt-Toiyabe National Forest in Nevada.

Anti-Corruption: Principle 10

Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery

Practical actions taken to integrate the principles and progress:

As our Code of Business Conduct makes clear, Lexmark employees are required to conduct the company's business in an ethical manner and with adherence to all applicable laws, rules and regulations. Our business practices reinforce the importance of these requirements, including monitoring supplier compliance with our Supplier Code of Conduct and providing periodic educational opportunities for employees on our business standards.

Lexmark does not donate time or money to public policy positions, political parties, or politicians.