



LEXMARK™



2008

CORPORATE SOCIAL RESPONSIBILITY REPORT



IT'S IN OUR HANDS



re. reduce
recover
reuse
recycle

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1.0 INTRODUCTION

Lexmark International, Inc. (Lexmark) is proud to present the company's first Corporate Social Responsibility (CSR) Report. This report expands on our 2007 Environmental Sustainability Report and incorporates our CSR programs. It provides an overview of Lexmark's social responsibility activities, programs and initiatives between January and December 2008. It heralds an expanded phase of engagement with our customers and communicates Lexmark's commitment to being a socially responsible partner in the global business community.

Lexmark has a demonstrated history of social responsibility. Our corporate Vision and Values guide our decisions as an employer and as a member of the global community. We continually strive to promote sustainability in our business practices, and we work to maintain a balance between the economic, environmental and social needs of our communities. Lexmark is committed to human rights, safe working conditions and environmentally sound operations for our organization and for our business partners.

We are in the early stages of developing CSR data tracking and collection systems. Going forward, Lexmark plans to continue to increase and expand our tracking and reporting capabilities. As our programs develop, future reports will communicate emerging data trends as well as new CSR goals, targets and indicators.

This report is structured to align with the Global Reporting Initiative (GRI) G3 Guidelines. GRI is an international, multi-stakeholder network that has developed a recognized sustainability reporting framework. We structured this report according to the GRI framework to ensure that our efforts are thoroughly represented in standard terms. The

framework also provides a user-friendly format that is relevant for our customers and stakeholders. We have self declared that this CSR report meets the requirements for GRI Application Level B. The report was also GRI Checked for Application Level B.

Our goal for this report is to provide you with relevant and timely information about how Lexmark has integrated corporate responsibility across our operations. The themes and issues we highlight have an impact on Lexmark's business practices and on our citizenship priorities. It is our belief that this report will enhance the spirit and innovation surrounding our corporate responsibility practices going forward. We also believe that our report will provide a new vehicle for constructive feedback that will enhance our future CSR practices. Through collaboration with our customers, employees and stakeholders, we will continue our efforts to improve the quality of life for our customers, our communities, our employees and our investors.

We welcome your comments on this report and look forward to receiving your feedback at csr@lexmark.com. For more information, please contact Lexmark's Corporate Communications team at 1-859-232-2221.

Report Parameters

Lexmark's CSR Report is global in scope and covers major operations, manufacturing, and research and development facilities in the Americas, Europe and Asia for the full year ending December 31, 2008, unless otherwise noted. The basis for reporting on other matters specific to the operations of our business, including joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can affect comparability from period to period, can be found in Lexmark's Annual Report on Form 10-K, which is filed with the Securities and Exchange Commission (SEC). We intend to publish our 2009 CSR Report in 2010 and on an annual basis going forward. The sections below summarize the general reporting parameters, including the report scope and boundary, the GRI global content index and reporting certifications and assurances.

Report Scope and Boundary

CSR is an important part of Lexmark's culture. Our commitment to socially responsible principles is fundamental to the core of our business and a source of pride for our employees. At the heart of sustainability lies the desire to maintain a balance between the economic, environmental and social needs of our world today, without compromising the opportunities of future generations. We understand that our commitment to sustainable principles requires continual, diligent evaluation of our business practices in light of our aspirations. Lexmark's focus is in the following social responsibility areas:

- Community involvement
- Corporate governance and ethics
- Diversity
- Environmental responsibility
- Health and safety
- Human rights and labor standards
- Supplier requirements

This report provides data on the most significant sustainability impacts in these areas and the effects on our business processes and performance. To ensure that our reporting efforts are productive, we have identified and reported on the issues we believe are the most relevant, useful and timely. We are pleased to report that as of December 31, 2008, Lexmark has not issued any re-statements of information provided in previous sustainability related disclosures. Lexmark wishes to clarify that the statement made concerning the complete removal of polyvinyl chloride (PVC) from inkjet cartridge packaging in the Lexmark 2007 Environmental Sustainability Report was a United States reference. We reference the worldwide removal of PVC in this report (see Section 3.6). The data in this report was provided by our internal resources.

Global Reporting Initiative Content Index

We believe our success toward meeting the GRI reporting criteria reflects Lexmark's core business Vision and Values and our long-established company guidelines. However, during the 2008 CSR reporting process, we identified areas for improvement and we have begun to enhance our data collection processes. Improved data management will drive advancements for future GRI reporting of our CSR processes and programs. The GRI index is located in Section 5.3 and lists the disclosures and indicators and their location in this document.

Report Assurance

The CSR reporting process gave us a clear picture of particular areas where our report can be strengthened. We are applying the lessons learned and instituting mechanisms to improve our future CSR reports. While we have chosen not to seek external assurance for this report, going forward we will evaluate our assurance options with respect to our business goals and priorities.

1.1 A MESSAGE FROM

Lexmark's Chairman and Chief Executive Officer



Over the past two years, corporations around the world have seen an exponential increase in stakeholder concerns regarding corporate social responsibility. Customers and shareholders alike want confirmation that the companies they are doing business with are creating products and offering services that do not harm the environment and are produced in a way that is respectful of the employees who make those products, all while ensuring the continued financial success of the company.

Lexmark has always been committed to corporate social responsibility. Like any responsible company, we fully comply with the laws, rules and regulations of the countries in which we operate. We also go further by continually evaluating our business practices using the principles of sustainability - balancing economic, environmental and social needs of our world today with the understanding that we must protect the opportunities and needs of future generations.

What makes Lexmark unique though, is the fact that social responsibility has been part of the fabric of this company since we were founded in 1991. In 2008, Lexmark volunteers from our corporate headquarters in Lexington, Ky. completed the construction of our 13th Lexmark funded and Lexmark employee-constructed Habitat for Humanity house. In Asia Pacific, Lexmark has partnered with a Philippine-based community movement that offers hope to their neighbors in need. Gawad Kalinga (GK), translated, "to give care," envisions building 700,000 homes in 7,000 communities in seven years with support from organizations such as Lexmark. We believe environmental sustainability starts with educating internal and external stakeholders on how their behaviors can have individual impact. In Europe, we have trained more than a thousand employees and expanded sustainability training to our customers on topics ranging from general awareness on environmental protection to paper impact or carbon footprint reduction. And, for the fourth year in a row, Lexmark earned a perfect score of 100 on the Human Rights Campaign's Corporate Equality Index, an achievement made possible by the efforts of the Gay/Straight Alliance of Lexmark Employees (GALE), an employee diversity network group. I am exceedingly proud of these and the countless other initiatives undertaken by our employees around the world.

These initiatives, along with many others, have been started without much fanfare over the years; and historically we've limited the amount of information about these activities on our corporate Web site. However, having personally met with customers around the world and discussed our common interest in corporate social responsibility, I have come to realize the importance of sharing this information with our stakeholders. It is for this reason that we released our first Environmental Sustainability Report in 2008, and in 2009, expanded it into our first comprehensive Corporate Social Responsibility Report.

Lexmark's 2008 Corporate Social Responsibility Report summarizes our efforts to increase the environmental sustainability of our products, and to conduct our business in a socially responsible manner while concentrating on our customer's needs. Lexmark employees around the world are helping us fulfill our responsibilities and commitments in these areas every day. Lexmark's corporate social responsibility strategy is developed and managed in three areas: ethics, environment and engagement. For 2008, Lexmark focused on minimizing our environmental footprint in our products, services and operations; improving our supplier auditing processes; engaging our employees in sustainable practices; and was recognized for our commitment to employee work/life balance and for providing an inclusive workplace. You will see in our CSR Report that we have long-term goals for reducing energy, water and waste within our operations and will continue to conduct third-party auditing of our company and our suppliers. As we look to the future, we plan to ensure continuous improvement in our programs through the ongoing evaluation of our performance.

We look forward to receiving your feedback regarding this report and our social responsibility programs. Please feel free to contact Lexmark for more information about our commitment to corporate social responsibility at

Sincerely,

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

1.2 2008 HIGHLIGHTS

General Report Milestones

Lexmark published its first comprehensive Corporate Social Responsibility Report, including CSR goals.

Ethics

In June 2008, Lexmark joined the U.N. Global Compact, a framework for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.

Our flexible work/life balance programs were recognized with an Excellence Award from the Alfred P. Sloan Foundation.

Environment

Life Cycle Assessments (LCA) were conducted on inkjet and laser products to understand the overall impact of our products on the environment and encourage sustainable development initiatives.

Lexmark delivered some of the market's most efficient supplies offerings in the form of high-yield and extra high-yield cartridge offerings, helping our customers save costs and resources.

Operations

Lexmark joined the U.S. EPA's Climate Leaders Program, a partnership between government and industries to positively influence climate change.

We recycled 74 percent of our non-hazardous waste and 57 percent of our hazardous waste in 2008, putting us on target to meet our 2011 goal of achieving a 25 percent improvement in the amount of waste recycled since 2007.

Lexmark joined the U.S. EPA's SmartWay Transport Partnership, a program dedicated to promoting better energy efficiency and air quality in transportation.

Engagement

Lexmark implemented a new Performance Management System to help employees focus on improving customer experience.

We conducted thousands of surveys in 2008 to evaluate our progress toward improving customer satisfaction.

Community Involvement

Lexmark employees in the U.S. donated \$1.2 million to the United Way through employee pledges, fundraising activities and corporate contributions.

Employee volunteers built Lexmark's 13th home for Habitat for Humanity in Lexington, Ky.

Lexmark employees partnered with Gawad Kalinga in Cebu, Philippines, to build village communities complete with water services and other community development needs.

Lexmark employees volunteered for the 10th year of Reforest the Bluegrass, a local reforestation effort near the company's headquarters in Lexington, Ky.

Lexmark in Cebu, Philippines, participated in unveiling a five-year plan to ensure safe drinking water for Cebu's future generations.

Partnering with Coca-Cola Enterprises, EcoGro, Bluegrass Rain Garden Alliance and the University of Kentucky, Lexmark helped construct the first rain garden as part of the local "2010 Rain Gardens by 2010" initiative.

1.3 STRATEGY & ANALYSIS

Lexmark is committed to a strong respect for human rights, safe work conditions and environmentally sound business practices, for our own organization and those with whom we partner.

We strive to maintain best practices for sustainability – balancing economic, environmental and social concerns. Lexmark operations may potentially impact the well being of people across the globe – the ease with which they conduct their lives and work, as well as their physical and financial health. Our CSR strategy guides us in our efforts to ensure that our impacts are positive.

Lexmark's CSR strategy focuses on ethics, environment and engagement. Lexmark designs and supports programs that increase the sustainability of our products, services and operations; improve supplier auditing processes; further engage our employees in sustainable practices and develop a more inclusive workplace. We manage and measure our short-term progress of these projects using Lexmark's operational excellence methodology, which includes establishing goals and conducting periodic management and executive reviews.

1.3

Ethics Progress

Lexmark has global operations in 150 countries with more than 14,000 employees worldwide. More than two-thirds of Lexmark's workforce is located outside the United States. This means that our operations must comply with the applicable employment requirements in many countries. Lexmark not only abides by these laws but also offers programs and benefits in an effort to enhance the opportunities for working and living conditions in countries where this may otherwise not be within an employee's means.

The International Labour Organization (ILO), an agency of the United Nations, aims to promote workers' rights, decent employment opportunities and channels of communication between employees. Lexmark exemplifies the values of the ILO conventions through many of our company practices and sponsored employee programs in effect in our worldwide offices.

For the fourth year in a row, Lexmark has received a perfect score on the Human Rights Campaign Foundation's Corporate Equality Index. We understand the value of a diverse employee population and value the differences in each employee. Lexmark's reputation for maintaining the highest standards of business conduct rests on our daily actions. We understand that customers will be served best if all employees are pleased with their working environment and are striving to reach their full potential.

Environmental Progress

In 2008, Lexmark continued our focus on minimizing the environmental footprint of our products, services and operations; improving our supplier auditing processes; engaging our employees in sustainable practices; and



developing a more inclusive workplace. We established long-term goals for reducing energy, water and waste within our operations. Company goals are shown in Table 1.2. Highlights of the progress made in 2008 include the following:

- Products:** Lexmark’s investments in sustainable research and development led to the development of a one-button eco-copy function on our multifunctional laser printers, allowing the customer to set the device to the optimal settings for paper reduction. In addition, we launched and continue to lead the consumer printing industry in wireless printing technology, which minimizes the need for multiple devices in a home or small office, ultimately reducing the volume of materials consumed and the resulting volume entering the waste stream.
- Operations:** From 2007 to 2008, we decreased our corporate carbon footprint by three percent, primarily by optimizing production in Chihuahua and Juarez, Mexico, and Cebu, Philippines, and by completing facility upgrades and reducing square footage at our facility in Lexington, Ky.
- Community:** We expanded the scope of our sustainability and compliance expectations to our suppliers by working in partnership with other electronic technology companies in the Electronic Industry Citizenship Coalition (EICC) and encouraged suppliers to pursue International Organization for Standardization (ISO) 14001 and OHSAS 18001. By the end of 2008, 94 percent of our Tier 1 suppliers were ISO14001 certified, and 75 percent were OHSAS 18001 certified.

We also increased our transparency through our continued participation in the Carbon Disclosure Project and the Carbon Disclosure Project Supply Chain Leadership Collaboration, the release of our first official Environmental Sustainability Report and our participation in a multitude of environmental discussions including public forums, print media and electronic media.

Engagement Progress

Lexmark engages with many stakeholders when conducting business. The following table highlights examples of how Lexmark interacts with its employees, customers and communities where we operate.

Table 1.1

Business	Business Code of Conduct
	Online and classroom training
	Diversity Network Groups
	Employee programs
Customers	Customer surveys and other feedback mechanisms
Communities	Charitable giving
	Employee volunteerism
	Partnerships

1.3

Our Future

Going forward, Lexmark will continue to develop products with sustainable features and functions. We will work closely with our customers to listen to their individual business needs and empower them to print in the most sustainable manner possible. We will also continue to employ life cycle assessment (LCA) methodology to guide and focus development activities for sustainable product attributes, especially those that make the most positive impact throughout the lifecycle of the device.

From a supplies perspective, our successful toner cartridge collection program will continue to be optimized with ongoing plans for process improvements. In addition, further enhancements or adjustments are planned for our inkjet cartridge and hardware collection processes to make them as effective and efficient as possible.

Operationally, specific long- and short-term goals and objectives are already in place to decrease energy and water usage as well as waste and to increase the amount of materials recycled from operations worldwide. Likewise, Lexmark will collaborate with our suppliers, partners and customers worldwide to help one another operate in a more sustainable manner. These are just some of the measures that will enable Lexmark to reduce the environmental impact of our worldwide operations.

Finally, Lexmark will continue to look for ways to improve the quality of the environment in communities around the world where our employees and customers live and work. Our environmental efforts, historically focused on habitat and watershed protection, have been successful in the past and we will work diligently to ensure their future success.

Table 1.2 Lexmark Goals

Focus	Impact Area	Objective	Target
Customer (Products)	Paper Usage	Reduce customer (personal and business) paper usage	At least 50 percent of Lexmark products announced in 2009 to be duplex enabled
			100 percent of future Lexmark products to be tested and shown to reliably feed 30, 50 and 100 percent recycled papers
	Energy	Increase product energy efficiency	Increase product energy efficiency (fleet average) by 25 percent in the next generation of products
	Materials	Reduce overall use of virgin materials in products	Complete a feasibility study on the use of post-consumer recycled plastic in products by the end of 2009
			Increase post-consumer recycled content in supplies
Material Conservation	Recover hardware and reduce waste associated with our products	Achieve a 30 percent increase in hardware collection and recycling (2007-2014)	
Operations (Processes)	Climate Change	Reduce greenhouse gas emissions	Reduce greenhouse gas emissions by 20 percent (2005-2017)
	Water	Conserve and reuse water	Reduce water usage 20 percent (2005-2017)
			Complete Lexmark's six-point water conservation plan by the end of 2017
	Waste	Minimize waste	Achieve a 20 percent reduction in waste generated (2007-2017)
			Achieve a 25 percent improvement in the amount of waste that our plants currently recycle (2007-2011)
Achieve a 25 percent reduction in the amount of hazardous waste generated per unit of production (2007-2017)			
Energy	Conserve energy (reduce use of fossil fuels)	Achieve a 20 percent reduction in electricity consumption for headquarters, manufacturing and development (2005-2017)	
Community	Local Communities	Reduce environmental footprint in local communities	Participate in at least one community environmental program, preferably a watershed protection or reforestation project, per major region per year
	Employee Engagement	Involve all employees in sustainability projects	Educate 100 percent of employees in relevant aspects of CSR through department meetings, internal articles, online training modules, share sessions or other media by the end of 2009
		Increase participation in community volunteer efforts	Increase U.S. volunteer hours (average hours per employee) by 25 percent (2007-2010)
Corporate Accountability	Suppliers	Supplier ISO 14001 Certification	100 percent of Tier 1 Suppliers to be ISO 14001 Certified by the end of 2009
		Carbon Disclosure Project	Participate in the Carbon Disclosure Project, including Supply Chain Leadership Collaboration
		Green Supplier Recognition Program	Develop and implement a green supplier recognition program that includes incentives for suppliers to adopt more sustainable practices by end of 2009

1.3

Risks and Opportunities

Environmental sustainability trends have led imaging organizations, including Lexmark, to evaluate the potential for regulatory and physical risks to our business and to consider the potential opportunities to enhance our product offerings to help our customers address their environmental issues.

Lexmark's operations, both domestically and internationally, are subject to numerous laws and regulations, particularly relating to environmental matters that impose limitations on the discharge of pollutants into air, water and soil and establish standards to treat, store and dispose of solid and hazardous wastes. Over time, Lexmark has implemented numerous programs to recover, remanufacture and recycle certain of its products and intends to continue to expand on initiatives that have a positive effect on the environment. Lexmark is also required to have permits from a number of governmental agencies in order to conduct various aspects of its business. Compliance with these laws and regulations has not had, and in the future is not expected to have, a material effect on the capital expenditures, earnings or competitive position of Lexmark. There is no assurance, however, that future changes in environmental laws or regulations, or in the criteria required to obtain or maintain necessary permits, will not have an adverse effect on Lexmark's operations.

Climate change and its potential impacts have led governments across the globe to propose and implement new regulations to guide governments, businesses and citizens in their efforts to slow global

warming. These regulations have the potential to impact all global organizations, including Lexmark.

Regulations that require reductions in energy usage will motivate consumers and businesses to replace energy inefficient imaging equipment with energy efficient products. Lexmark offers a wide range of energy efficient imaging devices and software solutions that help customers print less as well as consulting services to help organizations optimize and consolidate their imaging device fleets. Demand for such energy-efficient products and solutions can have a positive financial impact for Lexmark.

Climate change and associated weather disruptions have the potential to affect the operations of all global organizations, including Lexmark. Our worldwide operations and those of our manufacturing partners, suppliers and freight transporters, among others, are subject to natural and manmade disasters and other business interruptions such as earthquakes, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, environmental hazards, power shortages, water shortages and telecommunications failures. The occurrence of any of these business disruptions could adversely affect our revenue and financial condition and increase our costs and expenses. As Lexmark continues its consolidation of certain functions into shared service centers and moves certain functions to lower cost countries, the probability and impact of business disruptions may increase over time. Lexmark has business continuity plans in place for each of the sites that assess risks faced as a result of climate change.

1.3



1.4 STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

Lexmark International, Inc.'s Corporate Social Responsibility activities are fundamentally guided by the Lexmark Vision and Values – the cornerstone of the corporate character we have built at Lexmark.

Lexmark is committed to acting as a socially responsible company in our global community. This means that we will fully comply with the laws, rules and regulations of the countries in which we operate. It also means that we will go further by continually evaluating our business practices using the principle of sustainability.

We want Lexmark to always be associated with a respect for human rights, safe work conditions and environmentally sound business practices, for our own organization and for our partners.

The following pillars define our overall commitment to social responsibility:

– Lexmark strives to understand and respect cultural values and laws wherever we operate. Lexmark actively supports important initiatives in those communities where our employees live and work. This commitment is visible in our contributions of financial, equipment and volunteer support. Where feasible, we also maintain programs that encourage our employees to support initiatives that are important to them.

– Lexmark maintains extensive ethics and corporate governance structures. These include but are not limited to the Board of Directors, Board Committees and Articles and By-Laws of the corporation. We also actively communicate and enforce a detailed Code of Business Conduct for all employees worldwide and provide numerous communication channels through which employees, subject to local law, can report possible code violations.

– Lexmark strives to value and respect the individual differences of our employees, customers and business partners and is committed to achieving diversity

in our global work force. We believe that a diverse work force provides employees with a better place to work and our company with a competitive business advantage. The company actively seeks out and implements programs designed to foster mutual respect and achievement of personal success, striving for each individual to reach his or her full potential.

– Lexmark works diligently to develop and implement industry-leading environmental practices that relate not only to our products, but to everything we do, everywhere in the world. We focus these efforts through the Lexmark Environmental Program, which has three main areas of concentration:

- the way we design our products and services,
- the way we manage resources,
- and the way we live and work.

– Lexmark endorses the principle that the quality of products and services, consistency of production and workers' morale are enhanced by a safe and healthy work environment. Lexmark maintains health and safety programs for its facilities around the world.

– Lexmark is committed to upholding the human rights of workers and to treating them with dignity and respect as understood by the international community. The Company's commitment includes adhering to and recognizing the critical importance of standards regarding freely chosen employment, child labor, discrimination, harsh or inhumane treatment, minimum wages, working hours and freedom of association.

– Lexmark works with our suppliers to help them treat their workers and employees fairly and with dignity and respect, maintain safe working conditions and conduct manufacturing activities in an environmentally safe and responsible manner. As part of this endeavor, we actively manage a Supplier Code of Conduct.

This statement and the principles upon which it is based were developed with guidance from many sources, including but not limited to GRI's Sustainability Reporting Guidelines, the Electronic Industry Code of Conduct and the UN Global Compact. In addition to adhering to the above requirements and standards, Lexmark does not tolerate retaliation against anyone who reports in good faith through the appropriate channels a suspected violation of any provision of the above statement. See our [Business Code of Conduct](#) for more information. Lexmark complies with the Electronics Industry Code of Conduct and requires applicable suppliers to comply with this code as well. See our [Supplier Code of Conduct](#) and the [EICC Code of Conduct](#) for more information.

1.5 ORGANIZATIONAL PROFILE

Lexmark is a global technology company and a leading developer, manufacturer and supplier of printing and imaging solutions. After separating from International Business Machines Corporation (IBM) in 1991, our product lines expanded to include laser printers, inkjet printers and multifunction products (MFP), as well as associated supplies and services. Lexmark is traded on the New York Stock Exchange under the symbol LXX. Lexmark has maintained its position on the FTSE4Good Global Index Series since 2001, the year the index was launched. Lexmark was listed on the following in 2008: Fortune's list of America's Most Admired Companies – Computer Peripherals, Industry Week U.S. 500 Manufacturing Companies, Barron's 500, Fortune's 500 and Forbes Global 2000.



FTSE4Good is an innovative series of real-time indices designed to reflect the performance of socially responsible equities. The series, created and managed by global index provider FTSE Group, covers five markets: United Kingdom, Europe, Japan, United States and Global.

We develop and own the majority of the technology for our laser and inkjet products and related solutions. We operate in the office products industry and are primarily managed along two divisional lines: the Printing Solutions and Services Division (PS&SD), formerly known as the Business Market Segment, and the Imaging Solutions Division (ISD), formerly known as the Consumer Market Segment.

Our corporate headquarters and principal development facilities are located on a 374-acre campus in Lexington, Ky. As of December 31, 2008, we owned or leased 7.5 million square feet of administrative, sales, service, research and development, warehouse and manufacturing facilities worldwide. About half of that (3.7 million square feet) is located in the United States, and the other half is located in countries around the globe. Lexmark employs 14,000 employees worldwide, with about 3,800 staff in the United States and the remaining 10,200 located in Europe, Canada, Latin America, Asia Pacific, the Middle East and Africa. Subsidiaries in our operational structure are listed in Exhibit 21 of our Annual Report on Form 10-K.

Lexmark's primary research and development activities are conducted in Lexington, Ky.; Boulder, Colo.; Cebu City, Philippines; and Kolkata, India. Lexmark operates manufacturing control centers in Lexington, Ky.; Shenzhen, China; and Geneva, Switzerland. We also operate customization centers in each of the major geographies we serve. We operate our principal international manufacturing facilities in Juárez, Mexico, and Lapu-Lapu City, Philippines, while our principal domestic manufacturing facility is located in Boulder, Colo.

Our toner and photoconductor drum manufacturing operations are located in Boulder and Juárez. Lexmark continues to make significant capital investments in its Juárez operation to expand cartridge assembly and selected key component manufacturing capabilities. The manufacturing control center for laser printer supplies is located in Geneva. Lexmark's manufacturing operations for inkjet printer supplies are located in Juárez and Lapu-Lapu City, and the manufacturing control center for inkjet supplies is located in Geneva. On December 31, 2008, Lexmark closed the inkjet printer supplies manufacturing operations in Chihuahua, Mexico. The operations formerly conducted at this facility were consolidated to provide greater efficiency at our facility in Cebu, Philippines.

In 2008, Lexmark reported \$4.5 billion in revenue, with about half coming from international sales. Revenue derived from international sales, including exports from the United States, accounts for 59 percent of the consolidated revenue, with Europe accounting for about two-thirds of international sales. Lexmark's products are sold in more than 150 countries in North and South America, the Caribbean, Europe, the Middle East, Africa, Asia and the Pacific Rim. Our geographic diversity allows us to participate in new markets and diversify our revenue stream – which offsets geographic economic trends and provides the technical and business advantages of a worldwide workforce.

Our global presence exposes us to the changeable nature of regional currency exchange fluctuations. In 2008, currency exchange rates had a favorable impact on international revenue and an unfavorable impact on costs and expenses. More information on the effects of exchange rates is available in the Lexmark annual report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Effect of Currency Exchange Rates and Exchange Rate Risk Management." A summary of Lexmark's revenue and long-lived assets by geographic area is provided in our Annual Report on _____ and on our corporate Web site at _____

1.6 MANAGEMENT APPROACH

This section describes Lexmark's management approach for the economic, environmental and social Performance Indicator categories. We also address the relevant aspects of these Performance Indicators. Lexmark's overall management approach encompasses our core business focus areas of ethics, environment and community, which align closely with the GRI economic, environment and social Indicators.

Economic Aspects

Lexmark's business management strategy is based on a model of investing in technology to develop and sell printing solutions, including printers and MFPs. We also provide our customers with the supplies necessary to keep our products operating efficiently. The profits generated from supplies sales are then reinvested to fund our new technology investments in products and solutions. We strive to weave sustainability into every facet of our development process.

Lexmark's PS&SD focuses on distributed printing and imaging as well as related document solutions for large corporations, small and medium businesses (SMB) and the public sector. This has enabled us to be responsive and flexible in meeting the needs of specific customers and partners. We internally develop three of the key print technologies associated with distributed printing, including inkjet, monochrome laser and color laser. We are also working to advance our inkjet technology, products and solutions to address high usage customers. We have built strong relationships with large-account customers and partners, including major retail chains, distributors, direct-response catalogers and value-added resellers.

Lexmark's PS&SD strategy also requires that it continually identify and focus on industry-specific issues and processes, so that it can differentiate

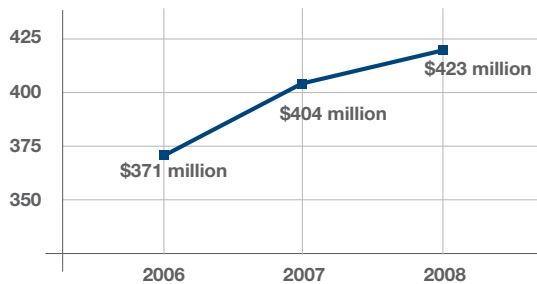
itself by offering unique industry solutions and related services. The PS&SD strategy focuses on growth in high page-generating workgroup products, including monochrome lasers, color lasers and laser MFPs.

ISD is focused on growth in the higher page generating inkjet products sold to small office/home office (SOHO) and businesses through retail and non-retail channels and original equipment manufacturer partner arrangements. ISD continues to aggressively focus on geographic regions, product segments and customers that generate higher page usage. Lexmark's goal is to create printing products and innovative solutions that make it easier for SOHO and other business users to improve productivity.



Over the last several years, Lexmark has increased investments in our sales force and our product and solution development. Research and development spending increased by ten, nine and five percent in 2006, 2007 and 2008, respectively (Figure 1.3). These investments led to the design of new products and solutions aimed at targeted growth segments as well as a pipeline of future products.

Figure 1.3



Environmental Aspects

We have made climate change a priority within our company and have developed a strategy to curb greenhouse gas emissions. As we invest in green buildings and optimize our operations and supply chain, we will see environmental impact reductions, cost savings and improved customer experience. We are addressing climate change through management guidance, public disclosure and strategic planning and performance.

Sustainability is one of the central goals of our new product development strategy and our every day business practices. We emphasize eco-design practices and strive to minimize the environmental footprint of our products using life cycle assessment (LCA) initiatives. These processes ensure that we offer our customers continuous improvements in sustainable product design by assessing the environmental impact over the entire life of the product.

Lexmark's customers expect to do business with sustainable partners. Therefore, we have set priorities at stages within the product and services life cycle to meet our customers' sustainability expectations. We provide our customers with sustainable solutions including energy efficient products, paper reduction features, cartridge and printer collection and recycling programs and responsible supplies management.

Social Aspects – Labor, Human Rights, Society and Product Responsibility

Our success as a global company depends on our ability to see the world from many points of view. We have a diverse set of customers and in order for us to relate to our customers and provide products, services and solutions they need, we must learn about the cultures where we do business. Our diverse work force brings a wealth of knowledge and perspectives crucial to our success. We are committed to achieving a diverse work force at all levels and to maintaining an inclusive workplace.

Lexmark has a long standing commitment to social performance programs. Our systems are well established and show our successes in the areas of labor practices, decent work, human rights and society and product responsibility. All Lexmark locations manage to our company guidelines and Code of Business Conduct. We perform supplier audits to monitor compliance with our standards with respect to our social performance expectations.



ETHICS

2.0



2.0 ETHICS

Lexmark believes that proper corporate governance ensures the ethical operation of our business. We are committed to treating our employees fairly and ethically as well as providing a work environment that fosters each employee's individual success. The sections below describe our corporate governance, financial and economic information and our human rights and labor standards practices.

2.0



2.1 CORPORATE GOVERNANCE

Lexmark is governed by its Board of Directors (Board) that consists of 11 members. Dr. Paul J. Curlander is Lexmark's Chairman and Chief Executive Officer and the only Board member with executive functions. The primary responsibility of this Board is oversight. In this capacity the Board defines and enforces standards of accountability that enable management to manage well and in the interests of the corporation and its stockholders. Consistent with that objective, the Board's primary responsibilities include attending Board meetings and evaluating the performance of the corporation and its management; reviewing and approving fundamental operating, financial and other corporate strategies, as well as major plans and objectives; providing advice and counsel to the CEO and management; overseeing management's efforts to ensure that the assets of the corporation are safeguarded; and annually evaluating the overall effectiveness of the Board. Additional information related to the Board composition, qualifications and performance evaluation and compensation linkage is available on our [Web page](#).

The Executive Committee is responsible for exercising the powers and authority of the Board of Directors during intervals between Board meetings, except for those powers delegated to the other committees of the Board and the powers which pursuant to Delaware law may not be delegated to a committee of the Board. The Executive Committee consists of five members who were unchanged in 2008. Additional details concerning the Executive Committee composition and focus areas are available on our [Web page](#).

The Board complies with the requirements for independence under Section 10A of the Securities Exchange Act of 1934, the rules of the SEC and the listing standards of the New York Stock Exchange as standards for determining the independence of individual directors in accordance with guidance received from the New York Stock Exchange. The guidance for independence relates to the restrictions and conditions that Board members must follow, including restrictions with respect to charitable giving. The Board

determined that all of the Board members, with the exception of Dr. Curlander, are independent on the basis of these requirements.

Based on this guidance, we evaluated our charitable donations for each of the preceding three years. Lexmark did not make any charitable contributions that exceeded the greater of \$1 million or two percent of a charitable organization's consolidated gross revenues, to any charitable organization for which a member of the Board served as an executive officer. The Board's conformance with this guidance prevents potential conflict of interest issues regarding our charitable giving practices.

Stakeholders and interested parties may communicate with the presiding director, non-management directors as a group, or any members of the Board online by sending an e-mail to [\[redacted\]](#) or by writing to Corporate Communications at Lexmark International, Inc., 740 West New Circle Road, Lexington, Ky. 40550.

Commitments to External Initiatives

Lexmark is involved with trade associations at the local, state, federal and international level. Some examples include the Information Technology Industry Council (ITI), ITI Environmental Leadership Council, DIGITAL EUROPE, the Greater Lexington Chamber of Commerce, the U.S. Information Technology Office, the National Chamber of Commerce, Australian Information Industry Association (AIIA), Business Imaging Association of Australia (BIAA), Information Technology Association of Canada (ITAC), TechAmerica EUROPE, American National Standards Institute (ANSI), Ecma International and IPC, Association Connecting Electronics Industries.

Lexmark is active in these groups because we want to participate in the industry and public policy discussions led by these organizations and take advantage of those collective resources. We engage with these groups in meetings and by participating in and leading committees, conference calls and electronic communications.

2.2 FINANCE AND ECONOMICS

This section provides information and trends in Lexmark's economic performance, including performance indicators, market presence and indirect economic impacts. Lexmark's financial information for 2008 and recent years is provided on Table 2.1 below. For further information refer to the Company's Consolidated Financial Statements and Notes thereto presented in our Annual Report on

Table 2.1 Lexmark by the Numbers

(Dollars in Millions, Except per Share Data)

	2008	2007	2006	2005	2004
Statement of Earnings Data					
Revenue	\$ 4,528.4	\$ 4,973.9	\$ 5,108.1	\$ 5,221.5	\$ 5,313.8
Cost of revenue	2,993.8	3,410.3	3,462.1	3,585.9	3,522.4
Gross profit	1,534.6	1,563.6	1,646.0	1,635.6	1,791.4
Research and development	423.3	403.8	370.5	336.4	312.7
Selling, general and administrative	807.3	812.8	761.8	755.1	746.6
Restructuring and related charges	26.8	25.7	71.2	10.4	—
Operating expense	1,257.4	1,242.3	1,203.5	1,101.	1,059.3
Operating income	277.2	321.3	442.5	533.7	732.1
Interest (income) expense, net	(6.1)	(21.2)	(22.1)	(26.5)	(14.5)
Other (income) expense, net	7.4	(7.0)	5.3	6.5	0.1
Earnings before income taxes	275.9	349.5	459.3	553.7	746.5
Provision for income taxes	35.7	48.7	120.9	197.4	177.8
Net earnings	\$ 240.2	\$ 300.8	\$ 338.4	\$ 356.3	\$ 568.7
Diluted net earnings per common share	\$ 2.69	\$ 3.14	\$ 3.27	\$ 2.91	\$ 4.28
Shares used in per share calculation	89.2	95.8	103.5	122.3	132.9
Statement of Financial Position Data:					
Cash and current and marketable securities	\$ 973.3	\$ 796.1	\$ 550.9	\$ 888.8	\$ 1,566.7
Working capital	805.2	569.5	506.0	935.9	1,533.2
Total assets	3,265.4	3,121.1	2,849.0	3,330.1	4,124.3
Total debt	654.2	149.9	149.8	149.6	151.0
Stockholders' equity	812.1	1,278.3	1,035.2	1,428.7	2,082.9
Other Key Data:					
Net cash from operations	\$ 482.1	\$ 564.2	\$ 670.9	\$ 576.4	\$ 775.4
Capital expenditures	\$ 217.7	\$ 182.7	\$ 200.2	\$ 201.3	\$ 198.3
Debt to total capital ratio	45%	10%	13%	9%	7%

2.2

Lexmark's operations did not receive significant government financial assistance in 2008. Lexmark experiences some seasonal market trends in the sale of its products and services. For example, sales are often stronger during the second half of the year, and European sales are often weaker in the summer months. In addition, sales during the first half of the year may also be adversely impacted by market anticipation of seasonal trends, such as new product introductions. In recent years, the impact of these seasonal trends on Lexmark has become less predictable.

Lexmark's Benefit Plans

Lexmark and its subsidiaries have defined benefit and defined contribution pension plans that cover certain regular employees as well as two supplemental plans that cover certain executives. We also provide medical, dental and life insurance plans for retirees and certain non-U.S. subsidiaries.

Additional information regarding our benefits obligations can be found in our Annual Report on

Global Presence

In 2008, Lexmark management estimates the total distributed output opportunity was between \$90 and \$100 billion, including hardware, supplies and related software and services. This opportunity includes printers and MFPs as well as a declining base of copiers and fax machines that are increasingly being integrated into MFPs. Based on industry information, Lexmark management estimates that the market may have declined slightly in 2008, and it may decline again in 2009 due to the global economic slowdown. When global economic growth resumes, the industry could again experience low to mid single digit annual revenue growth rates, with the highest growth likely to be in MFP and related software solutions and services in emerging economies. The integration of print/copy/fax/scan capabilities enables Lexmark to leverage strengths in network printing solutions. Lexmark expects competitive pressures to continue as the hardcopy industry matures and as printer and copier markets converge.

The Internet is having a positive impact on the distributed output market opportunity in several ways. As more information is available over the Internet, and as new

tools and solutions are being developed to access it, more of this information is being printed on distributed output devices. Lexmark's management believes that an increasing percentage of this distributed output includes color and graphics, which tend to increase supplies usage. Growth in high-speed and wireless Internet access to the home is also contributing to increased printing on distributed devices.

Industry laser printer unit growth in recent years has generally exceeded the growth rate of laser printer revenue due to unit growth in lower-priced desktop color and monochrome laser printers and unit price reductions. In addition, color and MFPs represent a more significant component of laser unit growth. Lexmark believes these trends will continue. The pricing pressure is partially offset by the tendency of customers in the shared workgroup laser market to add higher profit margin optional features, including document management solutions, paper handling and finishing capabilities and MFPs. Pricing pressure is also partially offset by the opportunity to provide business solutions and services to customers who are increasingly looking for assistance in imaging and leveraging their document-related costs and output infrastructure.



Historically the inkjet product market has been predominantly a consumer market, but there is an increasing trend in inkjet products being designed for SOHO and small business that share devices over a network. In addition, in recent years, the number of customers seeking productivity related features has driven significant growth in all-in-one (AIO) products. Key factors promoting this trend are greater affordability of AIOs containing productivity features like wireless connectivity, Ethernet connectivity, full fax capabilities,

automatic document feeders and duplex capabilities. Our design engineers work to ensure our product durability thereby enhancing their reliability and resiliency for our customers. Lexmark believes these trends will continue.

Lexmark's global market presence impacts the communities surrounding our locations through our efforts to provide above average employee compensation and use of local resources where possible. Lexmark typically offers an average employee compensation that exceeds the average pay for the varying geographical regions. Our efforts to provide above average employee compensation have a favorable economic benefit on the markets where we do business. Lexmark seeks the best qualified employee candidates to fill our position vacancies. We believe that this approach provides the best scenario for our business success, and as such our senior management candidates may be from various geographies.



Indirect Economic Impacts

Lexmark's commitment to its local, national and global communities takes tangible form in contributions of equipment, volunteers and financial support to organizations working to meet the challenges and needs of modern society. Responsible corporate citizenship is good business (Section 4.4 Community Involvement).

We apply the same standards of excellence to our contribution and community support activities that we use in our business operations. In the United States, our Corporate Giving Program focuses on employee volunteerism and educational excellence, specifically in the areas of science, technology, engineering and math (STEM). Lexmark contributes to schools and nonprofit organizations that have tax-exempt status under Section 501(c)(3) of the U.S. Internal Revenue Service Code.

Lexmark reviews requests for donations of new and used printers to qualified nonprofit organizations on an ongoing basis. We also donate used equipment and our printers are often requested for fundraising auctions or events sponsored by qualified nonprofit organizations. Lexmark's charitable contribution decisions are made periodically throughout the year. Organizations receiving funding are required to share their progress and evaluation information with Lexmark through written status reports.

The presence of our Global Headquarters facility in Lexington, Ky., has a positive economic impact on the surrounding community. Examples of our positive impact are provided below:

- 7,831 Trips in and out of Blue Grass Airport in Lexington, producing \$11.2 million in airfares
- 6,067 Overnight hotel stays in Lexington, valued at \$704,435
- 4,228 Car rental days generating \$179,009 in fees
- Average salary of \$85,000 for Lexington and surrounding area residents
- More than \$300 million in local wages – contributing to nearly \$9 million for local government and public schools



Color Me Lexmark

It was not the way Michael Donovan, Lexmark development engineer, planned to spend the Christmas holiday season – at the University of Kentucky Children’s Hospital with his toddler son. “It was really tough,” said Donovan. “Matthew was just a year and a half old, and he was having serious respiratory issues.”

While the hospital stay left the family facing dark days, there was a bright spot in the visit that came in the form of a coloring sheet. “I saw Matthew actually perk up when they brought in the crayons,” said Donovan. While the simple art brought a smile to his son’s face, it was the birth of an idea in Donovan’s mind. It was an idea that made him focus on how Lexmark could help others in similar situations.

“I knew that Lexmark’s product assurance team was required to run test pages to check the quality of the printers,” said Donovan. “I started to think – what if they ran test pages of coloring sheets and we donated the pages to the hospital.”

While Matthew was able to leave the hospital, the coloring concept stayed with Donovan. He turned to Lexmark executives who helped turn the idea into an initiative: Color Me Lexmark.

“This is a perfect way to give the thousands of test sheets that are already being printed a second life,” said Juli Gaworski, community relations specialist, corporate citizenship. “Currently we recycle the sheets that are printed. The plan now is to reuse the sheets to distribute as a coloring book to the University of Kentucky Children’s Hospital, with the agreement that they will eventually be recycled.”

The hope is to turn Lexmark employees and their families into the artists creating the coloring book. Donovan hopes employees will feel inspired to help out. “It’s a great way to personally touch the lives of children and make a positive impact in the community both as individuals and as a company.”



2.3 HUMAN RIGHTS AND LABOR STANDARDS

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 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 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.

Anti-Corruption Policies and Practices

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.

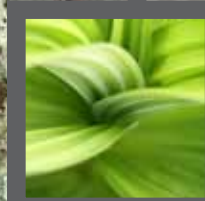
Employee Programs

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.

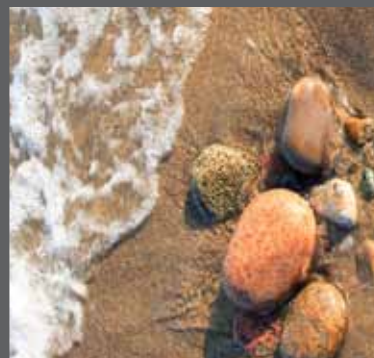


In October 2008, Lexmark received the When Work Works, Alfred P Sloan Award for Excellence in Workplace Flexibility. Lexmark's flexible work/life balance programs enhance operational efficiency, promote business goals and enrich the quality of life for employees. The Lexmark Telecommuting Program allows 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.



ENVIRONMENTAL SUSTAINABILITY

3.0



3.0 ENVIRONMENTAL SUSTAINABILITY

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

3.0



3.1 PRODUCT SUSTAINABILITY

Life Cycle Assessment (LCA)

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.

3.2 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

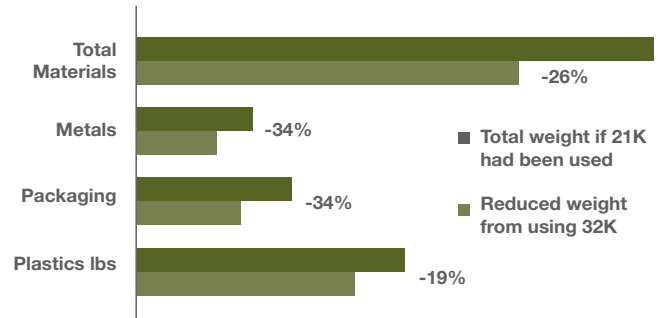
Lexmark toners and inks are available in high-yield and extra high-yield cartridges, enabling our customers to print more pages with fewer cartridges. For example, Lexmark's Extra High-Yield Toner Cartridge for our new Lexmark T650 and X650 workgroup monochrome laser printers has an ISO yield rating 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.

3.2

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.

3.3 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.



3.3

3.4 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.



Conventional Fuser Technology



Instant Warm-up 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.

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

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.

3.4

3.5 PRODUCT ACOUSTICS

Designing products for the environment includes considering the employee workplace. Lexmark printers offer an ideal combination of performance and quiet operation to aid in increased worker productivity.

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.



3.6 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.

DID YOU KNOW?

Expanded Polystyrene (EPS)
can be recycled.

Visit [www.lexmark.com/recycling](#)
for more information.



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.

3.6

Before



Packaging for the T64xdtn required four boxes

After



The new T series has been reduced to one box

3.7 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 2008

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.

3.7



Lexmark Supplies and the Environment 2008

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.

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.

Figure 3.2



3.7

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

Giving Our Customers a Choice

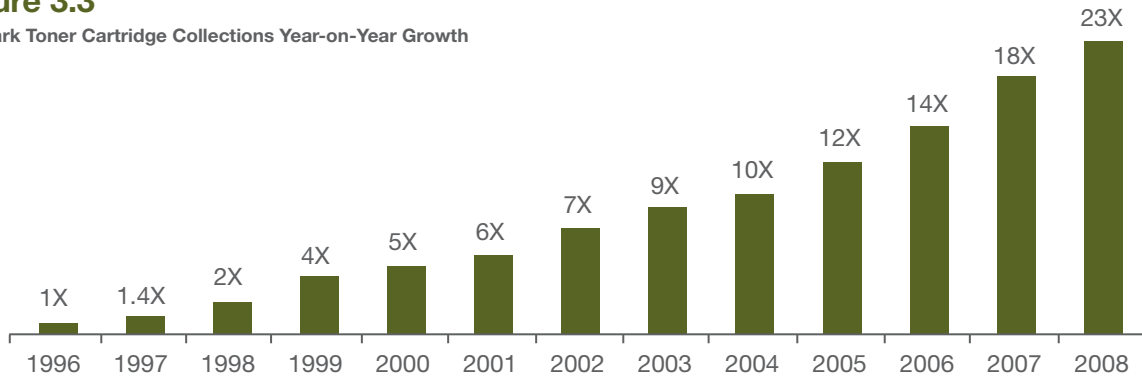
Helping keep toner cartridges out of landfills is easy, especially with Lexmark's broad selection of cartridge offerings:

- Lexmark regular cartridges can be returned to Lexmark through the Lexmark Cartridge Collection Program.
- Lexmark Return Program cartridges give you an up-front discount in exchange for your agreement to return the cartridge only to Lexmark.
- Lexmark Certified Reconditioned cartridges are the quality-assured remanufactured alternative.

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

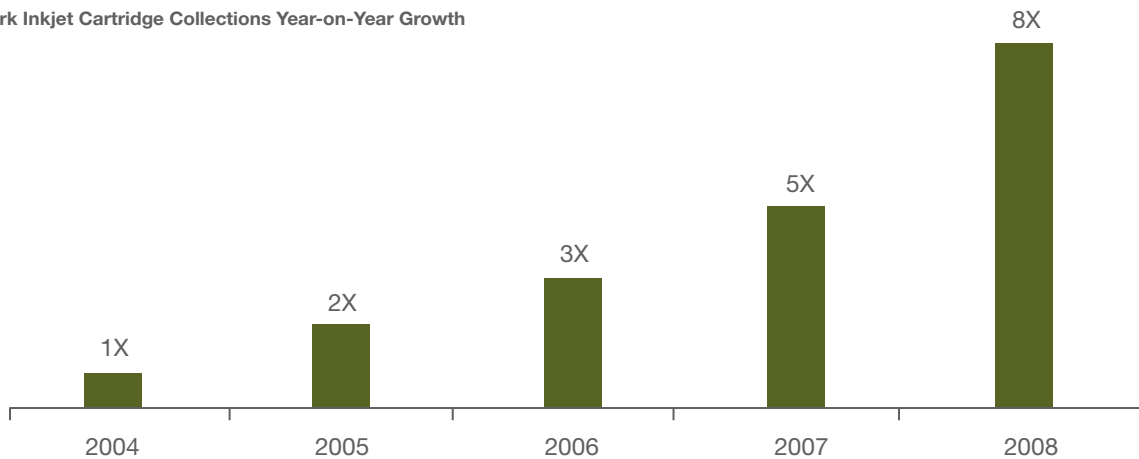
Lexmark Toner Cartridge Collections Year-on-Year Growth



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



3.7

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.
- **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.

- **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.

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.

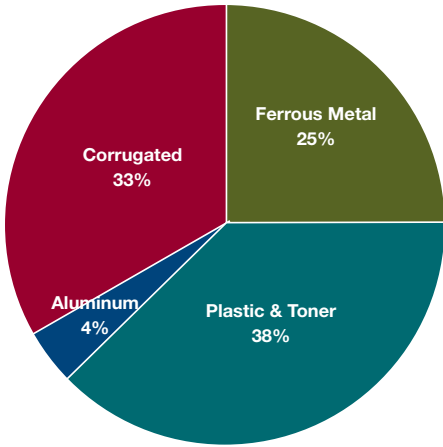
Our ultimate goal is to give as many cartridges as possible a second life through materials reuse. Since 1996, Lexmark has reused more than 19 million pounds of recovered cartridge material by converting millions of empty toner cartridges into Lexmark Certified Reconditioned cartridges. The eligible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



3.7

Figure 3.5

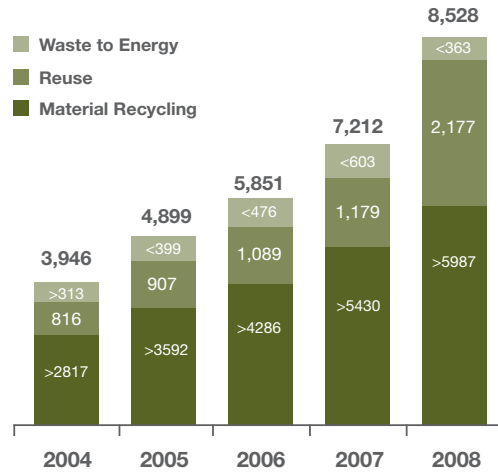
2008 Materials Recovery from Toner Cartridge Recycling and Reuse – Percent of Total



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.

3.7



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.

3.8



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.

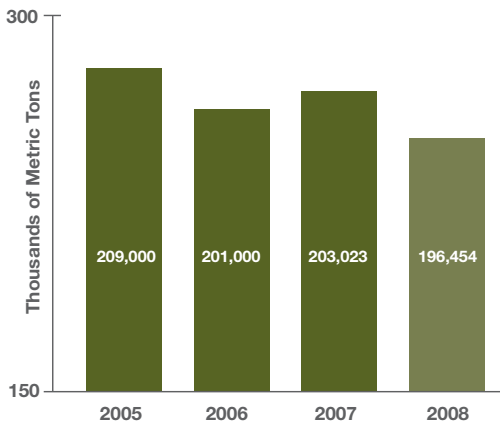


Emissions, Effluents and Waste Management

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.



3.8

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.

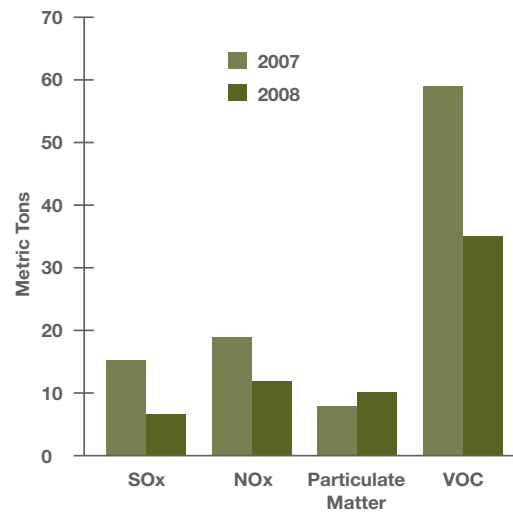
Lexmark has also incorporated renewable energy at facilities in Boulder, Colo., where a portion of the electricity used at that facility comes from wind power, and in Switzerland, where our sales and marketing office utilize the country's abundant source of hydroelectric power.

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.

3.8

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

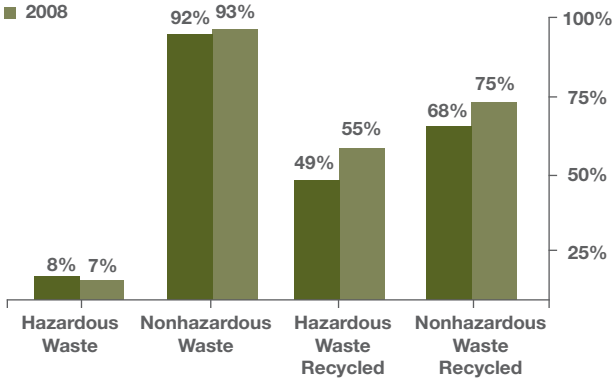


Figure 3.10

Recycling Comparison: Total Paper, Plastic, and Metal Recycled

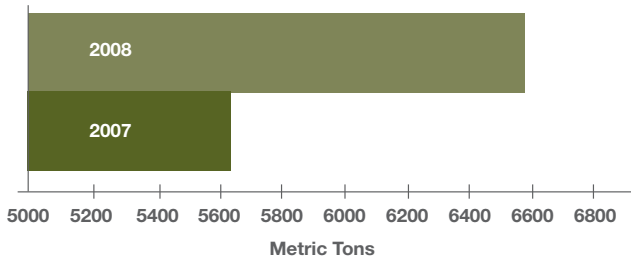
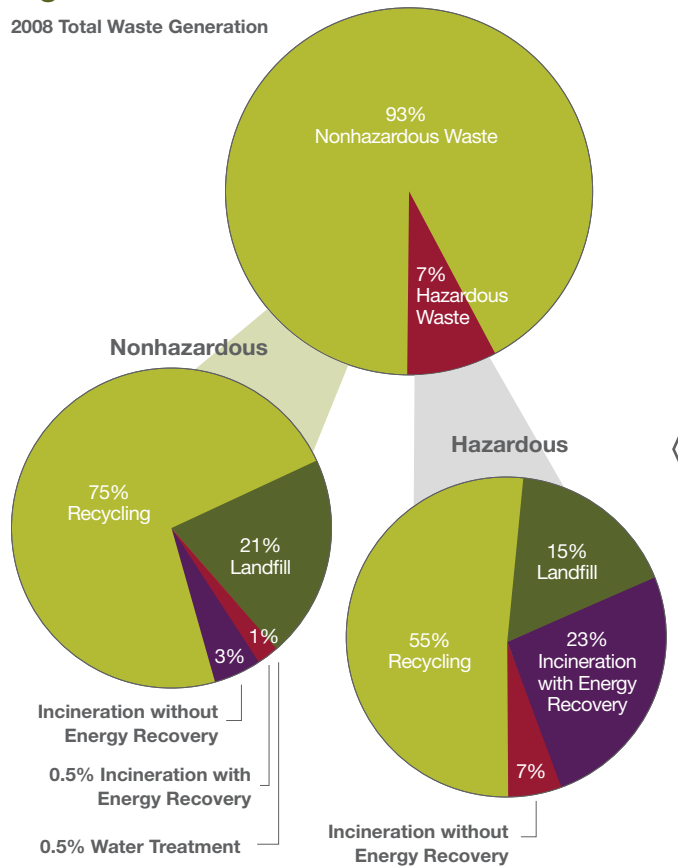


Figure 3.11

2008 Total Waste Generation



Pollution Prevention

Lexmark takes pride in our conscientious hazardous waste management practices and are continually improving our pollution prevention practices to avoid costly leaks and spills. Approximately seven 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)

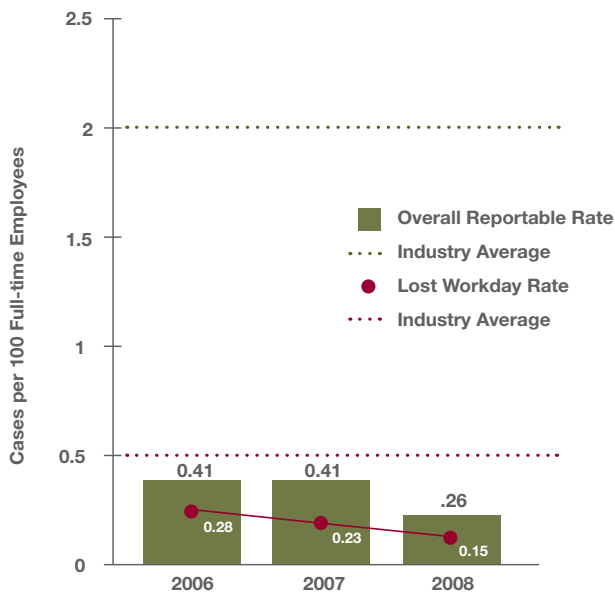
Lexmark's Lexington, Ky., facility in the United States and the Lexmark facility in Orléans, France, a support center for the supply, distribution and after-sales of office items, printers and associated supplies, also hold ISO 14001 and OHSAS 18001 certifications.



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.

3.11



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.

3.12



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 coastal 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.



Coca-Cola Rain Garden



Reforest the Bluegrass

3.13



10 year Reforest the Bluegrass Volunteer Coordinator



Arbor Day

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.



ENGAGEMENT

4.0



4.0 ENGAGEMENT

This section summarizes key information and trends in Lexmark's social performance, including our vision and values, employee engagement and training, diversity and community involvement.

We Are Lexmark

Our employees have defined our Vision and Values. We live these concepts every day. More than mere words, these statements are truly a framework for how we operate:

Vision

We, the employees, are Lexmark – a dynamic, global information technology company.

We have a vision: Customers For Life. To earn our customers' loyalty, we must listen to them, anticipate their needs and act to create value in their eyes.

We want to be known for reliability, flexibility, responsiveness, innovative products and services and exemplary citizenship. Growth, longevity and financial success will naturally follow.

We will make this happen in an enriching environment of trust, cooperation and mutual respect.

Values

We, as Lexmark employees, will try to always act in a manner consistent with these values and will be open to give and receive advice to make our behavior consistent with them.

Customer Commitment

Customers are key – they should be the focus of everything we do. All our work should be carried out with them in mind, whether they are internal or external customers. Customer satisfaction is the top priority of every employee and the purpose of every job. Cost-effective, ongoing achievement of customer satisfaction is the foundation of our business.

Employee Satisfaction

Our people are our future. We must strive to attain maximum employee contribution by valuing our individual differences, helping employees fully utilize their talents and be their best and fulfilling employee needs wherever possible.

Corporate Wealth

We have accepted a responsibility to be effective stewards of all our shareholders' resources. Through performance, everyone will be properly rewarded for his or her investment in Lexmark.

Corporate Citizenship

We are responsible to the communities in which we live and work, the environment and to the world community as well.

Mutual Respect

Mutual respect is the recognition of the equal worth of each individual, with full utilization of our diverse backgrounds, interests and strengths. Actions we take on behalf of Lexmark must maintain the dignity of the individual. Likewise, every employee has the responsibility to contribute to and protect Lexmark's assets, including its image and financial returns.

Integrity

Integrity means being honest, being fair, standing up for what you believe and doing what you say you will do.

Long-Term Perspective

A long-term perspective is important to our success. As a daily priority, we will make decisions to invest long term while managing short-term demands.

Excellence

Excellence is the performance of every task in a superior manner. We take pride in doing this through accepting ownership, exceeding customer expectations and striving for continuous improvement in everything we do – including our thinking, our daily work and every product and service.

4.1 STAKEHOLDER ENGAGEMENT

Our key stakeholders include customers, investors, planners, non-governmental organizations, governmental agencies, suppliers, employees and the communities where we operate. We actively engage our stakeholders and encourage direct feedback from them. We seek feedback in a number of ways, including outreach such as customer satisfaction surveys, group investor meetings, electronic mail, media interviews, quarterly earnings conference calls, employee training sessions, public planning meetings and committee and subcommittee meetings. In addition, we provide electronic [contact information](#) on our Web site,

We also receive and respond to inquiries originating from a variety of sources, such as local communities seeking volunteers, third-party organizations looking for information about Lexmark's plans to address climate change and individual or institutional investors trying to better understand our business operations. Working through these types of inquiries helps us understand and respond to the needs of our stakeholders. Several of the key issues we are addressing in response to our stakeholders feedback include identifying solutions to e-waste accumulation dilemmas; fostering STEM education programs; enhancing healthcare information technology effectiveness and improving international trade competitiveness.

4.1



4.2 EMPLOYEE ENGAGEMENT

Training

At Lexmark, we believe that employee growth and development is a shared responsibility among our employees, managers and the organization as a whole. We provide an array of opportunities and resources to help employees learn and acquire new skills and experiences.

Our skills-building initiatives include technical training covering everything from programming concepts for today's demanding digital print interfaces to product usability training for industrial design engineers. Strategic business initiatives include numerous environmental, health and safety offerings and cutting-edge continuous improvement and product quality training, including Six Sigma Black Belt. We offer more than 200 standard and Lexmark custom training courses through i-Learn, a computer based training system. Our leadership offerings begin with a new manager's training program and progress to an ongoing curriculum designed for the most appropriate and timely skill and knowledge transfer.

Lexmark conducts employee training in accordance with company instructions and regional laws and regulations. We comply with the most stringent laws and regulations in geographies where facilities exist. Lexmark also mandates minimum programs and conducts corporate audits to ensure compliance. For example, we require that facilities have an ergonomic program and a new equipment certification program.

Information on Lexmark's sustainability practices is regularly provided to employees to help foster communication with our customers on best practices in printing. All direct employees in Europe, the Middle East and Africa (EMEA) receive training on our CSR commitment and how to address customers regarding environmental and social responsibility factors. In addition to in-house training, the EMEA communications team received sustainable communications training from an external company in 2008.

Performance Management

Lexmark introduced a new Performance Management system for employees in 2008 with metrics revolving around the customer. Our intention is to direct employee work goals to focus on improving the customer experience. The system fosters a culture of continuous end-to-end improvement and ongoing, multi-directional feedback between employees, peers and managers. The feedback provides data to support any needed behavioral adjustment and keeps employees focused on the customer. The program is assisted by an easy to use online program to enter in objectives and gather feedback to improve performance.

Diversity and Inclusion

Because Lexmark operates on a global scale, we understand the necessity of a diverse employee population and we value the differences in each employee. Lexmark's reputation for maintaining the highest standards of business conduct rests on our daily actions. We work to create an inclusive environment where everyone, including employees and customers, feels respected. In order to help achieve this, all United States employees complete diversity training.

Diversity at Lexmark is embedded in the organization through a core structure comprised of three major groups, each with a different purpose: The Lexmark Diversity Council, Diversity Action Teams and Diversity Network Groups. The Lexmark Diversity Council provides an overall diversity strategy for the company while division leaders, who are ultimately accountable for the execution of diversity and inclusion initiatives, formulate an action plan for implementation of the strategy. The council is responsible for developing and encouraging the company's global initiatives. The council's primary objective is to help create a workplace environment where all employees feel respected and included and have an opportunity to fully utilize their talents.

Diversity Action Teams are committees that ensure the implementation of diversity initiatives within each Lexmark business unit and across business functions. Their goal is to ensure that diversity and inclusion initiatives are in alignment with the goals of the business units and Diversity Council guidelines.

Diversity Network Groups are organizations of Lexmark employees who voluntarily come together with the shared goal of making Lexmark a better place to work. By providing an opportunity for networking, mentoring and coaching, each group helps its members become more satisfied and productive employees. Diversity Network Groups are organized to focus on a particular constituency.

Lexmark currently has eight Diversity Network Groups:

- Asian Network Diversity Associates (ANDA)
- Christian Business Persons
- Gay/Straight Alliance of Lexmark Employees (GALE)
- Hispanic Diversity Network Group (HDNG)
- LexNew - New Employees of Lexmark and young professionals
- Network Alliance of Black Lexmark Employees (N-ABLE)
- Women Empowering, Equipping and Encouraging (WE)
- Veteran's Friends and Families

Our philosophy of valuing and respecting individual differences is evident throughout our organization – in the way we attract new employees and continue to

motivate current ones. Increasing diversity multiplies our creative and productive resources exponentially, giving us an advantage in the marketplace.

Lexmark is considered one of the “Best Places to Work for Lesbian, Gay, Bisexual and Transgender Equality.” In November 2008, Lexmark hosted a public forum called “Pride in the Community, Opening Doors and Keeping Them Open,” which focused on the best practices for policies, benefits and employee engagement in the gay, lesbian, bisexual and transgender community. One of the community participants wrote a thank you note to Lexmark because she was so impressed with the event:

“Let me begin by saying, that until Lexmark came to Lexington, I was not very impressed with the ‘community leadership’ relative to promoting a harmonious workplace and community. Certainly other corporate and business leaders have made progress. But not like Lexmark. Lexmark has set the bar for the rest of the Business Diversity Network panel discussion. Your leadership and understanding of the importance of an inclusive environment is very encouraging. It is clear that you have a sincere and genuine desire for everyone to benefit from an inclusive workplace and community. It is good for business...good for KY...good for networking opportunities to showcase what we do best and how we can help each other.”

— Ms. Debra A. Hensley, State Farm Insurance, former city council member and Chair of JustFund Kentucky

4.2



4.3 CUSTOMER ENGAGEMENT

Lexmark abides by the vision of Customers For Life. A Lexmark Customer Experience team exists in each major division of the company with a goal of creating an intentional and valued customer experience. In order to create this positive experience, we realize that we must engage with our current and potential customers to gather feedback on what is important to them, what objectives they hold and how satisfied they are with our products and services.

Lexmark has employed surveys for both the ISD and PS&SD divisions to identify customer needs and satisfaction levels ranging from the pre-purchase experience through the usage experience and customer service. These customer surveys are employed via the Internet, phone, focus groups, one-on-one meetings, and paper.

ISD employs surveys at 30 days and one year after the customer purchase to gather feedback in all aspects of the customer's experience. More than 100,000 surveys in 2008 alone helped to create a comprehensive understanding of our customer's experience with our products.

Examples of PS&SD surveys include a 30-day customer purchase survey, a service and customer support survey, a yearly distributed fleet management survey that gathers information from our largest managed print service customers and a customer evaluation program that will allow customers to test our products for a limited period of time, providing feedback on our products and the opportunity to keep the products at the end of the trial if satisfied.

Lexmark also uses Net Promoter to gain a better understanding of how likely customers are to recommend our products to friends, family and colleagues.

The goal of Lexmark's Customer Experience teams is to share the information gained from the customer surveys with employees, equipping them with increased knowledge of how to improve customers' current and future experiences with Lexmark products. This information helps employees develop a clear line of sight to the customer in their everyday job duties. Examples of goals established by both divisions as a result of customer feedback include increasing usability of our products and reducing paper jams.



4.4 COMMUNITY ENGAGEMENT

Lexmark applies the same standards of excellence to its contribution and community support activities that it demonstrates in all business practices. Lexmark has introduced programs globally to give back to the communities where offices are located. In the United States in 2008, more than \$1.6 million was given to charitable organizations to support education, health and diversity issues, as well as many other community programs.

Lexmark encourages its employees to give back to their communities. In 2008, Lexmark pledged to match any employee gift to post-secondary institutions, environmental organizations, hospitals, museums, libraries, performing arts and public broadcasting up to \$5,000.

All Lexmark U.S. employees are given paid volunteer time to support efforts and activities that help surrounding schools, youth and community. Full-time employees qualify for up to 24 hours of volunteer time; part-time employees qualify for up to 12 hours of volunteer time. In 2008, more than 10,000 hours of service were donated to more than 200 organizations. The organization categories represented by these hours are shown in Figure 4.1.

2008 U.S. Charitable Giving

Matching Gifts Program

\$159,131 – Supporting employee interests are a major focus of Lexmark’s charitable giving. Employee gifts to post-secondary institutions, environmental organizations, hospitals, museums, libraries, performing arts and public broadcasting are matched dollar-for-dollar up to \$5,000.

Lexmark Scholars

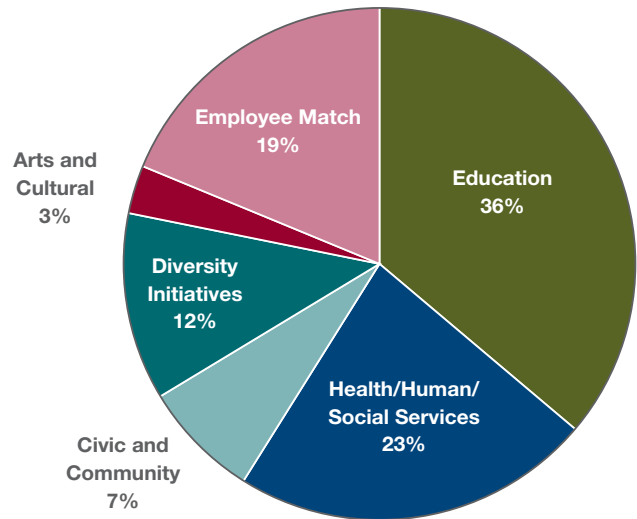
\$156,000 – Awarded 20 new scholarships to employee dependents in the United States, totaling 80 scholars.

United Way

\$1.2 million – Donation made to the United Way through U.S. employee pledges of cash and in-kind gifts, including a total company contribution of \$296,431 provided by a \$271,000 corporate contribution and additional donations raised through on-site fundraising activities.

Other cash and equipment donations - \$1,030,338
 Total giving – \$1,641,900

Figure 4.1



2008 Global Charitable Giving

Lexmark and our employees seek to make a difference in our global communities. Examples of select global charitable programs are highlighted below.

International Red Cross

Lexmark donated \$50,000 to the International Red Cross Disaster Relief Fund to provide aid to the communities affected by the earthquake in China on May 12, 2008.

Rainforest Foundation

Lexmark donated \$15,000 to the United Kingdom Rainforest Foundation.

French Cancer League

Lexmark donated \$50,000 to the partnership with the French Cancer League in France.

UNICEF

Lexmark's Czech Republic operation supports UNICEF by purchasing Christmas cards from this organization – a practice they have continued for the last three years.

Commitment to Education

Employees partner with area schools to provide aid to both the students and the institution. For example, twenty-two employees in Lexington worked weekly with students at the Booker T. Washington Academy in a one-on-one reading program to help improve their reading levels. The participating students achieved a 50 percent increase in their reading scores.



National Engineering Week

In 2008, Lexmark participated in National Engineering Week. Interested high school girls were invited to tour the Lexmark facility to learn about engineering and technical career opportunities. Lexmark volunteers also attended the University of Kentucky's Engineering Day Open House to explain engineering and science concepts and provide a behind-the-scenes look at Lexmark's product development.



4.4

University of Kentucky – Lexmark contributed more than \$100,000 in 2008. This included an \$80,000 cash contribution to the University of Kentucky Administration Building, completing Lexmark's five-year commitment totaling \$500,000.

Junior Achievement – During the 2007-2008 school year, Lexmark sponsored courses at its adopted school Johnson Elementary, in Lexington, Ky. Nearly 50 employees volunteered to teach business and economics courses at this and other Fayette County Public Schools.

Lexmark Teacher's Institute – Lexmark sponsored the week-long institute which pairs 60 teachers of STEM and language arts with companies to better understand how businesses use what schools are teaching, to gain real-world examples and bring real-life scenarios into the curriculum. The teachers had a unique opportunity to tour companies, visit behind the scenes to learn about how business works and what skills students need to be prepared to work in a global business environment.

Substitute Teaching Initiative – In 2008, 30 Lexmark employees used their three days of Volunteer Time Off, to provide teachers in one of the STEM fields the opportunity to pursue professional development and provide significant teaching opportunities.

Asia Pacific – Cebu, Philippines – Lexmark adopted the Suba Masulog Elementary School and the Camputhaw Elementary School in Cebu, Philippines, as part of a local Adopt-a-School program. Since then, Lexmark has helped both schools by donating computers, Lexmark printers, textbooks and other much-needed classroom supplies.

Commitment to Volunteerism

In 2008, Lexmark and its employees gave more than \$1.2 million to the United Way. Lexmark employees raised part of this donation through activities ranging from art auctions to yard sales, golf tournaments, bake sales, 5K run/walks and numerous other events. During 2008, nearly 300 Lexmark employees volunteered 1,868 hours to the United Way. Employees completed 32 community service projects in Boulder, Colo. and Lexington, Ky. Likewise, Lexmark employees in Mexico are active in the community and give generously of their time and financial support to local initiatives through Fondo Unido, the United Way in Mexico.

In 2008, nearly 200 Lexmark employees volunteered with Habitat for Humanity to build a home in Lexington. This home, fully funded by Lexmark, was built in a record-setting time of eight weeks. Over the past several years, Lexmark volunteers have built 13 homes in Lexington. The 2008 build used “eLumber”, a unique synthetic wood made from recycled ink and toner cartridges. Close the Loop, Lexmark’s recycling provider in Australia and the Americas, donated the eLumber that was used to build a retaining wall, a fence in front of the property and a garden border.



Lexmark Volunteer Activities



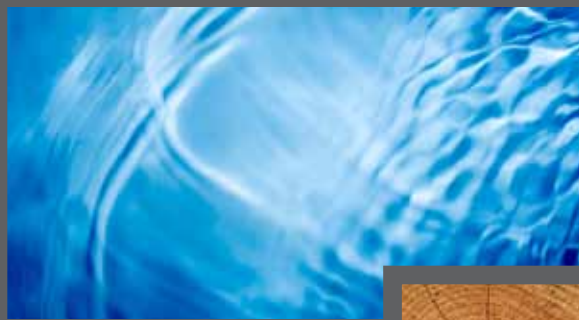
EMEA's Earth Month Activities

- **Austria** – Environmental education – Lexmark sponsored an environmental “VIP” event that showcased Lexmark’s green printing solutions as well as demonstrations of our “Print Less, Save More” program.
- **France and Belgium** – Sustainability events – To celebrate Earth Day 2008, Lexmark France and Belgium organized an event with the media and their large accounts. The main theme was ‘Is paper destroying the forest?’ with the aim to clear up any misconceptions about the real impacts of paper.
- **Italy** – LifeGate Impatto Zero – Lexmark partners with LifeGate Energy to quantify its carbon dioxide emissions. After calculating the carbon footprint of our offices in Milan and Rome, Lexmark helped offset those emissions through our support of LifeGate’s global reforestation program. To date, Lexmark’s contribution has provided for the planting of more than 12,000 trees in Italy and Costa Rica. Lexmark Italy furthered its collaboration with LifeGate by purchasing renewable energy generated by solar towers and kite wind generators.
- **Mexico** – Community Health Fair – Lexmark sponsors an annual community health fair which offers health and dental services for more than 10,000 people. This program also provides vaccinations for school-aged children.
- **Sweden** – Grön IT – Lexmark Sweden participated in the project Grön (Green) IT. This program is a partnership of information technology and telecommunication companies which provide Grön IT solutions. The purpose of the program is to demonstrate that information technology is an environmental technology and using it the right way can have a positive effect on the environment.
- **Asia Pacific** – Cebu, Philippines – Lexmark employees partnered with Gawad Kalinga to build village communities complete with water services and other community development needs. More than 50 percent of Lexmark employees in Cebu donate to the Gawad Kalinga campaign through financial contributions and other volunteer efforts.



CLOSURE

5.0



5.0 CLOSURE

5.1 2009 Commitments

As described in Lexmark's Vision and Values, we take pride in fulfilling our responsibilities, exceeding customer expectations and striving for continuous improvement in everything we do. This commitment to excellence is reflected in the progress we make in the tracking, compilation and reporting of data from year to year. In 2008, we expanded the scope of our corporate sustainability report to include ethics and engagement issues in addition to the environmental issues that were addressed in 2007 and reported using the GRI framework.

Looking forward to 2009 and beyond, we will focus on strengthening our data collection and tracking methods. These efforts will allow Lexmark to provide additional insight regarding the GRI indicators addressed in this report and allow us to report on additional GRI indicators in the future. We intend to continue engaging our stakeholders, including our employees, suppliers, customers, and community.

5.1

5.2 LIST OF ACRONYMS

AIO	All-in-One	N-ABLE	Network Alliance of Black Lexmark Employees
ANDA	Asian Network Diversity Association	NOx	Nitrogen Oxides
CBP	Christian Business Persons	PBB	Polybrominated biphenyls
CEO	Chief Executive Officer	PBDE	Polybrominated diphenyl ether
Coca-Cola	Coca-Cola Enterprises	PC	Photoconductor
CSR	Corporate Social Responsibility	PS&SD	Printing Solutions and Services Division
EICC	Electronics Industry Citizenship Coalition	PVC	Polyvinyl chloride
EMEA	Europe, the Middle East and Africa	REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
EPS	Expanded polystyrene	RoHS	Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment
FRU	Field Replacement Unit	SEC	Securities and Exchange Commission
GALE	Gay/Straight Alliance of Lexmark Employees	SLA	Service level agreement
GRI	Global Reporting Initiative	SMB	Small and medium businesses
HDNG	Hispanic Diversity Network Group	SOHO	Small office/home office
IBM	International Business Machines Corporation	SOx	Sulfur Oxides
ILO	International Labour Organization	STEM	Science, technology, engineering and math
ISD	Imaging Solutions Division	SVHC	Substances of Very High Concern
ISO	International Organization for Standardization	Tonnes	Metric tons
ITI	Information Technology Industry Council	UNGC	United Nations Global Compact
LCA	Life cycle assessment	U.S.	United States
LEED	Leadership in Energy and Environmental Design	U.S. EPA	U.S. Environmental Protection Agency
Lexmark	Lexmark International, Inc.	U.S. DOE	U.S. Department of Energy
MDG	United Nation's Millennium Development Goals	USGBC	U.S. Green Building Council
MEMS	Micro-electro-mechanical system	VOC	Volatile organic compound
MFP	Multifunction products	WE	Women Empowering, Equipping and Encouraging
		WEEE	Waste electrical and electronic equipment

5.3 GRI Indicator Index

Aspect	GRI Ref.	Description	Report Section
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization	1.1
	1.2	Description of key impacts, risks, and opportunities.	1.3
Organizational Profile	2.1	Name of the organization.	1.0
	2.2	Primary brands, products, and/or services.	1.5
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries & joint ventures.	1.5
	2.4	Location of organization's headquarters.	1.5
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	1.0, 1.5
	2.6	Nature of ownership and legal form.	1.5
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	1.5
	2.8	Scale of the reporting organization.	1.0, 1.5
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	1.5
	2.10	Awards received in the reporting period.	2.3
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	1.0
Report Profile	3.2	Date of most recent previous report (if any).	na
	3.3	Reporting cycle (annual, biennial, etc.)	1.0
	3.4	Contact point for questions regarding the report or its contents.	1.0
Report Scope and Boundary	3.5	Process for defining report content.	1.0
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	1.0
	3.7	State any specific limitations on the scope or boundary of the report.	1.0
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	1.0
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	1.0
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	1.0
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	na
GRI Content Index	3.12	Table identifying the location of the Standard Disclosures in the report.	5.3
Assurance	3.13	Policy and current practice with regard to seeking external assurance for the report.	1.0
Governance	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	2.1
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	2.1
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	2.1
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	2.1
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	2.1
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	2.1
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	2.1
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	1.4
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	2.1
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	2.1
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	1.3, 3.2
Commitments to External Initiatives	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	2.2
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	2.1
Stakeholder Engagement	4.14	List of stakeholder groups engaged by the organization.	4.1
	4.15	Basis for identification and selection of stakeholders with whom to engage.	4.1
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	4.1
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	4.1

5.3

GRI Performance Indicators

Economic Performance Indicators		Report Section
Economic Performance		
EC1	Direct economic value generated and distributed, including revenue, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	2.2
EC2	Financial implications and other risks and opportunities for activities due to climate change	1.3
EC3	Coverage of defined benefit plan obligations	2.2
EC4	Significant financial assistance received from government	2.2
Market Presence		
EC5	Range of ratios of entry level wage compared to local minimum wage at significant locations of operation	2.2
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	2.2
Indirect Economic Impact		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	2.2, 4.4
EC9	Understanding and describing significant indirect economic impact, including the extent of impacts	2.2
Environmental Performance Indicators		
Energy		
EN3	Direct energy consumption by primary source	3.8
EN4	Indirect energy consumption by primary source	3.8
EN5	Energy saved due to conservation and efficiency improvements	3.8
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	3.4
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	3.8
Water		
EN8	Total water withdrawal by source	3.9
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas / areas of high biodiversity value	3.13
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas & areas of high biodiversity value	3.13
EN13	Habitats protected or restored	3.13
Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	3.8
EN17	Other relevant indirect greenhouse gas emissions by weight	3.8
EN18	Initiatives to reduce greenhouse gas emission and reductions achieved	3.8
EN19	Emissions of ozone-depleting substances by weight	3.8
EN20	NO, SO and other significant air emissions by type, weight	3.8
EN21	Total water discharge by quality and destination	3.9
EN22	Total weight of waste by type and disposal method	3.10
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the Basel Convention Annex I, II, III, VIII, and percentage of waste shipped internationally	3.10
Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	3.1, 3.2, 3.3, 3.7
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	3.7

5.3

Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	3.12
Overall		
EN30	Total environmental protection expenditures and investments by type	3.13
Social Performance Indicators		
Labor Practices and Decent Work Performance Indicators		
Occupational Health and Safety		
LA7	Rates of injury, lost days	3.11
LA8	Education, training, counseling, prevention programs for employees and families about serious diseases	2.3
Training and Education		
LA11	Continued learning and career development	4.2
Human Rights Performance Indicators		
Freedom of Association and Collective Bargaining		
HR5	Operations which the right of freedom of association may be at risk, actions to support these rights	2.3
Child Labor		
HR6	Incidences of child labor and corrective actions	2.3
Forced and Compulsory Labor		
HR7	Incidences of forced labor and corrective actions	2.3
Society Performance Indicators		
Community		
SO1	Nature, scope, and effectiveness of programs/practices that assess and manage impacts of operations on communities, including entering, operating, and exiting.	2.2, 4.4
Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying.	2.3
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	2.3
Product Responsibility Performance Indicators		
Product and Service Labeling		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	4.3

Self-declaration of GRI G3 Application Level



GRI recommends that all G3 reports include the Application Levels Grid and the relevant Icon, in order to show which particular Application Level is being declared and who has made this assessment. There are three application levels titled A, B, and C, each with the option of recognizing external assurance (“+”) at any level. To qualify for each level, the report must contain each of the criteria that are presented in the GRI G3 Application Levels Grid.



Lexmark’s 2008 Corporate Social Responsibility Report faithfully reported information based on the GRI G3 Guidelines. Upon our assessment of the report content against the criteria in the GRI G3 Application Levels, this Report meets the requirements for Application Level “B” and is GRI Checked.

We declare GRI G3 Application Level “B” for Lexmark’s 2008 Corporate Social Responsibility Report GRI G3 Application Levels.

GRI G3 Application Level Grid

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
G3 Management Approach Disclosures OUTPUT	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.	Report Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Reponsibility.	Report Externally Assured	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	Report Externally Assured

*Sector supplement in final version

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