

Corporate Social Responsibility 2009 Report



LEXMARKTM

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Corporate Social Responsibility 2009 Report



Profile Disclosures



A Letter from Paul Rooke

Over the past two years, Lexmark experienced financial hardships resulting from the global economic downturn. Like so many corporations, we had to make some difficult choices within our business to maintain a strong financial and competitive position. While doing so, we took special care to ensure that Lexmark's commitment to environmental sustainability and corporate social responsibility would not be diminished.

I am proud to report that we have been able to strengthen our commitment to environmental sustainability and corporate social responsibility, as well as the transparency with which we report on our worldwide efforts and impacts, greatly benefiting our customers, employees, stakeholders and global community. Lexmark has introduced a number of product environmental innovations, made significant improvements to our facilities and expanded our community programs. Of note this past year, we began using post-consumer recycled plastics in our cartridges, built our first LEED Gold certified facility in Juárez, Mexico and significantly expanded the reach of the Lexmark Teacher's Institute.

Lexmark's 2009 Corporate Social Responsibility Report highlights these and the many other achievements and advancements we've made over the last year. In this year's report, we also reaffirm our commitment to environmental sustainability and corporate social responsibility and our support of the United Nations Global Compact and the Electronics Industry Code of Conduct. In this Global Reporting Initiative (GRI) guided report, we reported on 100 percent of the GRI environmental, product responsibility and society indicators, reaching a new level of openness and transparency for Lexmark.

I want to thank our employees around the globe for driving creativity and innovation and remaining committed to our environmental and corporate social responsibility programs. It is their unwavering commitment that enabled us to navigate a challenging economic environment and continue to provide outstanding products, solutions and services to our customers.

Sincerely,

Paul Rooke
President and Chief Executive Officer

I am proud to report that we have been able to strengthen our commitment to environmental sustainability and corporate social responsibility ...

Strategy and Analysis

Impacts, Risks and Opportunities

Environmental sustainability trends have led organizations, including Lexmark, to evaluate the potential for regulatory and physical risks to our business and to consider 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 to 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.

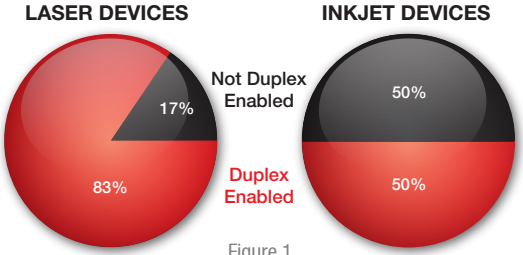
Compliance with these laws and regulations has not had and in the future is not expected to have, a material effect on the capital expenditures, earnings or competitive position of Lexmark. There is no assurance, however, that future changes in environmental laws or regulations, or in the criteria required to obtain or maintain necessary permits, will not have an adverse effect on Lexmark's operations.

Climate Change

Climate change and its potential impacts have led law-makers 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.


Goals and Targets

Customer (Products)			
Impact Area	Objective	Target	2009 Progress
Paper Usage	Reduce customer (personal and business) paper usage	At least 50 percent of products announced in 2009 to be duplex enabled	<p>Lexmark exceeded this goal. In 2009, 76 percent of the Lexmark products announced were duplex enabled.</p>  <p>Figure 1</p>
		100 percent of future products to be tested and shown to reliably feed 30, 50 and 100 percent recycled papers	In 2009, Lexmark testing procedures were strengthened by requiring all Lexmark imaging devices be tested using papers made with 30 percent, 50 percent and 100 percent post consumer recycled content.
Energy	Increase product energy efficiency	Increase product energy efficiency (fleet average) by 25 percent when comparing 2010 product line to 2005 product line	Lexmark has made significant improvements in product energy efficiency as outlined in the product energy efficiency section of this report.
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	During 2009, Lexmark materials engineers completed a multi-year feasibility study on the use of post-consumer recycled plastic in products.
		Increase post-consumer recycled content in supplies	Lexmark implemented the use of post consumer recycled plastic in the manufacture of several components for select new Lexmark branded toner cartridges. Lexmark also successfully implemented a full scale closed loop recycling process on its inkjet cartridges.
Material Conservation	Recover hardware and reduce waste associated with our products	Achieve a 30 percent increase in hardware collection and recycling (2007-2014)	Hardware collection and recycling rates have fluctuated little since 2007. New programs being implemented in 2010 are expected to help increase hardware collection and recycling rates.

Goals and Targets

Operations (Processes)			
Impact Area	Objective	Target	2009 Progress
Climate Change	Reduce greenhouse gas emissions	Reduce greenhouse gas emissions by 20 percent (2005-2017)	Lexmark reduced its total greenhouse gas emissions by 25 percent from 2005 to 2009.
Water	Conserve and reuse water	Reduce water usage 20 percent (2005-2017)	Lexmark achieved a 30 percent reduction in water usage versus baseline year 2005.
		Complete Lexmark's six-point water conservation plan by the end of 2017	Lexmark has addressed all points of this water conservation plan. Please refer to the chart in the water usage section of this report.
Waste	Minimize waste	Achieve a 20 percent reduction in waste generated (2007-2017)	Waste generation in 2008 and 2009 was higher than 2007. This increase was the result of facility consolidation activities that took place in 2008 and 2009.
		Achieve a 25 percent improvement in the amount of waste that our plants currently recycle (2007-2011)	Lexmark increased its waste recycling rate from 63 percent in 2007 to 80 percent in 2009.
		Achieve a 25 percent reduction in the amount of hazardous waste generated per unit of production (2007-2011)	Changes made to Lexmark technology and manufacturing processes since 2007 have made it necessary to reset the baseline for this goal to 2009 and the goal year to 2013.
Energy	Conserve energy (reduce use of fossil fuels)	Achieve a 20 percent reduction in electricity consumption for headquarters, manufacturing and development (2005-2017)	Lexmark's use of electricity decreased by 21 percent from 2005 to 2009.

Goals and Targets

Community			
Impact Area	Objective	Target	2009 Progress
Local Communities	Reduce environmental footprint in local communities	Participate in at least one community environmental program, preferably a watershed protection or reforestation project, per location per year	Lexmark owned or leased manufacturing and research and development facilities participated in environmental outreach activities in 2009.
Employee Engagement	Involve all employees in sustainability projects	Educate 100 percent of employees on relevant aspects of CSR through department meetings, internal articles, online training modules, share sessions or other media by the end of 2009	All employees have been educated on relevant aspects of CSR.
	Increase participation in community volunteer efforts	Increase U.S. volunteer hours (average hours per employee) by 25 percent (2007-2010)	Lexmark achieved a 27.4 percent increase in U.S. volunteer hours from 2007 to 2009. Figure 2 
	Engagement Survey	Increase the employee engagement index favorable response from 65 to 69 percent before the next survey (2010)	Progress will be reported on this goal after the next employment engagement survey.

Corporate Accountability			
Impact Area	Objective	Target	2009 Progress
Suppliers	Supplier ISO 14001 Certification	100 Percent of Tier 1 Suppliers to be ISO 14001 certified by the end of 2009	100 percent of Tier 1 suppliers were ISO 14001 certified by the end of 2009.
	Carbon Disclosure Project	Lexmark participation in the Carbon Disclosure Project, including Supply Chain Leadership Collaboration	Lexmark continues to participate in the Carbon Disclosure Project and 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	Lexmark implemented the Green Award program in 2009.

Organizational Profile

Lemark 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, solutions, software 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. In 2009, Lexmark was listed on the Fortune 1000.



FTSE4Good

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, U.S. 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 three divisional lines: the Printing Solutions and Services Division (PS&SD), the Imaging Solutions Division (ISD), and Perceptive Software, a stand-alone software business within Lexmark.

Our corporate headquarters and principal development facilities are located on a 374-acre campus in Lexington, Kentucky. As of December 31, 2009, we owned or leased 7.4 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 U.S., and the other half is located in other countries around the globe. Lexmark employs 12,000 employees worldwide, with about 3,400 staff in the U.S. and the remaining 8,500 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, Kentucky; Boulder, Colorado; Cebu City, Philippines; and Kolkata, India. Lexmark operates manufacturing control centers in Lexington, Kentucky; 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, Colorado.

Our toner and photoconductor drum manufacturing operations are located in Boulder, Colorado, and our developer roll manufacturing operations are located in Juárez, Mexico. Lexmark continues to make significant capital investments in its Juárez, Mexico, operation to expand cartridge assembly and selected key component manufacturing capabilities. The manufacturing control center for laser printer supplies is located in Geneva, Switzerland. Lexmark's manufacturing operations for inkjet printer supplies are located in Juárez, Mexico, and Lapu-Lapu City, Philippines, and the manufacturing control center for inkjet supplies is located in Geneva, Switzerland.

In 2009, Lexmark reported \$3.9 billion in revenue, with about half coming from international sales. Revenue derived from international sales, including exports from the U.S., accounts for 57 percent of the consolidated revenue, with Europe accounting for about two-thirds of international sales. Lexmark's products are sold in more than 170 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 2009, 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



Lexington



Geneva



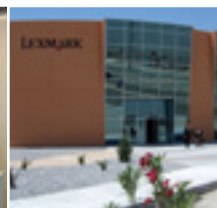
Lapu-Lapu City



Cebu City



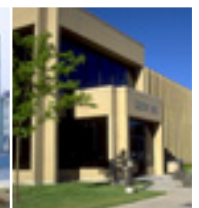
Shenzhen



Juárez



Kolkata



Boulder

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 Form 10-K and on our Investor Relations Web site at investor.lexmark.com.

Lexmark’s strategy is based on a business model of investing in technology to develop and sell printing solutions, including printers, multifunction products and solution software, with the objective of growing its installed base, which drives recurring supplies sales. Supplies are the profit engine of the business model. Supplies profit then funds new technology investments in products and solutions, which drive the cycle again and again. The Company’s management believes that Lexmark has the following strengths related to this business model:

- First, Lexmark is exclusively focused on delivering distributed printing and imaging, and related document solutions and services. The Company’s management believes that this focus has enabled Lexmark to be responsive and flexible in meeting specific business customer and channel partner needs.
- Second, Lexmark internally develops three of the key print technologies associated with distributed printing, including inkjet, monochrome laser and color laser. The Company’s monochrome laser technology platform has historically allowed it to be a price/performance leader in enterprise network printer-based products and also build unique capabilities into its products that enable it to offer customized printing and document workflow solutions. Lexmark’s focus is to advance its inkjet technology, products and solutions to address higher usage customers.
- Third, Lexmark has leveraged its technological capabilities and its commitment to flexibility and responsiveness to build strong relationships with large-account customers and channel partners, including major retail chains, distributors, direct-response catalogers and value-added resellers.

Lexmark’s path-to-market includes industry-focused consultative sales and services teams that deliver unique and differentiated solutions to both large accounts and channel partners that sell into the Company’s target industries.

Lexmark is focused on driving long-term performance by strategically investing in technology, products and solutions to secure high value product installations and capture profitable supplies and service annuities in document and print intensive segments of the distributed printing market.

PS&SD is primarily focused on capturing profitable supplies and service annuities generated from workgroup monochrome and color laser printers and laser MFPs. The key strategic initiatives of PS&SD are:

- Expand and strengthen the Company’s product line of workgroup, color laser and laser MFP devices;
- Advance and strengthen the Company’s industry solutions and workflow capabilities to maintain and grow the Company’s penetration in selected industries;
- Advance and grow the Company’s managed print services business;
- Expand the Company’s rate of participation in opportunities;

Lexmark’s PS&SD strategy requires that it provide its array of high-quality, technologically-advanced products and solutions at competitive prices. Lexmark continually enhances its products to ensure that they function efficiently in increasingly-complex enterprise network environments. It also provides flexible tools to enable network administrators to improve productivity. Lexmark’s PS&SD target markets include large corporations, small and medium businesses (SMBs) and the public sector. Lexmark’s PS&SD strategy also requires that it continually identify and focus on industry-specific print and document process- related issues so that it can differentiate itself by offering unique industry solutions and related services. With the introduction of new laser products that began in the fall of 2008 and continued through the end of 2009, the Company has announced products that represent the most extensive series of laser product introductions in the Company’s history. The new product introductions have significantly strengthened the breadth and depth of the Company’s workgroup laser line, color laser line and laser MFPs.

The ISD strategy is to build a profitable, growing and sustainable inkjet business derived from a more productive and higher page generating installed base of products and solutions that serve Small Office / Home Office (SOHO) and business users. The ISD strategy is focused on growth in the higher page generating inkjet and laser products sold to SOHO and businesses through both retail and non-retail channels and original



Lexmark X656 MFP



Lexmark Platinum P905

equipment manufacturer (OEM) partner arrangements. The ISD strategy shift that began in 2007 continues to aggressively shift its focus to geographic regions, product segments and customers that generate higher page usage. The strategy shift and related initiatives have yielded the following for the Company's ISD segment since 2007:

- The introduction of new products such as Lexmark's Professional Series, as well as the introduction in September 2009 of inkjet all-in-ones (AIOs), including new Web-connected touch screen AIOs, targeted for small and medium businesses;
- An increasing number of industry recognition and awards for its inkjet products; and
- An improvement in the Company's retail presence in U.S. Office Super Stores.

Lexmark's ISD goal is to create printing products and innovative solutions that make it easier for SOHO and business users to improve their productivity.

Perceptive Software, a stand-alone software business within Lexmark, is a leading developer of enterprise content management (ECM) software. The company's ECM solutions integrate seamlessly with virtually any business



application, allowing customers to capture and process important content, instantly access the information when and where they need it and protect the data throughout its lifecycle. By combining proven technologies with industry expertise and best practices, the company creates specialized sector solutions – such as higher education and healthcare, and departmental solutions like accounts payable and human resources – that are helping more than 2,500 organizations manage vital content and information, and fuel greater operational efficiency.

Over the last several years, the Company continues to invest in product and solution development as well as solution sales. This investment has led to new products and solutions aimed at targeted growth segments as well as a pipeline of future products.

During 2007 and 2008, the Company increased its level of research and development expenditures to more significantly broaden its product offerings and advance core technologies associated with its markets. As many of these initial investment projects were completed and as part of a corporate effort to improve productivity and efficiency of our research and development investment, the Company reduced its expenditures in 2009. Research and development expenditures were \$375 million in 2009, \$423 million in 2008 and \$404 million in 2007.

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, 2009, 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 an annual CSR Report going forward.

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, 2009, Lexmark has not issued any restatements of information provided in previous sustainability related disclosures.

This Report is a Self-Declared "B"

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	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: social, economic and environment.	Report Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.	Report Externally Assured	Respond 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

Report Assurance

Lexmark has 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.

Governance and Engagement

Corporate Governance

Lexmark is governed by its Board of Directors (Board) that consists of twelve members. Paul Curlander is Chairman of the Board and Executive Chairman. Paul Rooke is President and Chief Executive Officer and is also a member of the Board. 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 Corporate Governance 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 2009. Additional details concerning the Executive Committee composition and focus areas are available on our Corporate Governance 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 and Mr. Rooke, 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 csr@lexmark.com or by writing to Corporate Communications at Lexmark International, Inc., 740 West New Circle Road, Lexington, Kentucky, United States 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, Association Connecting Electronics Industries, Bundesverband Informationswirtschaft Telekommunikation (BITKOM) and Deutsches Institut für Normung (DIN).



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.

Ethical Business Practices

At Lexmark, we believe that ethical behavior is critical to Lexmark's vision, "Customers For Life." All Lexmark business units are regularly analyzed for risks related to corruption. Lexmark has designed and adopted employee and supplier codes of conduct that help to mitigate these risks. Formal risk assessment focused on corruption is included in Lexmark's audit plan. The audit plan is reviewed and approved by the Finance and Audit Committee of Lexmark's Board of Directors on an annual basis.

All business units and any legal entity owned by Lexmark are subject to formal risk assessment. Audits are conducted annually by an outside entity to ensure compliance with all compliance.

All Lexmark employees are expected to adhere to the policies set forth in the Business Code of Conduct. Lexmark's Code of Business Conduct addresses a variety of business ethics issues including anti-corruption and bribery policies.

All Lexmark regular (both full-time and part-time) employees are required to annually review and certify understanding of Lexmark's Code of Conduct. The Code of Conduct covers the following topics: Personal conduct, conflicts of interest, accounting records, internal controls and audits, complying with laws and regulations, supplier relationships, customer relationships, information concerning others and corporate social responsibility.

All employees are required to verify compliance on an annual basis. In 2009, 100 percent of Lexmark regular employees worldwide (including managers and non-management employees) reviewed the Code of Conduct and verified the receipt and understanding of the code.

The status of this annual review process is tracked by the Human Resources department on a annual 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.

Lexmark has established programs, policies and procedures that ensure the effective implementation of Lexmark's Code of Business Conduct.

- **Education Program:** All Lexmark employees are required to reaffirm their understanding of the Business Code of Conduct through an annual online training module.
- **Gift and Gratuity Policy:** Lexmark's gift and gratuity policy states that no Lexmark employee or member of his or her family may accept a gift or gratuity from a supplier or prospective supplier unless it is of nominal value (no more than \$25USD). Cash gifts of any kind are prohibited.
- **Ethics Hotline:** Lexmark's Ethics Line is a 24-hour, international toll-free telephone line established to assist Lexmark employees with questions about Lexmark's Code of Business Conduct or concerns that something improper has occurred or may be occurring. A third-party provider operates the Ethics Line. The third-party providers of the telephone lines are prohibited from providing a caller's identity to Lexmark without the caller's permission. Calls are reported to Lexmark for investigation and review by Lexmark senior management.

- **Contact Line for the Finance and Audit Committee of the Board of Directors:** Lexmark's Contact Line for the Finance and Audit Committee of the Board of Directors (Contact Line) is a 24-hour, international toll-free telephone line that allows employees to anonymously raise concerns such as questionable accounting or auditing matters or possible unethical or illegal conduct to Lexmark's finance and audit committee of the board of directors. A third-party provider operates the Contact Line. The third-party providers of the telephone lines are prohibited from providing a caller's identity to Lexmark without the caller's permission. Call information is forwarded to the finance and audit committee for review and further investigation.
- **Enforcement Policy:** Any officer, director, employee, agent or stockholder acting on behalf of Lexmark who violates the code may be subject to substantial fines and/or imprisonment, in addition to any Lexmark disciplinary action including termination.
- **Transparency:** Lexmark publicly reports on breaches of the Business Code of Conduct that impact investors.

Lexmark and our suppliers also adhere to the Electronics Industry Code of Conduct, an industry specific code of conduct which addresses a variety of ethical issues including corruption, bribery, transparency, intellectual property, fair business practices, and whistleblower protection.

Allegations of employee corruption/fraud are thoroughly investigated by the appropriate business unit, in collaboration with Human Resources, Internal Audit and Legal. Results of such investigations determine appropriate disciplinary action and whether the incident requires investigation by outside agencies and formal charges.

All such incidents are reported to the Ethics Committee and to the Finance and Audit Committee of Lexmark's Board of Directors.

Since Lexmark's inception in 1991, Lexmark has had no reportable incidences of corrupt behavior and has not been a defendant in any legal cases regarding corrupt behavior.

Anti-Competitive Behavior

Lexmark supports efforts to preserve and foster fair and honest competition within a competitive market system. We take care to ensure that our business practices do not violate competition laws (also known as antitrust, monopoly, fair trade or cartel laws) which prohibit business practices that unreasonably restrict the functioning of the competitive system.

Since its establishment in 1991, Lexmark has never been found to have violated the competition laws in any country.

In 2003, the Arizona Cartridge Remanufacturers Association Inc. (ACRA) challenged Lexmark's Cartridge Return Program, a program in which Lexmark offers customers discounts on new cartridges in return for their agreement to return the used cartridges only to Lexmark for remanufacturing or recycling. Lexmark uses the cartridges in its remanufacturing business. In order to facilitate competition and customer choice, Lexmark has always offered cartridges without a discount that may be remanufactured by anyone.

In 2005, the Ninth Circuit Court of Appeals ruled in Lexmark's favor, reaffirming the legality of this program.

Monetary Fines

As a result of Lexmark's commitment to ethical business practices, Lexmark not been subject to any significant fines or non-monetary sanctions for non-compliance with laws and regulations related to accounting fraud, workplace discrimination, or corruption since its inception in 1991.

Corporate Social Responsibility 2009 Report



Environment, Health and Safety

Lexmark supports its communities with the environment and employee health and safety 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 to contribute to a high quality of life in the communities where we live and work.

Lexmark dedicates significant financial resources to environmental protection and employee health and safety. These funds support employee engagement and education activities, facility upgrades, waste management programs, customer recycling programs, the development of environmentally beneficial solutions and our environmental, health and safety management system.

Corporate Environmental, Health and Safety

All employees are required to know the environmental, health and safety impacts of their job. Employees are trained on the corporate environmental, health and safety policy and job-specific environmental, health and safety issues during new employee training and during annual refresher courses. Training records are managed by site environmental, health and safety personnel who confirm that employees maintain the level of training laid out in their job descriptions.

Lexmark conducts its business in a manner that supports environmental justice. Lexmark's environmental justice efforts are guided by the principles of the United Nations Global Compact and the Electronics Industry Code of Conduct (EICC). This commitment is reflected in our corporate environmental health and safety policy, which states:

Corporate Environmental, Health and Safety Policy

Lexmark is committed to excellence in all our business activities, products and services. The company, through a commitment to continual improvement in our environmental and in our health and safety programs, strives to:

- Be an environmentally responsible provider of high-quality products and services
- Be a good environmental steward, preserving and protecting our natural resources and practicing pollution prevention
- Be a responsible neighbor and employer, committed to compliance with relevant environmental, safety and health regulations, laws and other criteria to which Lexmark subscribes.

Lexmark senior management is responsible for this policy and its scope, for communicating it and ensuring its implementation. Lexmark managers are responsible for integrating these core values and objectives into their decision-making processes and operational practices. All employees are expected to conduct themselves in a manner consistent with this policy.



Paul Rooke
President and Chief Executive Officer

Operational Environmental, Health and Safety

Environmental, Health and Safety Management Systems

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. Lexmark owned and leased manufacturing facilities in Boulder, Colorado, Cebu, Philippines, and Juárez, Mexico, have received ISO 14001 and OHSAS 18001 certifications. Lexmark's Lexington, Kentucky, facility in the U.S. also holds ISO 14001 and OHSAS 18001 certifications.

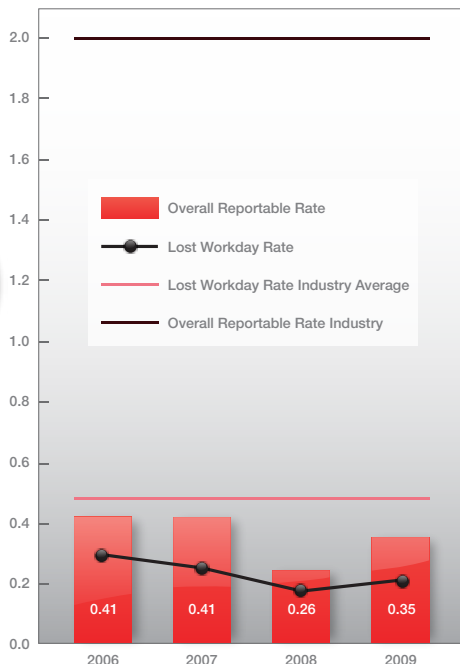
Each Lexmark facility sets site-specific goals for continually improving its performance within these two important management systems. Environmental goals may include reducing energy usage, improving water conservation or generating less waste, while health and safety goals may focus on ways to proactively 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 2009 injury rate worldwide was lower than the U.S. average for companies in similar industries. In addition, by always putting safety first, last year our lost workday rate worldwide was also lower than the industry average.

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 engaged in driving the objectives of our health and safety management systems. For example, some of our employees participate in management/worker committees to monitor health and safety practices.

Figure 3



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, internal 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.

Lexmark received no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations in 2006, 2007 and 2009. In 2008, Lexmark received a \$1,500 fine for administrative environmental non-compliance.

Resource Conservation at Lexmark

Lexmark has made a commitment to reduce the consumption of natural resources at Lexmark owned and leased manufacturing facilities, research and development facilities and office spaces worldwide. Lexmark tracks greenhouse gas emissions as well as usage of natural gas, fuel oil, diesel, gasoline and electricity using the Greenhouse Gas Protocol methodology. Lexmark also monitors and aims to reduce water usage and waste generation at our worldwide facilities. Lexmark has established the following corporate goals to guide our resource conservation efforts:

- Reduce greenhouse gas emissions by 20 percent (2005-2017)
- Reduce water usage 20 percent (2005-2017)
- Complete Lexmark's six-point water conservation plan by the end of 2017
- 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)
- Achieve a 20 percent reduction in electricity consumption for headquarters, manufacturing and development (2005-2017)

Energy Conservation at Lexmark Facilities

Total Energy Usage

Lexmark's corporate headquarters has been the subject of multi-year energy conservation projects including Heating, Ventilating and Air Conditioning (HVAC) system upgrades and a facility size reduction of 44,026^m². This site has also been the subject of an extensive employee education campaign that encouraged employees to use more energy efficient practices to meet their needs. The energy conservation and education projects completed between 2007 and 2009 have resulted in an electricity usage reduction of 18 percent at headquarters for this time period.

Similar energy conservation projects have taken place at the Lexmark facilities in the Philippines, including the installation of high-efficiency chillers.

Figure 4 shows Lexmark's total annual energy consumption. By the end of 2009, Lexmark reduced its total annual energy consumption by 17 percent compared to baseline year 2007. In 2009 alone, Lexmark reduced its annual energy consumption by 16 percent compared to 2008. While most of this savings must be attributed to reductions in production, a portion is attributable to Lexmark's ongoing efforts to improve the efficiency of operations at our facilities worldwide.

Direct Energy Usage

Lexmark operations make use of several direct energy sources in its operations, specifically natural gas, fuel oil, diesel and gasoline. These non-renewable energy sources are purchased from local vendors then used to generate steam, power backup generators and fuel vehicles at Lexmark facilities. Lexmark does not currently use direct renewable energy sources such as biofuels, ethanol or hydrogen. Lexmark does not produce renewable or non-renewable primary energy sources for internal use or for external markets.

Lexmark's direct energy consumption decreased by 10 percent between 2007 and 2009, as shown in Figure 5.

Indirect Energy Usage

Lexmark operations make use of only one indirect energy source: electricity. The electricity used at Lexmark facilities is primarily purchased from local energy providers and pulled from the local grid. The electricity

supplied by local power companies is generated using a variety of non-renewable and renewable primary energy sources including coal, nuclear energy, solar power, wind power, geothermal energy and hydro energy.

Figure 6 shows Lexmark's total indirect energy (electricity) consumption for the years 2005 through 2009. Lexmark's use of indirect energy decreased by 21 percent from 2005 to 2009. This decrease is a result of more energy efficient operations, reductions in facility space and reductions in production. While this reduction exceeds Lexmark's goal for reduction of electricity consumption, Lexmark will not declare this goal "achieved" until we are confident that these reductions are sustainable in the long term.

Figure 4

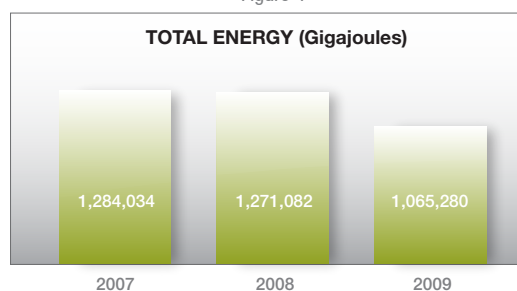


Figure 5

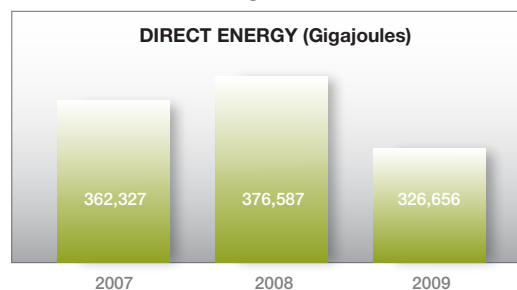
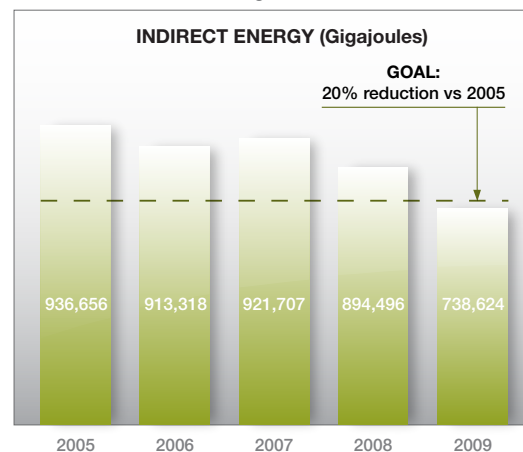


Figure 6



Travel Related Energy Consumption

Lexmark's efforts to reduce energy consumption expand beyond the walls of our facilities. From time to time, business needs require that some Lexmark employees travel for face-to-face meetings with customers, partners and coworkers, many of whom are separated by significant distances.

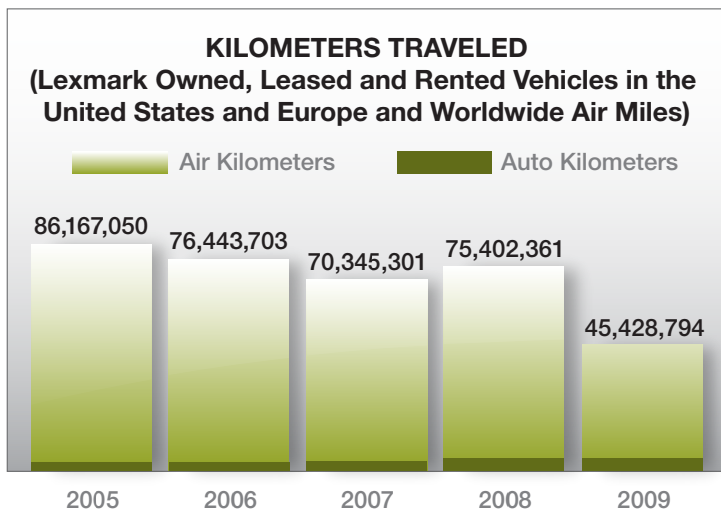
Lexmark encourages the use of lower-impact real-time alternatives, such as conference calls, web based meetings and videoconferencing. Integrating high-tech solutions not only saves energy, but also increases the frequency and quality of our communications.

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.

Lexmark, in collaboration with our vehicle provider, tracks miles traveled using Lexmark owned, leased and rented vehicles in the U.S. and Europe. Lexmark, in collaboration with our travel agency, tracks air travel worldwide. Distance travel has decreased by 47 percent since 2005.

While Lexmark does not track distance related to our employee's daily commute, we do have work at home programs in place that are aimed at reducing the environmental impact of commuting and improving work-life balance for our employees. For example, the Lexmark Competence Center in Budapest, Hungary, offers employees options for environmentally preferential commuting. The facility has bike racks and showers for employees who bike to work and offers those who prefer public transportation discounted monthly or yearly passes.

Figure 7



Reducing Greenhouse Gas Emissions

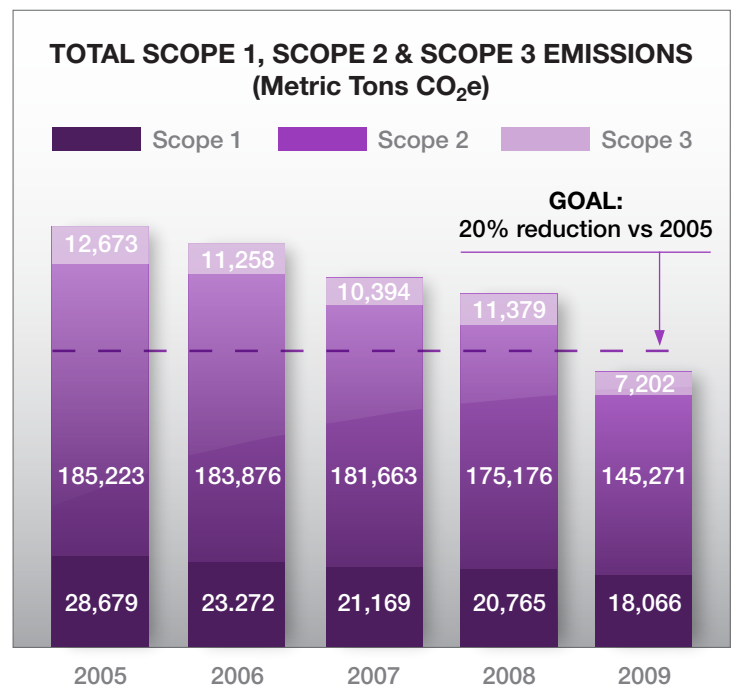
Lexmark's energy reductions have been largely inspired by the company's desire to reduce greenhouse gas emissions. Cutting energy use is one of the most effective ways to reduce greenhouse gas emissions, a major contributor to climate change.

Lexmark publicly reports greenhouse gas emissions related to the use of direct and indirect energy through the Carbon Disclosure Project. Lexmark calculations of greenhouse gas emissions are based on the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol (GHG Protocol).

The aforementioned efforts to reduce Lexmark's use of direct and indirect energy and travel translate directly into reductions in greenhouse gas emissions. Figure 8 shows Lexmark's Scope 1 (Direct), Scope 2 (Indirect) and Scope 3 (other) greenhouse gas emissions for the years 2005 through 2009 in metric tons of CO₂ equivalents. In this year's reporting, Lexmark has added the impact of owned and leased vehicles to Scope 3 emissions figures for 2005 and 2006.

Lexmark reduced its total greenhouse gas emissions by 25 percent from 2005 to 2009. While this reduction exceeds Lexmark's voluntary goal for reduction of greenhouse gas emissions, Lexmark will not declare this goal "achieved" until we are confident that these reductions are sustainable in the long term.

Figure 8



Lexmark's Commitment to Water Conservation and Protection

Water Usage

The manufacturing and research and development operations that take place at Lexmark owned and leased facilities have a substantial impact on Lexmark's water consumption, varying with product demand, which is typically relatively stable. The use of water for sanitary and other purposes (restrooms, food preparation and general cleaning) plays a smaller role.

Lexmark water usage is equally driven by the need to control temperature. As external temperatures rise, Lexmark must use more water in our HVAC systems to cool our facilities.

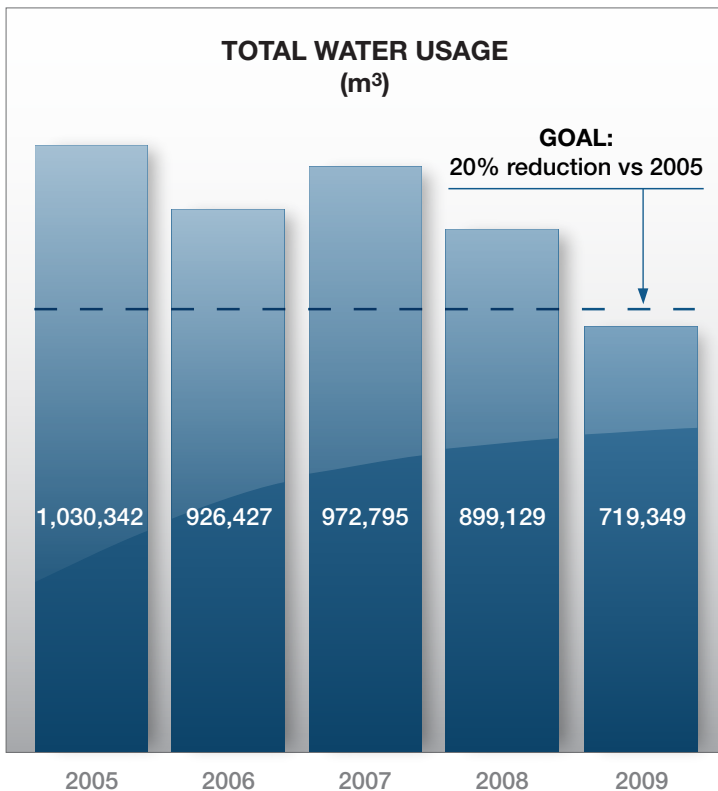
Weather variability presents a special challenge for Lexmark. Lexmark has made a commitment to reduce water usage 20 percent between 2005 and 2017. Lexmark cannot control the underlying primary variable in its cooling driven water usage – external temperature. We must therefore aggressively monitor, control and reduce water usage where opportunities exist.

Lexmark has undertaken numerous initiatives at facilities worldwide to reduce consumption of water including installing more efficient HVAC systems and improving the efficiency of existing HVAC systems, installing low-flow plumbing fixtures, desert-scaping (sometimes referred to as xeriscaping) and reusing process water in manufacturing facilities.

Lexmark total water usage (as purchased from local utility providers) is shown in Figure 9. Lexmark has achieved a 30 percent reduction in water usage versus baseline year 2005. This well exceeds our goal of reducing water usage by 20 percent by 2017.

Some of the reduction in water usage can be attributed to the reuse of water. Lexmark reuses water in our manufacturing facility in Lapu-Lapu City, Philippines and in Boulder, Colorado. Lexmark's facility in Lapu-Lapu City, Philippines, collects used water and condensate from the air conditioning system in a non-potable water cistern. This water is later used for flushing toilets and irrigation. Reuse also takes place in Boulder, Colorado. This facility collected and reused 90,994 m³ of water in 2009, 14 percent of Boulder's total water usage for the year.

Figure 9



The unpredictability of temperatures and fluctuations in production will result in positive and negative fluctuations in water usage. To mitigate this, Lexmark implemented a six-point water conservation plan in 2009. This plan will help Lexmark achieve more significant, controllable and sustained reductions in water usage going forward.

Lexmark's Six Point Water Conservation Plan

Point	Goal	Projects	2009 Progress
1	Reduce Consumption (Intentional use of water)	Install low-flow plumbing fixtures in all new construction and replace outdated plumbing fixtures with low-flow plumbing fixtures during remodels / repairs	Construction of the Lexmark Cartridge Collection Program (LCCP) building in Juárez, Mexico, was completed. Water efficiency was a primary goal for the design of this facility which features low-flow fixtures and faucets and desert landscaping. These designs result in a savings of approximately 160,000 gallons of water per year.
2		Upgrade water consuming facilities equipment to improve water usage efficiency	Some deionized water loops in Lexington, Kentucky, were shut down to reduce water consumption. Other changes were made to reduce the need for flushing and sanitizing of the larger deionized water system. Building square footage reductions and targeted improvements in building controls have also driven lower cooling tower water usage.
3	Reduce Losses (Accidental use of water)	Reduce losses due to leaks from main pipes	Lexmark removed aged high pressure fire pumps, end-of-life water tanks and fire hydrants and installed new backup fire main piping from a secondary city water supply main. The environmental benefits of this \$1.1M project include reducing water leakage in underground fire mains and from aged hydrants.
4		Reduce losses due to plumbing leaks	
5	Education	Complete at least one employee education communication on water conservation per geography per year	Lexmark has educated employees about water conservation as appropriate to their jobs using Lexmark's internal website and signage posted throughout facilities.
6		Designated employee at each facility to keep abreast of new water conservation opportunities and technology	Lexmark personnel at each manufacturing facility have been assigned this responsibility.



Water Withdraws and Discharges

Understanding where our water comes from and where it goes is of great importance to Lexmark. We understand that access to clean, abundant and affordable water is issue of environmental justice. We understand that our commitment to responsible use of our water resources and protection of local watersheds helps to ensure that our neighbors have access to clean, abundant and affordable water.

Most Lexmark facilities withdraw water exclusively from municipal water supplies and other water utilities (Figure A).

The Lexmark manufacturing facility in Lapu-Lapu City, Philippines, has a rainwater collection system. Water collected in this system is utilized in non-potable water applications including irrigation.

Waste water from Lexmark operations is primarily discharged to the local utility system for treatment. Lexmark does discharge some water directly to nearby bodies of water in accordance with local laws and regulations. These discharges have had positive impacts. For example, Lexmark occasionally discharges environmentally neutral water to the Cane Run Creek that flows through Lexmark's property in Lexington, Kentucky. The wildlife that depends on the Cane Run Creek, an impaired surface stream creek that is particularly vulnerable in times of drought, benefits from the occasional addition of water that allows fish, birds and other wildlife to survive during times when the water level in the creek would otherwise be detrimentally low.

Lexmark experienced two unplanned water discharges at the Lexington, Kentucky facility in 2009. The first discharge resulted from a fire suppression system water main break. The second

resulted from a chilled water supply line leak. In both instances, the water lines were repaired to prevent future unplanned discharges.

Annual water discharges are assumed to be equivalent to total water consumption as shown in Figure 9 on page 20. All water discharges, whether they are planned or unplanned, destined for the local utility or nearby bodies of water, are closely monitored by site facilities and environmental teams who test for water quality.

In an effort to prevent negative impacts on the environment, Lexmark has established site specific pollution prevention plans that encompass compliance with applicable environmental regulations, outline Lexmark's proactive pollution prevention efforts and specifically address spill prevention, hazardous waste management, recycling and water quality.

These plans cover multiple pollution routes including discharges to ground, air and water. These plans cover all Lexmark owned manufacturing and research and development facilities worldwide.

Lexmark reported no significant spills in our 2009 financial statement (Figure B). In an effort to continually improve our processes, Lexmark records and investigates all spills, regardless of size or impact, as directed by site ISO 14001 and OHSAS 18001 and corrective and preventative action programs. Lexmark experienced four minor spills in 2009. These spills were quickly contained and cleaned and did not negatively impact the local environment.

Figure A

Lexmark Facility	Utility Provider	Original Source(s) of Water
Lexington, Kentucky, United States (Headquarters)	Kentucky American Water	Kentucky River, Jacobson Reservoir and Lake Ellerslie
Boulder, Colorado, United States (Manufacturing)	City of Boulder Utilities Division	Barker Reservoir, Lakewood Reservoir, Boulder Reservoir and Carter Lake via the Boulder Feeder Canal
Juárez, Chihuahua, México (Manufacturing)	Junta Municipal de Agua Saneamiento de Juárez	Hueco Bolson (underground aquifer)
Cebu, Philippines (Research and Development) / Lapu-Lapu City, Philippines (Manufacturing)	Metropolitan Cebu Water District (MCWD)	The Buhisan Dam and 113 deep wells and the diversion weir in Barangay Jaclupan, Talisay City

Figure B

	Number of Spills	Volume of Spill
Boulder	1	8 liters
Lexington	2	135 liters
Juárez	1	454 liters

Land and Biodiversity

Lexmark owns or leases facilities used for manufacturing or research and development in the United States, Mexico and the Philippines. Though Lexmark does not operate in areas that are known to be protected or home to IUCN Red List species and has no future plans to operate in these areas, we take care to ensure that all operations do no harm to the local environment.

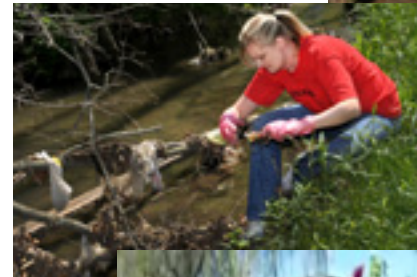
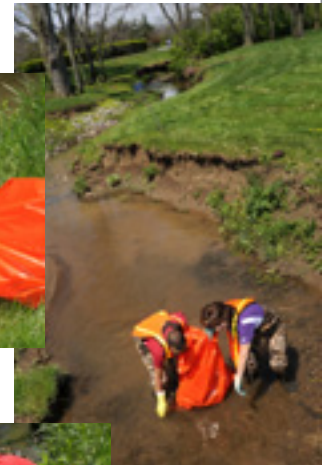
Lexmark is particularly sensitive to the need for care with operations in the Philippines. Many organizations recognize the entire country as an area of high biodiversity. Lexmark owns two facilities in the Philippines. The Lexmark Research and Development Corporation (LRDC) located in Cebu, Philippines, is a 30,817 m² research and development operation. Lexmark International Philippines, Inc. (LIPI), located in Lapu-Lapu City, Philippines, is a 33,817 m² manufacturing facility. Lexmark employees in the Philippines work diligently to restore nearby habitats, focusing on reforestation and watershed protection. In 2009, Lexmark employees in Cebu, Philippines, continued their efforts with the Buhisan Watershed Project, a habitat protection and rehabilitation program that was kicked off in 2008. Lexmark's effort to participate in the Save the Buhisan Watershed activity with the help of Philippine Business for Social Progress (PBSP), a non-government organization, helps to ensure safe drinking water supply for Cebu and promotes diversity by planting indigenous trees. In 2009, Lexmark participated in the reforestation of 2-hectares of the protected zone. Lexmark employees in the Philippines have also sponsored annual mangrove reforestation activities since 2002.

Similar reforestation and watershed protection activities have taken place at headquarters in Lexington, Kentucky. Since 1999, Lexmark has co-sponsored "Reforest the Bluegrass." This annual event enhances Lexington's urban forests and improves storm water management in the Lexington area. Over the years, our employees have volunteered and contributed to the planting of more than 200,000 tree seedlings. In addition to this community event, in 2009:

- 2,000 trees were planted on Lexmark's property in Lexington, Kentucky
- Lexington employees participated in the annual Cane Run Creek cleanup
- A rain garden was built on Lexmark property



Cleaning up the Cane Run Creek



click to play >



Philippines reforestation and watershed protection projects



Lexmark/Coca-Cola Enterprises rain garden

Air Emissions

Lexmark is committed to the Montreal Protocol, an international treaty aimed at reducing the use of ozone depleting chemicals. Lexmark prohibits the use of ozone depleting chemicals in the manufacture and development

2009 Headquarters Air Emissions (Unit: Tons per Year)	
NOx	9.097
SO2	1.558
Persistent organic pollutants (POP)	0
Volatile Organic Compounds (VOC)	1.471
Stack and fugitive emissions	0
Particulates	0.796

of Lexmark products. Lexmark does use some ozone depleting chemicals, refrigerants, in the HVAC systems that cool our facilities. Lexmark cannot eliminate the use of refrigerants at this time, as HVAC systems require the direct or indirect use of refrigerants. In 2009, Lexmark facilities in the U.S. purchased less than 200 pounds of refrigerants. Lexmark does take steps to minimize usage of refrigerants. Lexmark monitors HVAC systems for leaks using stand alone system sensors. Lexmark also chooses to purchase chillers that use environmentally preferable refrigerants. For example, in 2008, Lexmark installed chillers that use refrigerant R-134a, an HFC refrigerant, replacing previous chillers using R-11, a CFC refrigerant. (CFC refrigerants have the highest Ozone Depletion Potential (ODP). The refrigerant used in the new chiller has an ODP of zero.) As an added benefit, these new chillers have variable frequency drives, enabling less electrical demand at part load than previous chillers without frequency drives.

Waste Management

Lexmark is committed to disposing of waste generated by our facilities in a responsible manner.

Lexmark's waste generation and disposal figures over the past several years are indicative of the level of progress Lexmark has made towards our waste reduction goals. In 2007, Lexmark established three long term waste for the corporation. These goals are as follows:

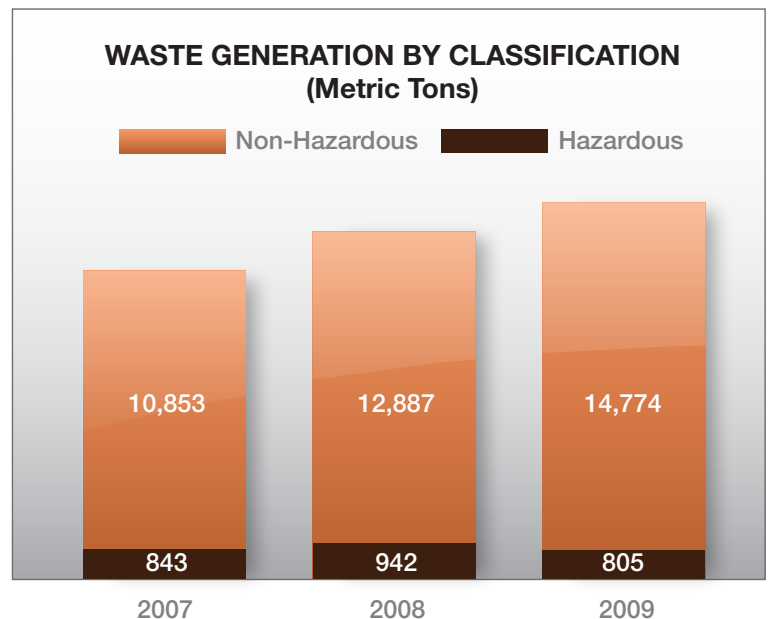
- Achieve a 20 percent reduction in waste generated (2007-2017)
- Achieve a 25 percent improvement in the amount of waste that our plants currently recycle (2007-2011)
- Achieve a 25 percent reduction in the amount of hazardous waste generated per unit of production (2007-2017)

While there is still much work to do, Lexmark has made significant progress toward achievement of these goals.

Waste Generation

Lexmark generated a total of 15,579 metric tons of waste in 2009, an increase compared to previous years. Waste generation in 2008 and 2009 was higher than 2007 as a result of waste generated during the demolition of several buildings in Lexington, Kentucky, and the closing of a facility in Juárez, Mexico. While waste was generated from these efforts and Lexmark did not make progress towards its goal of reducing waste generated by

Figure 10



20 percent from 2007 through 2017 during this reporting period, the net benefit is positive due to the long term reduction in natural resource consumption that would have been required to maintain the facilities.

Hazardous waste accounts for approximately five percent of Lexmark's total waste. Hazardous waste that is generated in Lexmark's research and development and manufacturing facilities is managed by external companies that specialize in the management of hazardous waste.

Waste Recycling

Disposal methods for waste are determined through the collaborative efforts of Lexmark and its waste management partners. Working together, we have identified new opportunities for recycling waste, reducing our usage of incineration and landfill and increasing usage of waste-to-energy recovery where other recycling options are unavailable.

Since 2007, Lexmark has increased its waste recycling rate from 63 percent to 80 percent. Lexmark is well on its way to achieving its goal of 25 percent improvement in the amount of waste that our plants currently recycle from 2007 to 2011.

Electronic Waste Recycling

Lexmark offers customers environmentally sound disposal choices for disposal of their end-of-life products. Electronic waste, including printers that have reached the end of their usable life, should be recycled by specialized firms whose processes ensures data stored on those devices will not be compromised and are committed to recycling those devices in an environmentally and socially responsible manner.

Lexmark has partnered with recyclers who offer a broad range of services and processing capabilities, have a proven record of compliance with government mandated criteria for recycling facilities and are certified to the ISO 14001 environmental management system standard. Our recycling partners are audited regularly to ensure that they continue to maintain the high level of service and regulatory compliance that we expect of our recycling partners.

Lexmark's primary recycling partner, Sims Recycling Solutions, is the world's largest electronics recycler. Sims Recycling Solutions processed nearly 5,000 metric tons of electronic waste on behalf of Lexmark in the United States, Canada and Europe in 2009.

Figure 11

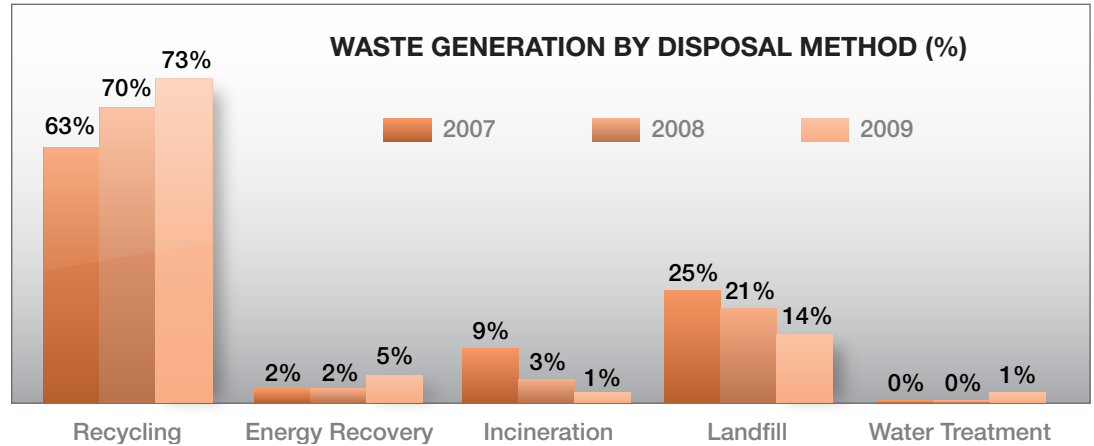
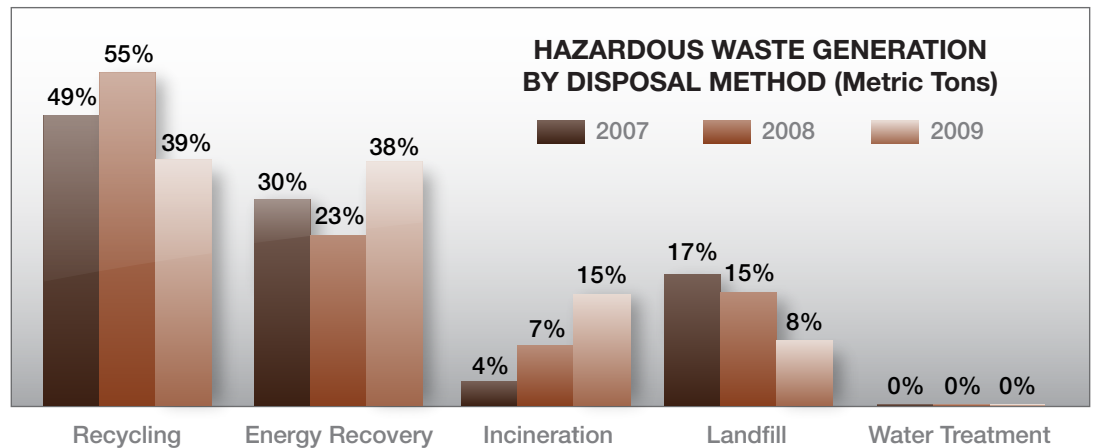


Figure 12



North America (NA)

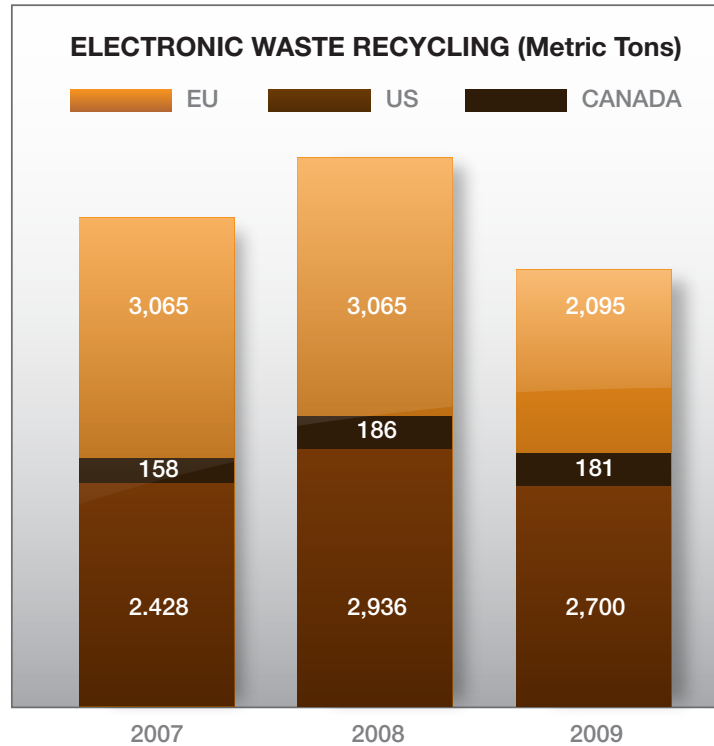
In the U.S., we offer the Lexmark Equipment Collection Program. Customers can return their Lexmark-branded hardware products to Lexmark by whatever shipping method is most convenient for them and we will recycle the equipment for free. For enterprise customers who are in the process of installing a large 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.

Over the past two years, electronic waste legislation of one form or another has been proposed in the majority of states in the U.S. By the end of 2009, seven states – Hawaii, Illinois, Indiana, Maine, Michigan, Minnesota and Wisconsin – enacted extended producer responsibility (EPR) legislation. While the details of the legislation vary greatly from state to state, the basic premise is that the producers of electronic devices are required to collect and responsibly recycle covered electronic devices (CEDs) at the end of their usable life.

Europe

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.

Figure 13



The pilot for this National scheme has been the 'Byteback' program operated in the state of Victoria. Lexmark was a founding member of this scheme which is a free (to the consumer) IT equipment take back program. There are nine other founding IT industry members. Byteback has been in operation since 2007 and is collecting some 10,000 items per month. It has proven invaluable in collecting data on IT hardware recycling, understanding consumer behavior and has received very strong community support. Lexmark will continue its pioneering work in this area by actively contributing to the IT industry working groups now underway to prepare for the forthcoming National legislation and the resulting commencement of the National take back scheme.

Asia Pacific and Latin America (AP/LA)

A primary focus for Asia Pacific environmental work in 2009 has been preparation for the Australian national end-of-life IT equipment and recycling program. This was formally announced by the Australian Federal government in November 2009 and has been anticipated for some time.

Lexmark has been a very active participant in this process for five years. The announcement indicated national legislation would come into place in 2010 and the scheme formally commence in 2011. The scheme will be Australia-wide and underpinned by government regulation.

IT manufacturers and importers will be responsible for their share of actual waste collected. Customers will return their end-of-life IT equipment to designated collection points from which the waste will be taken to central consolidation and collection points for recycling by accredited recycling operators.

Lexmark has set a goal to achieve a 30 percent increase in hardware collection and recycling by 2014 as compared to baseline year 2007. Over the past few years, taking into consideration the economic downturn and changes in our product weights, hardware collection and recycling rates have fluctuated little since 2007. New programs being implemented in 2010 are expected to help increase hardware collection and recycling rates.

Lexmark currently offers standardized recycling programs in many countries and variable programs in other countries. Lexmark has established a goal to expand the Lexmark Equipment Collection Program in 2011 to include services in all countries where Lexmark devices are sold.

Designing Products with the Environment in Mind

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 efforts focus on minimizing the environmental impacts of our products in these essential areas:

- Product life cycle
- Product energy use
- Acoustics
- Product emissions
- Supplies
- Packaging
- Materials selection
- Paper
- Product transportation

Product life cycle

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 product life cycle assessment (LCA).

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



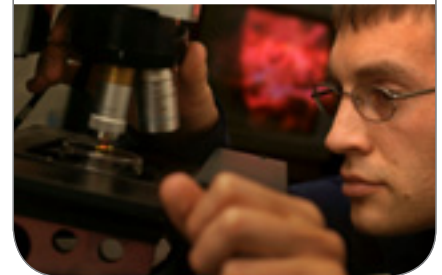
environmental companies. The LCA studies were performed in compliance with ISO 14040 and ISO 14044, including an independent third-party review.

The LCA study measured our products' environmental impact on multiple 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 (carbon footprint)
- Water footprint

Design for Recycling

In 2009, Lexmark product design engineers participated in a design for recycling seminar. The goal of this seminar was to educate engineers about the importance of designing products with recycling in mind and arm them with the knowledge needed to design Lexmark products to be easily disassembled and recycled. Lexmark's key hardware and cartridge recyclers and materials providers participated in this seminar. In each session, engineers were offered specific design and material selection recommendations that maximize recoverable value and minimize waste at the end of life.



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.

Lexmark commissioned life cycle assessments for some of our recent products and cartridges in 2009, including the Lexmark X736de color laser MFP and the new generation of Vizix inkjet cartridges.

The color laser printer assessment indicated the main environmental carbon and water footprint of the Lexmark X736de color laser MFP results from the "use" phase, with the majority of the impact (62

¹ Results are based on the life cycle assessment of the Lexmark X736de color laser MFP. This ISO 14040 and ISO 14044 compliant life cycle assessment was conducted by Bio Intelligence Services.

² Results are based on the life cycle assessment of Vizix and integrated inkjet cartridges used to print 15,000 pages. This ISO 14040 and ISO 14044 compliant life cycle assessment was conducted by Bio Intelligence Services.



percent for carbon footprint and 85.4 percent for water footprint), attributed to the paper that is consumed during the printing phase.¹

Comparing the carbon and water footprint of the new generation of inkjet cartridges Vizix, with the previous integrated inkjet cartridges, the life cycle assessment determined a 30 percent reduction in the carbon footprint and a 60 percent reduction in the water footprint for Vizix inkjet cartridges.²

Product energy use

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 and the U.S. Department of Energy that has grown into a globally recognized symbol for energy efficient products and practices.

As a charter Energy Star partner, Lexmark is committed to supporting the Energy Star program through energy efficient product designs. 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 also meet the power consumption requirements of Germany's Blue Angel eco-label.

Lexmark has set a goal of increasing the fleetwide energy efficiency (fleet average) of our products by 25 percent 2010 based on 2005 levels. This goal intentionally looks at all of Lexmark's product offerings and not just selected recent models. Figures 14 and 15 show the progress Lexmark has made in achieving these goals. Based on the 2009 fleet wide energy efficiency, this goal has already been met.

Figure 14

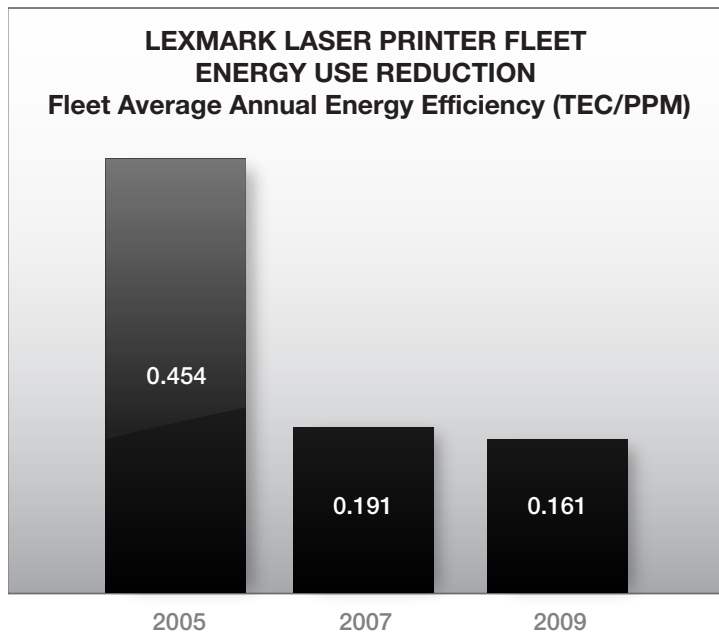
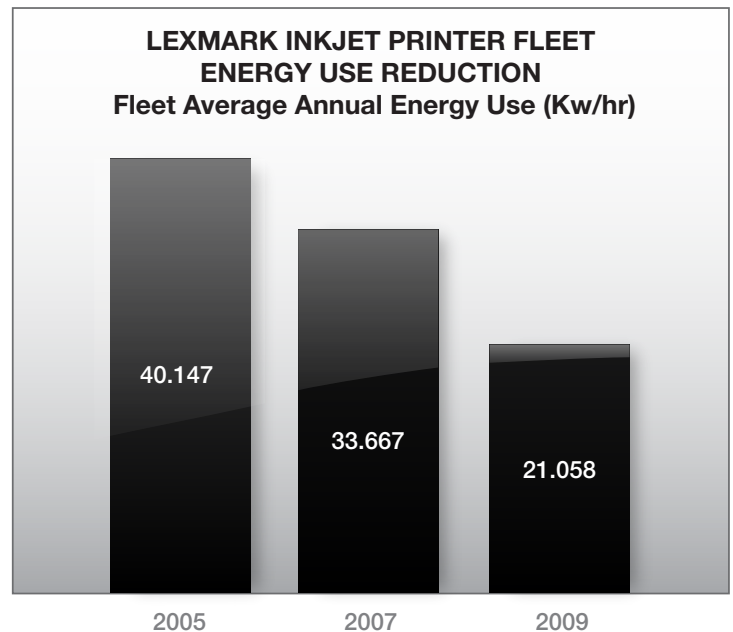


Figure 15



On July 1, 2009, Energy Star implemented new energy efficiency criteria for imaging equipment, the Energy Star Partnership Agreement for Imaging Equipment Version 1.1. Of the Lexmark devices available for purchase in 2009, 56 percent were Energy Star qualified.

In 2009, Lexmark invested in modifying several models to reduce their product energy consumption to meet the new Energy Star specification limits.

- The X2600 Series Inkjet AIO reduced the sleep mode power from 6.6 W to 5.4 W (18 percent reduction).
- The X4600 Series Inkjet AIO reduced the sleep mode power from 6.5 W to 1.9 W (70 percent reduction).
- The X5600ES Series Inkjet AIO reduced the sleep mode power from 4.3 W to 3.2 W (70 percent reduction).
- The C782dtn color laser printer, T650dn color laser printer and X203/4n monochrome laser MFP products reduced the Energy Star Typical Electricity Consumption (TEC) by 10 to 20 percent.

By focusing on key hardware components, such as fusers and external power adapters, as well as electromechanical systems and controls, Lexmark's design engineers continued to make significant improvements in 2009 in the energy efficiency of our products.

For example:

- Lexmark expanded our instant warm up fusing technology into the color laser products, the X730 Series of color laser MFPs and the C730 Series of color laser printers. These products respectively use 50 percent and 43 percent less energy than comparable previous products.

- The new Lexmark W850 Series of workgroup monochrome laser printers and X860de Series of monochrome laser MFPs use up to 30 percent less energy than the previous products.
- Lexmark has extended the use of the energy efficient Galvo Scanning Technology to the Lexmark X203n/X204n monochrome laser MFPs. Galvo Scanning Technology uses 90 percent less power during printing when compared to the conventional polygon mirror laser scanner.
- Lexmark introduced eight new inkjet products – Impact, Interpret, Intuition, Interact, Prospect, Prevail, Prestige and Platinum - in September 2009, all meeting the new Energy Star Criteria for Imaging Equipment. These inkjet products offer Sleep Mode power savings of up to 47 percent when compared to the previous generation of Lexmark products.
- Lexmark’s newest inkjet AIOs have a one touch power saver mode allowing our customers to immediately place the product in its lowest power-consuming mode.

Looking forward to 2010, Lexmark is committed to:

- Meeting the requirements of the European Union’s Energy Using Products requirements for standby / off modes and external power supplies.
- Increasing the average product energy efficiency by twenty five percent from 2007 to the next generation of products
- Continuing to develop additional products that use the instant warm up fusing technology and Galvo Printhead technology.
- Increasing the fleet average product energy efficiency by twenty five percent from 2007 to 2012 products

Lexmark Eco-Simulator

A leading IT publication in Spain has honored Lexmark for “green” innovation in 2009. The award was presented at Byte magazine’s 18th annual awards ceremony to announce the best products, solutions and companies of the year in Spain. Lexmark was awarded the Best Green IT Tool for its innovative Eco-Simulator. The tool helps business users better understand the environmental impact of their printing habits and automatically calculates the environmental impact of a user by translating it into global warming potential and non-renewable resources depletion.

Net-zero Buildings and Positive Energy Buildings

In 2009, Lexmark France has joined a new consortium, launched by the leading French office building promoter, Bouygues Immobilier. The Positive Energy Consortium gathers nine companies, all experts in their own industry. This consortium is working together to design the first positive energy green office building. This positive energy building, which will produce more energy than it will consume, is scheduled to open in 2010.

The consortium called “Stake Positive Energy” focuses on carbon footprint reduction and energy efficiency in the use phase. The nine partner companies - Bouygues Immobilier, Lexmark, Schneider Electric, Siemens, Philips, Tandberg, Sodexo and Steelcase - are jointly developing programs to decrease the energy consumption

of the green office building and to increase its capacity to produce renewable energy.

Printing is a critical element of green offices because non-optimized printing processes can result in significant amounts of waste.

Chosen for its “Print Less, Save More” solutions, Lexmark hopes to implement environmentally beneficial printing solutions in this green office, including:

- Print infrastructure
- Confidential printing
- Document management
- User productivity and satisfaction
- Carbon footprint reduction

Lexmark will also participate in specific research programs, such as the energy consumption of IT in the office. The objective is to reduce the energy consumption by two-thirds.

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.

Product emissions

Emissions from printers in the workplace are subject to the individual country occupational exposure limits for specific chemicals. Lexmark printers are tested throughout their development for emission of styrene, benzene, ozone, total and individual volatile organic compounds and total particulate (ultrafine particulate would be included but is not distinguished).

Laser printers emit small amounts of volatile organic compounds due to the heating of plastic parts and they produce small amounts of dust (mostly paper fragments) as a result of moving paper through the printer.

Current Lexmark laser printers do not generate more than trace amounts of ozone. The printing technology that used to result in significant ozone generation is no longer used.

All Lexmark laser printer families are tested for emissions following the protocols of the internationally recognized German Blue Angel environmental certification. Results are compared to the Blue Angel limits and summary reports are available to customers upon request.

Environmental solutions

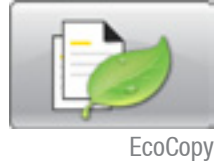
Eco-Mode

In 2009, Lexmark began offering Eco-Mode on all of its new inkjet printers. Eco-Mode allows users to save paper and/or energy with a touch of the button. Eco-Mode automates two sided printing, faxing and copying, saving businesses up to 50 percent of their paper usage and lowering overall costs. Eco-Mode also enables energy saving features including power saving mode (printer sleeps after 10 minutes of inactivity) and dimming of the LCD screen reduce power consumption by up to 8 percent. No other printer manufacturer offers such a convenient method to set environmentally friendly print settings.

³ "Sustainable Consumption Facts and Trends." World Business Council on Sustainable Development, 2009.

Eco-Widgets

In 2009, Lexmark released its first environmentally beneficial widget, EcoCopy. EcoCopy is one of Lexmark's SmartSolutions which can be downloaded for use with Lexmark's Web-enabled all-in-one devices. EcoCopy gives users the ability to reduce paper and ink waste with the touch of a button.



Print Release

Print Release allows users to send a print job from their workstation or mobile device to be stored and printed at a later time on select Lexmark MFPs and stand-alone devices. The solution enhances security by eliminating the gap between document printing and pickup so that confidential jobs do not sit at the printer. It also cuts costs by deleting jobs from the queue if not printed within a specified time — no more unnecessary printing of "forgotten" or obsolete jobs.



Some Lexmark customers use Print Release to help meet their company's sustainability goals through its ability to reduce the amount of pages printed. Other customers use Print Release as a "Print Anywhere" solution for their traveling employees. Traveling employees can print their jobs to the Print Release driver and release the job at the Lexmark device at whichever office they happen to be in that day. There is no need to load print drivers for that office or find someone to print them.

Lexmark supplies

Conserving our planet's natural resources is a key sustainability challenge as the world population and its impact on the planet continue to grow. According to the World Business Council on Sustainable Development³, natural resource consumption is expected to rise to 170 percent of the Earth's bio-capacity by 2040. This makes the recycling and reuse of products more urgent than ever before. We recognize this challenge and, since our founding in 1991, have been dedicated to providing customers with free and easy ways to return their used Lexmark supplies for responsible end-of-life management. 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. In 2009, we began new initiatives to "close the loop" even further by utilizing post-consumer recycled plastics in the manufacture of some of our new toner and inkjet cartridges.

Lexmark Cartridges Find New Life as Ink Pens

When Lexmark recycling partner Close the Loop started recycling Lexmark inkjet cartridges, they found that the small amount of ink they were able to recover from the large quantities of cartridges they recycled resulted in a surprising total amount of recovered ink. The recovered ink was a mix of colors and contained some particulate contaminants that made it impossible to reuse as ink cartridge ink. In a moment of inspiration, Steve Morris, founder of Close the Loop, siphoned some of that ink into a fountain pen and started writing with it. The idea was presented to Lexmark and a new partnership was formed. Together, Lexmark and Close the Loop worked to develop the world's first pen made almost entirely from materials recovered from end-of-life inkjet cartridges. The Lexmark recycled pen casings and ink are made from plastics and ink recovered from Lexmark inkjet devices.

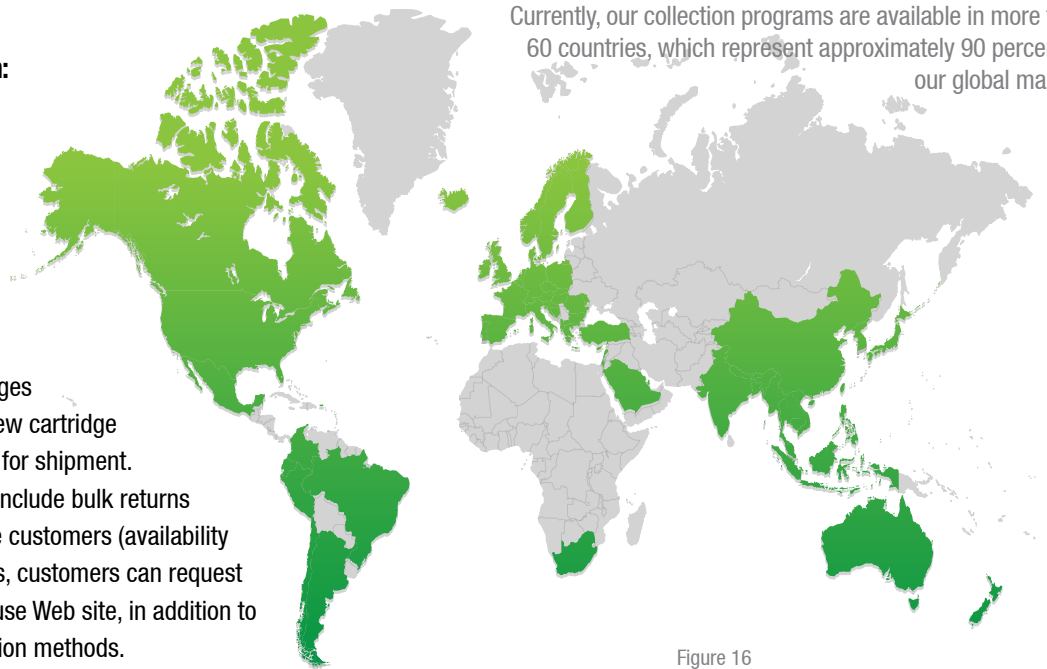


Lexmark Cartridge Collection Program: Reducing Waste to Landfill

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 and recycling.

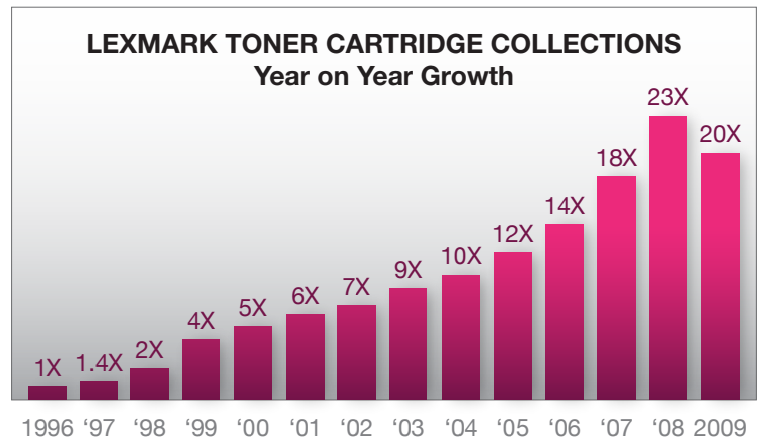
Customers can return individual cartridges simply by placing the used cartridge in the new cartridge box and applying the pre-paid label provided for shipment. Other methods of return for toner cartridges include bulk returns or container pick-up service for large-volume customers (availability varies by country). For inkjet cartridge returns, customers can request free recycling bags from Lexmark's easy-to-use Web site, in addition to other country-specific inkjet cartridge collection methods.

Our extensive cartridge collection network has made Lexmark an industry leader in the recovery, remanufacturing and recycling of empty toner cartridges and the number of empty cartridges we collect and process continues to grow each year. In 2009, our customers returned to Lexmark for appropriate end-of-life management approximately four out of every 10 of toner cartridges shipped. This was consistent with our successful 2008 return rate, despite the decline in year-to-year cartridge shipments and collections due to the global economic situation. In some regions, the Lexmark return rate is even higher.



Currently, our collection programs are available in more than 60 countries, which represent approximately 90 percent of our global market.

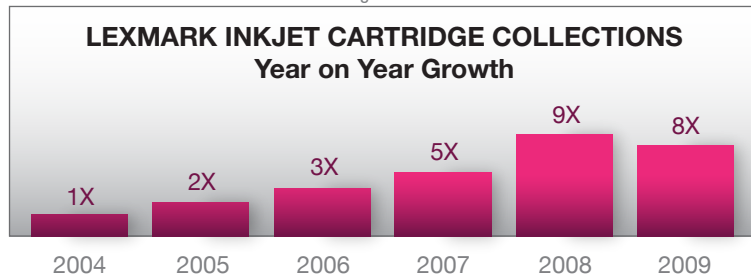
Figure 16



In the U.S., for example, the number of toner cartridges returned has continued to average between 40 and 50 percent of shipments over the past several years. We believe that industry average collection rates are between 20 and 30 percent.

The percentage of inkjet cartridges Lexmark collects has also grown steadily. Lexmark began collecting and recycling inkjet cartridges in 2004 and by 2009 we achieved 830 percent growth. Lexmark inkjet cartridges are now collected in virtually every country where Lexmark devices are sold.

Figure 17



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. Examples include:

- The C540/X540 Series Rewards Program is a unique environmental program for our C540/X540 Series of color laser printers and MFPs, rewarding 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.
- 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.

Lexmark Inkjet Cartridge Recycling

Lexmark inkjet cartridges 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, spill clean-up kits, sound-proofing material and a synthetic lumber substitute that is used for landscaping, fencing and other outdoor purposes.

• Charitable Tie-Ins:

- In South Africa, the Cartridge Recycling Initiative for Babies (CRIB) seeks to protect the environment and children. By returning empty laser and inkjet cartridges to Lexmark for recycling, 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. As of December 2009, CRIB has donated 42,000 "Baby Days" to Cotlands. One Baby Day equals the cost of housing, feeding, clothing and care for one child at Cotlands for the period of one Day.
- In France, when Lexmark customers return their empty cartridges via the Lexmark Cartridge Collection Program, Lexmark donates one euro per cartridge to a cancer charity. S'inscrire dans le temps is a program operated in cooperation with the French Cancer League and the Solidarity Youth Cancer Organization (JSC).
- In Japan, Lexmark participates along with other manufacturers in the Ink Cartridge Homecoming Project sponsored by Japan Post, which donates three yen per collected inkjet cartridge to the United Nations Environmental Program to help support its environmental conservation programs.

Giving 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 used cartridge only to Lexmark for remanufacturing and recycling.
- Lexmark Certified Reconditioned toner cartridges are the quality-assured remanufactured alternative.



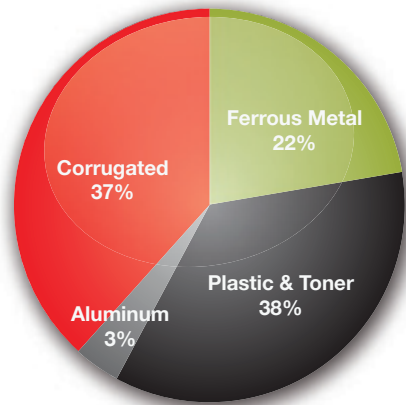
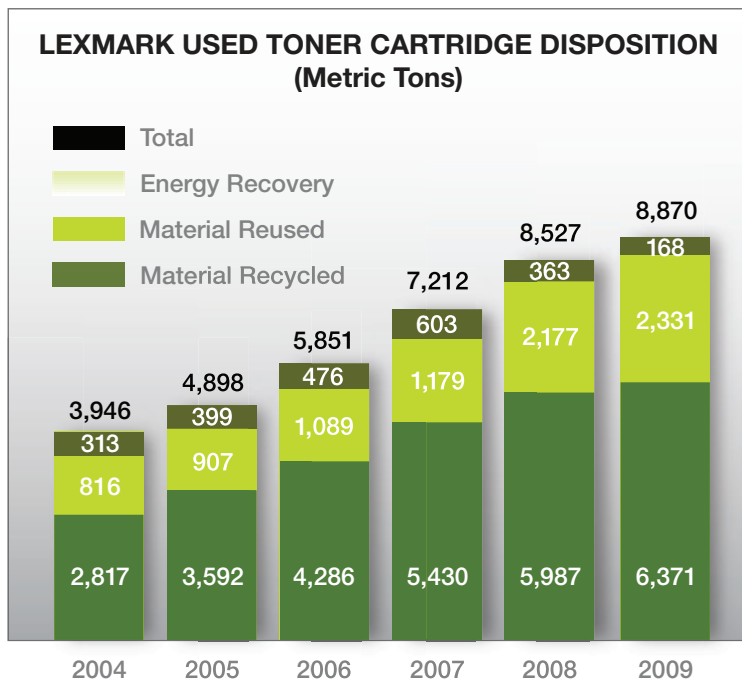
Resource Conservation through Recycling and Reuse

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 move up this environmental hierarchy, Lexmark follows a zero-landfill policy for all of the empty cartridges that we collect and 100 percent of the empty cartridges returned to Lexmark are either reused or material recycled.

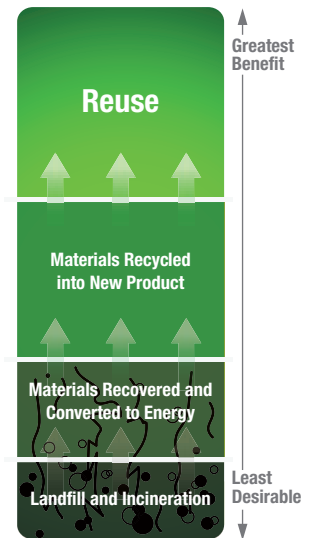
Our ultimate goal is to give as many toner cartridges as possible a second life through materials reuse. Since 1996, Lexmark has reused over 24 million pounds of recovered cartridge material by converting millions of empty toner cartridges into Lexmark Certified Reconditioned toner cartridges. The eligible empties that we collect are disassembled, cleaned and critical components are replaced with genuine Lexmark components. Each reconditioned cartridge is tested to assure high-quality output and reliable performance.

Between 2004 and 2009, Lexmark was able to achieve an almost three-fold increase in the absolute amount of cartridge materials reused through our collection program by continually optimizing our collection and remanufacturing processes. In doing so, we have been consistently moving up higher on the environmental hierarchy.

Figure 18



2009 Materials Recovery from Toner Cartridge Recycling and Reuse - Percent of Total



Lexmark toner cartridges that cannot be successfully reconditioned are demanufactured using a process that maximizes materials recovery for use in secondary products.

In 2009 alone, we recycled or reused nearly 9,000 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.

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 laser printers has an industry-leading 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. Eco-friendly alternatives for small offices and home offices are also available. Lexmark High-Yield and XL High-Yield Print Cartridges are offered for many of Lexmark's versatile all-in-one inkjet printers, including the Lexmark Professional Series.

Use of Post Consumer Recycled Content in Toner Cartridges

In 2009, Lexmark began utilizing post-consumer recycled plastics in the manufacture of certain new toner cartridges. As of December 2009, the

Lexmark Cartridge Collection Facility Earns Leadership in Energy and Environmental Design (LEED) Gold

Each day, trucks carrying used toner cartridges from locations throughout the world arrive at Lexmark's receiving dock at Lexmark's new 99,000 square foot LCCP Building in Juárez, Mexico.

With the operations in the building destined to benefit the environment, it made sense for the building itself to be designed with the environment in mind. The project team, which originally aimed for LEED Silver, exceeded expectations and the building was certified LEED Gold by the United States Green Building Council (USGBC). The USGBC's LEED rating system is an internationally recognized green building certification system and the most widely used in North America. The Lexmark Cartridge Collection Program (LCCP) building in Juárez is the first LEED gold building in the El Paso– Juárez metropolitan area.

The LCCP building boasts the following environmental features and benefits:

- **Sustainable sites:** This facility was designed to maximize open spaces and make the use of alternative transportation (public transportation, biking) convenient for employees.
- **Water efficiency:** Use of water-saving technology such as low-flow fixtures and faucets and desert landscaping result in a savings of approximately 160,000 gallons of water per year at this facility.
- **Energy efficiency:** This facility was constructed using energy-saving technologies such as energy-efficient glass, insulation and high bay fluorescent lights.
- **Use of sustainable materials:** Materials used to build this facility include local materials (32 percent), reused materials (12.5 percent) and recycled materials (44.6 percent).
- **Indoor environmental quality:** The use of low volatile organic compound emitting carpets, paints and adhesives, composite woods (low formaldehydes) contribute to indoor environmental quality.

The green building cost a bit more than a conventional building project, but it's saving money through improved operating efficiencies – with an estimated utility savings of \$40,000 per year.



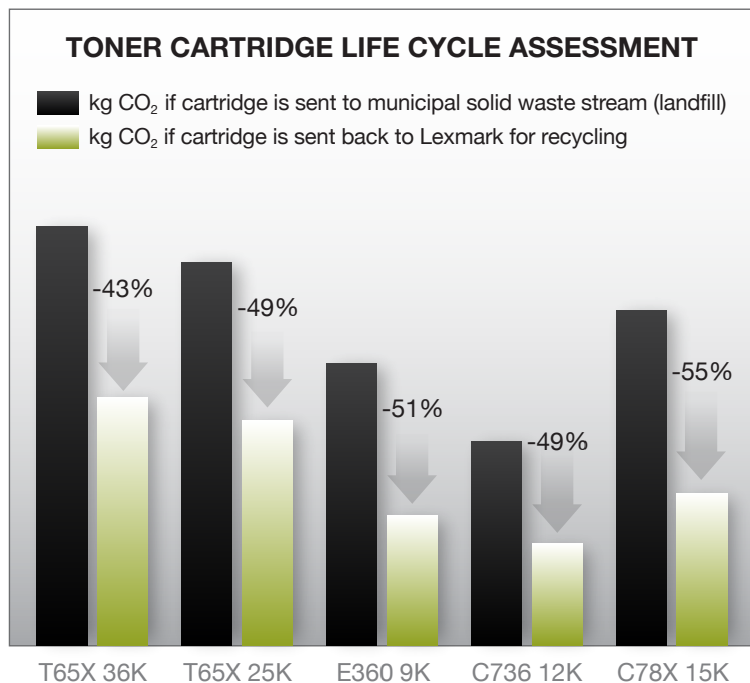
Lexmark toner cartridge product line contained, on average, 2 percent by weight of post-consumer recycled plastic. In some models, the post-consumer recycled content of newly molded plastic components can provide up to 21 percent by weight of the plastic used. Lexmark aims to increase the use of post-consumer plastics in toner cartridges to average 10 percent or more by the end of 2010, with a percentage of that post-consumer plastic sourced from recovered Lexmark toner cartridges.

Toner Cartridge Carbon Footprint

Lexmark commissioned a Life Cycle Assessment (LCA) study in 2009 to better understand the environmental impact of its toner cartridges. This study ultimately demonstrated just how significant the benefit to the environment can be by recycling a used toner cartridge through the Lexmark Cartridge Collection Program. The Lexmark LCA cartridge study, performed by a third-party in accordance with the ISO 14040 and 14044 guidelines for LCA, demonstrates that sending a used Lexmark toner cartridge back to Lexmark for recycling, as opposed to discarding it in a landfill, reduces the overall carbon footprint of that cartridge by up to 60⁴ percent (excluding paper consumed during the use phase).

An LCA is designed to evaluate the environmental impact of a product throughout its lifetime – from raw materials extraction, production, distribution and use through end-of-life.

Figure 19



⁴60% per the LCA data for the C53x family

Photoconductor Drum Reuse

Thanks to a new process that Lexmark introduced in 2009, nearly all Lexmark reconditioned toner cartridges now contain newly manufactured photoconductor drums that utilize reused aluminum cores. Because a photoconductor drum typically encounters considerable depletion of its photosensitive coating during the printing process, Lexmark could previously reuse only a small number of returned photoconductor drums in its Certified Reconditioned cartridges. The remaining drums were sent to an aluminum recycler for materials recovery. By applying a new process that allows the cores of returned photoconductor drums to be reconditioned and recoated to create new drums, in 2009 Lexmark was able to dramatically increase the number of photoconductor drums it reuses and climb up even higher on the environmental hierarchy.

Packaging

The Lexmark packaging team assesses the life cycle impact of packaging on the environment. We focus on how much packaging is delivered to the customer as well as 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.

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:

Toner Cartridge Packaging

In 2009, Lexmark started a transition from corrugated inserts to molded pulp inserts on select toner cartridge supplies. While the total weight of the inserts will remain steady at 220 grams, this change allows for a dramatic increase in the recycled content of the inserts. The corrugated inserts were made of approximately 25 percent recycled content. The molded pulp inserts have 100 percent recycled content. This transition will be complete by the second half of 2010.



Lexmark 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.



Laser Hardware (Service Parts) Packaging

Lexmark field replacement unit packaging for fusers and maintenance kits was redesigned in 2009. The new packaging design reduces waste and shipping impacts. The original packaging design consisted of an overpack that contained two smaller boxes and a bubble wrapped component. The new packaging was designed such that the two smaller boxes were no longer required and the bubble wrap was replaced with a more compact cushioning material. These changes resulted in a smaller package that allows Lexmark to ship more units on a pallet, thereby reducing shipping impacts.

Inkjet Hardware Packaging

Lexmark replaced the expanded polystyrene cushions with molded pulp cushions in Lexmark X2650 and Lexmark X2670 packaging. The molded pulp cushions are more easily recycled by consumers.

Figure C

Package Description	Weight of System (grams)	Total GHG Emission for 1 unit (CO ₂) ⁵	Total GHG Reduced (kg)	Percent of GHG Reduction
PP Ship Cup	70.20	0.24	0.014	57%
PET Ship Cup	22.00	0.10		

⁵ GHG Emissions from Production and Recycling or Disposal - GHG emissions calculated using the COMPASS (Comparative Packaging Assessment) tool, developed by the Sustainable Packaging Coalition, a project of the non-profit institute Greenblue and funded in part by the U.S. Environmental Protection Agency, 2008. <https://www.design-compass.org>

Ink Cartridge Packaging

Lexmark redesigned the molded printhead ship cup for increased sustainability. The change resulted in a lighter weight container that can be more easily recycled by the consumer. This ship cup was introduced on the 2009 ink tank products (Figure C).

Materials Selection

Lexmark printers are made of a variety of plastics and metals derived from non-renewable sources. The exterior of a Lexmark printer is typically made of high impact polystyrene (HIPS) or acrylonitrile butadiene styrene (ABS). Many of the interior components are made of steel and filled and unfilled engineering grade plastics such as polycarbonate.

Lexmark printers and supplies are packaged using materials derived from both renewable and non-renewable sources. Packaging materials derived from renewable sources include corrugated (cardboard) boxes, cushioning materials made of molded pulp and wooden pallets. Packaging materials derived from non-renewable sources include cushioning materials made of expanded polystyrene (EPS) or expanded polypropylene (EPP), polyethylene bags, fasteners including staples, twist ties and tape, plastic pallets, plastic strapping and plastic stretch wrap.

Post Consumer Recycled Content

When specifying materials used in printers, supplies and packaging, Lexmark evaluates the potential for using post-consumer recycled materials. Use of post-consumer recycled (PCR) materials can have a positive impact on the environment; reducing both consumption of natural resources and the amount of waste in landfills.

Use of post-consumer metals is a practice common in industry. Lexmark appreciates the environmental benefits of reutilizing metal content, seeing that recycled metal stock can be used for many, but not all, metal components. Industry averages indicate that general grades of steel are commonly between 40 percent and 80 percent recycled content. These grades have been used with success in Lexmark products.

Consistent use of post-consumer plastics has been a more significant challenge for both Lexmark and the electronics industry. Despite the environmental benefits of plastics recycling, the technical difficulties of the process have caused wide spread recycling of engineering plastics to lag behind the recycling of metals and commodity plastics. Using new technologies, the plastics recycling industry has begun to overcome these hurdles and may soon turn the corner toward mainstream use.

Lexmark has been a leader in recycling our plastic feed streams and in using post consumer plastic content in our products. In the mid-1990's, Lexmark worked to incorporate recycled plastics in its Optra series printers, utilizing a controlled North American feed stream and in some cases closed loop materials. As volumes increased and markets changed, suitable PCR material supply became scarce. Later in the decade, many attempts to utilize PCR content were disrupted by logistical and regulatory restrictions making it increasingly difficult to retain PCR content in Lexmark's products.

Nearing the end of the first decade of this millennium, markets had changed. Global consumers began to develop an increased interest in purchasing products made with post consumer recycled materials. This drove PCR friendly changes in government regulations, and also increased global availability of post-consumer materials in the marketplace. In 2007, Lexmark's continued efforts to find suitable PCR materials began to once again yield opportunities.

During 2009, Lexmark engineers completed a study on the use of post-consumer recycled plastic in products. The primary goal of the study was

In 2009, Lexmark teamed with Close the Loop and several plastics partners to also develop a process to take recycled plastic from collected cartridges, clean it and ultimately return that plastic for use in new inkjet cartridges in a "cradle-to-cradle" recycling process.

to identify new sources and grades of post-consumer recycled plastics appropriate for use in electronics. The materials were then evaluated to determine whether they met Lexmark quality standard, and finally evaluated on quantity and consistency of supply.

The study identified a number of PCR resin suppliers with grades of plastic resin that have desirable properties and compare favorably with their virgin offsets. Over time grades with suitable quality and competitive pricing are making their way into Lexmark products.

Through continued studies Lexmark has already successfully implemented the use of post consumer recycled plastic in the manufacture of components for new Lexmark branded toner cartridges. Lexmark averaged approximately 2 percent post-consumer recycled plastic in toner cartridges at the end of 2009.

Lexmark also successfully implemented closed loop recycling of its inkjet cartridge plastic. It has succeeded in reclaiming cartridge bodies from its return program and reutilizes this material in a 25 percent closed loop recycled plastic used to manufacture some components for new Lexmark branded inkjet cartridges. This is one of the key principles of sustainability: taking material from recovered products, bringing it back down to the raw material state and using it again to make the same product.

In 2010, Lexmark plans to expand the use of post-consumer recycled plastic in supply items and introduce the use of post-consumer plastic in hardware.

Lexmark aims to increase the use of post-consumer plastics in toner cartridges to average 10 percent or more by the end of 2010, with a percentage of that post-consumer plastic sourced from recovered Lexmark toner cartridges.

Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS)

When specifying materials used in printers, supplies and packaging, Lexmark also evaluates compliance with material restriction directives and legislation. 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.



Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)

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, and Authorization 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) candidate list of chemicals. As REACH evolves with chemical registration deadlines and new chemicals being 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.

Montreal Protocol

Lexmark products also follow the Montreal Protocol. Lexmark prohibits the use of ozone-depleting chemicals in the manufacture and development of Lexmark products.

Lexmark Product Environmental Specification

In 2009, Lexmark released an updated version of the Lexmark Product Environmental Specification. This publicly available specification defines the minimum environmental requirements for the design, manufacture and marketing of Lexmark parts and products. These requirements are based on global regulatory obligations, international treaties and conventions and certain market demands. The 2009 update included an update to the list of substances that are prohibited from use in Lexmark products. This includes the addition of the phthalates DEHP, DBP and BBP as well as the brominated flame retardant HBCDD which have all been recommended for addition to Annex XIV (substances subject to authorization) of the European Union REACH Regulation 1907/2006. Lexmark plans to eliminate the use of these substances from our products well in advance of global use restrictions. The 2009 update also included an expansion of the list of required reportable substances that suppliers must disclose. Lexmark is also explicitly prohibiting the use of BFRs, CFRs and PVC in all Lexmark developed mechanical plastic parts except fuser assemblies.

To support these efforts, Lexmark invested in and began implementing a new materials content data collection and management system. This system will optimize our ability to communicate with our suppliers regarding substances used in parts and assemblies they provide to Lexmark for use in our products. This system will also increase our ability to respond to customer inquiries on the presence of substances of concern in our products and to address regulatory issues regarding substances of concern.

Paper

Lexmark aggressively tests recycled papers - specifically papers made with 30 percent, 50 percent and 100 percent post consumer recycled content - on all Lexmark imaging devices. Our expectation is that the runnability of

recycled papers in Lexmark devices will be equivalent to the runnability of virgin fiber paper. While no all-encompassing official "standard" exists for office equipment use of paper, Lexmark has studied and employed European Standard EN12281 as a minimum properties and runnability guide for test paper. Test paper includes 100 percent recycled papers from Europe and Asia, to ensure breadth of testing, as well as testing at eight percent to 80 percent relative humidity, in an attempt to cover all physical paper variables relevant to office equipment use. Testing includes automatic and manual duplex printing which has the potential to be challenging with some recycled papers.

Lexmark has begun offering a limited number of environmentally preferable papers for sale in the Europe. Lexmark's PerfectFinish™ photo paper is made with materials harvested from Programme for the Endorsement of Forest Certification (PEFC) certified forests. This paper is readily available in retail in Europe and on the Lexmark Web site in Europe.

Voluntary product certifications

Eco Labels

Lexmark product designers have long looked to the Blue Angel standard for environmental design guidance. Blue Angel, an environmental certification established 1978 in Germany, is one of the most prestigious green certifications awarded worldwide. In the summer of 2008, Lexmark decided to officially seek Blue Angel certification for select Lexmark laser and inkjet devices. By the end of 2009, Lexmark product designers discovered that the time and effort they put into designing Lexmark products with the environment in mind was paying off. Lexmark was recognized by Blue Angel which certified 39 Lexmark devices - more than any other imaging company. The following products were awarded Blue Angel certification in 2009:



C540n	E460dn	T656dne	X945e	X656de
C543dn	E460dw	C935dtn	X543dn	X656dte
C544dn	T650n	C935dtttn	X544dn	X658de
C544dtn	T650dn	C935hdn	X544dtn	X658dte
C544dw	T650dtn	W840dn	X544dw	X658dfe
E260d	T652dn	X560n	X546dtn	X658dme
E260dn	T652dtn	X560dn	X651de	X658dtfe
E360d	T654dn	X852de	X652de	X658dtme
E360dn	T654dtn	X854de	X654de	Prevail Pro 706

Lexmark products are certified to a number of other voluntary environmental certifications worldwide. These certifications include the Canada Eco Logo (CCD-035), China certification HJ/T 302-2006, Korea EcoMark and Taiwan Green Mark.

Electronic Product Environmental Assessment Tool (EPEAT)

On October 5, 2009, President Barack Obama signed Executive Order 13514, which calls for federal agencies to purchase products that are environmentally preferable and to give procurement preference for Electronic Product Environmental Assessment Tool (EPEAT) registered electronic products. Lexmark supports the U.S. federal government in its goal of setting a leadership role in environmental stewardship, energy efficiency and economic recovery.

The EPEAT system and the environmental criteria for computers and monitors were originally developed in a two-year multi-stakeholder process. EPEAT's environmental criteria are contained in an Institute of Electrical and Electronics Engineers (IEEE) public standard, IEEE 1680. The system currently covers desktop and laptop computers, thin clients, workstations and computer monitors (IEEE 1680.1)

The IEEE Standards Association is currently developing the IEEE 1680.2 standard, which will be used by EPEAT to qualify imaging equipment. IEEE 1680.2 is dependent on the ratification of the revisions to the IEEE 1680 umbrella standard. The standards development process is complicated, requires the participation of many stakeholders with various agendas and requires the completion of numerous review processes before the standard is approved and subsequently published.

Lexmark is participating in the ongoing IEEE 1680.2 standard development process. Approval and publication of the standard is anticipated within the next two years. Until the standard is approved and published, requirements will be unknown. Lexmark, therefore, cannot provide forward looking statements as to whether specific products will be qualified to any anticipated standard criteria level required for the EPEAT registry. When IEEE 1680.2 is approved, Lexmark will make a full assessment of our product offerings and reveal that assessment to our clients.

Product Transportation

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 the use of 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 U.S. 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 enroute. 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.

Employees and Customer Engagement

At Lexmark, we believe in the importance of developing a culture of sustainability. This culture goes well beyond operations that make efficient use of resources and designing products with the environment in mind. Our goal is to engrain sustainability in all we do at work and at home.

Corporation Wide

In 2009, Lexmark launched the Green Award program. The Green Award is designed to recognize planet-friendly behaviors among our community of suppliers, resellers, customers, distributors, manufacturers and employees. Lexmark employees are encouraged to nominate coworkers they believe exemplify a sustainable lifestyle in some way. Sales team members may also nominate an account where they see significant "green" efforts taking place. Supply chain employees may nominate supplier who take direct measures to reduce their carbon footprint. All nominations are reviewed by an employee-based rotating board led by the Green Awards team.



Lexmark sites around the world turned off the lights as part of Earth Hour 2009. Many Lexmark employees joined the effort by turning their lights at home for one hour.

Lexington, Kentucky, United States

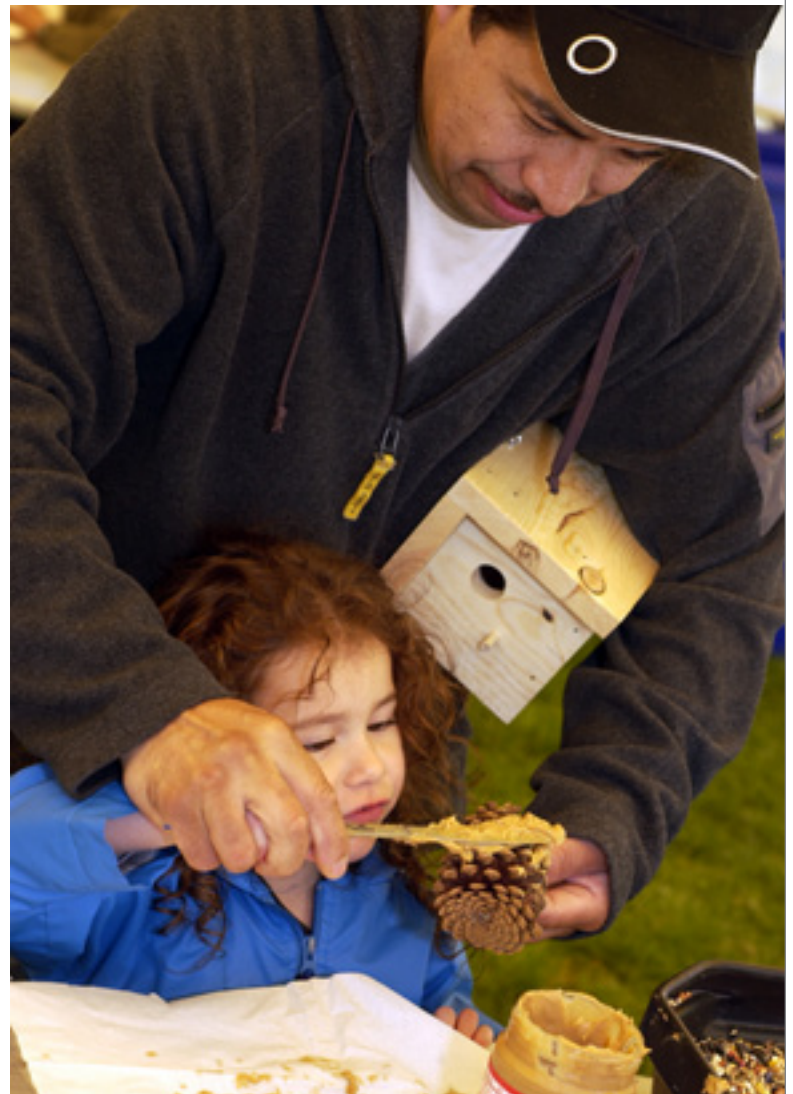
Lexington hosts a monthly lunch-and-learn that focuses on a wide range of environmental topics. Sessions that took place in 2009 addressed topics including sustainable agriculture, water quality, gardening, green building techniques and more. A number of sessions were presented by Lexmark employees who shared their own perspectives on environmental sustainability. Lexmark's Christian Business Persons (CBP) Diversity Network Group hosted a special lunch-and-learn with local author Nancy Sleeth who discussed the environmental and spiritual journey she describes in her book, *Go Green, \$ave Green*.

Lexington's cyclists hosted a bicycle education presentation and biking gear Freecycle event. The bicycle education presentation (based on the League of American Bicyclists Course Commuting 101) reviewed Kentucky's bike laws, safe riding techniques and emergency

maneuvers, gear, route selections and other strategies for bicycle commuting. The presentation ran concurrently with a biking gear Freecycle. Attendees brought their unwanted biking implements - old bikes, bike parts, repair kits, clothing, to share with other Lexmark cyclists and had the opportunity to pick up a few items for themselves.

Lexington employees donated their time to multiple environmental efforts throughout the year. Employees planted trees at Reforest the Bluegrass, removed trash from the Cane Run Creek during our annual clean up, distributed tree seedlings at Lexmark's annual employee tree seedlings giveaway and educated local citizens on environmental issues at Lexington's Arbor Day celebration.

Lexmark's 2009 United Way campaign took an environmental twist. Campaign organizers hosted Lexmark's first United Way Yard Sale and event that made recycling unwanted items including clothing, toys and household goods easy. Employees cleaned out their closets, attics and garages and donated unwanted items to the yard sale. The items were then sold at a lunchtime yard sale. Proceeds were donated to the United Way and unwanted items found new usefulness with their new owners.



Denmark

Lexmark Denmark invited 10 schools and educational centers to watch the Al Gore film “An Inconvenient Truth” and to listen to environmental specialist, Professor Bjørn Lomborg, speak on environmental priorities. Bjørn Lomborg is head of the Copenhagen Consensus Center which is initiated and sponsored by the Danish Government in order to promote international discussions around financial priorities in terms of environment. He is one of the most influential people in the environmental arena in Denmark and is known also in the U.S. In October, the American magazine, Esquire, named Lomborg one of the 75 most influential people in the 21st century. More than 1,200 students participated in this extraordinary event and most of the schools intend to integrate the environmental practices in their teaching in the near future.

Finland

Lexmark Finland helps customers decrease their carbon footprint with an ecological, carbon-neutral leasing solution. Through this leasing program, the environmental burden of the leased printers is offset by supporting environmental projects in Nepal, India and Madagascar. Lexmark carries out this program in cooperation with Acento Finance and MyClimate.

Germany

In 2009, Lexmark hosted an educational event which offered detailed information about the cost and environmental impact of paper consumption and offered strategies for reducing these impacts. Lexmark specialists explained the strategic role of paper in printer use, while experts from the paper industry addressed the importance of environmentally responsible paper production.

Hungary

In 2009, employees at the Lexmark Competence Center in Budapest, Hungary, participated in a country-wide “Bike to Work” initiative. On the campaign website, participants were able to track their individual commuting data including distance, the number days biking to work, calories spent as well as carbon emission saved. Lexmark Budapest employees rode their bikes to work 256 times for a total of 3,546 km. This equates to a savings of 660 kg carbon emission.

This project was led by the Green Team at the Lexmark Competence Center in Budapest. The members of the volunteer team promote environmental protection, environmental awareness and sustainability in an employee’s everyday life.

Italy

More than 40 journalists from newspapers and weekly business magazines around Italy were introduced to Lexmark’s “Print Less, Save More” message at an event held in Milan, Italy, in 2009. During the event, journalists were given the opportunity to learn more about the “Print Less, Save More” approach of Lexmark and they discussed Lexmark’s ability to support customer sustainability efforts through offerings like the Lexmark’s Cartridge Collection Program and Eco-Simulator.

Also in 2009, Lexmark Italy launched its new environmental program, Lexmark GoGreener - a consulting project that helps customers understand the impact of their behaviors at work on the environment.

Juárez, Mexico

Lexmark employees in Juárez, Mexico, participated in Earth Hour activities. The Environmental, Health and Safety team in Juárez, Mexico, sponsored an Earth Hour activity for local kindergarten children. The children wrote a letter or created a drawing that expressed what their families were doing for Earth Hour. Two local schools received donations of printers in gratitude for their participation in this activity.

Lexmark employees in Juárez also planted trees at a local kindergarten in honor of Earth Day 2009 and as part of the green campaign sponsored by the local United Way.

Lexmark employees in Juárez also worked to get the message out to a broader audience through radio and television. The Environmental, Health and Safety team in Juárez, Mexico, was also invited to a local radio station to discuss Earth Hour and participated in a television broadcast called “Limipemos Nuestro Mundo” (Let’s Clean Our World).

Philippines

Lexmark employees in the Philippines participated in two mangrove plantings at Olango Island and two tree plantings at the Buhisan Watershed in 2009.



Switzerland

In recognition of Earth Day 2009, Lexmark employees in Geneva, Switzerland, were invited to play The Green Game, a game created by the sustainability team to promote environmental awareness of common sustainability issues and Lexmark’s environmental programs.

Corporate Social Responsibility 2009 Report



Finance and Economics

Finance and Economics

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.

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 2009 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 Form 10-K.

Table 2.1 Lexmark by the Numbers (Dollars in Millions, Except per Share Data)

Statement of Earnings Data	2009	2008	2007	2006	2005
Revenue	\$3,879.9	\$4,528.4	\$4,973.9	\$5,108.4	\$5,221.5
Cost of Revenue	2,570.1	2,993.8	3,410.3	3,462.1	3,585.9
Gross Profit	1,309.8	1,534.6	1,563.6	1,646.0	1,653.6
Research and development	375.3	423.3	403.8	370.5	336.4
Selling, general and administrative	647.8	807.3	812.8	761.8	755.1
Restructuring and related charges	70.6	26.8	25.7	71.2	10.4
Operating expense	1,093.7	1,257.4	1,242.3	1,203.5	1,101
Operating income	216.1	277.2	321.3	442.5	553.7
Other (income) expense, net	21.4	(6.1)	(21.2)	(22.1)	(26.5)
Net Impairment losses on securities	3.1	0	0	0	0
Earnings before income taxes	187.0	275.9	349.5	459.3	553.7
Provision for income taxes	41.1	35.7	48.7	120.9	197.4
Net earnings	\$145.9	\$240.2	\$300.8	\$338.4	\$356.3
Diluted net earnings per common share	\$1.86	\$2.69	\$3.14	\$3.27	\$2.91
Shares used in per share calculation	78.6	89.2	95.8	103.5	122.3
Statement of Financial Position Data	2009	2008	2007	2006	2005
Cash and current and marketable securities	\$1132.5	\$973.3	\$796.1	\$550.9	\$888.8
Working capital	948.9	805.2	569.5	506.0	935.9
Total assets	3,354.2	3,265.4	3,121.1	2,849.0	3,330.1
Total debt	248.9	654.2	149.9	149.8	149.6
Stockholders' equity	1,013.6	812.1	1,278.3	1,035.2	1,428.7
Other Key Data	2009	2008	2007	2006	2005
Net cash from operations	\$402.2	\$482.4	\$564.2	\$670.9	\$576.4
Capital expenditures	\$242.2	\$217.7	\$182.7	\$200.2	\$201.3
Debt to total capital ratio	39%	45%	10%	13%	9%

Lexmark's operations did not receive significant government financial assistance in 2009. 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 around the world offer benefit plans that are highly competitive in each of the countries in which we operate. Plans are benchmarked frequently to ensure that compensation and salary levels remain competitive and allow us to attract and retain employees in each region. Offerings include: 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 U.S. retirees and certain non-U.S. subsidiaries.

Part-time employees in the U.S. are eligible for the same benefits (on a pro-rated basis) as full-time regular employees. They have access to the same health-care plans and pay the same rates as regular full-time employees.

In addition to traditional benefit plans, Lexmark offers three days of paid Volunteer Time Off to allow employees to contribute to their communities without taking vacation time or time off without pay.

Our facilities in Cebu, Philippines, and Juárez, Mexico, offer free on-site medical care to ensure that employees have access to modern facilities and health and wellness education.

At our corporate headquarters in Lexington, Kentucky, we maintain a free allergy clinic for employees who need regular shots and a travel clinic that allows employees who are traveling to stay current on required immunizations. This service allows employees the convenience of onsite care and improves productivity.

U.S. employees also have access to an online wellness program that allows them to track their health-risk factors, receive online education on health issues and provides a secure site for the storage of personal health records.

Additional information regarding our benefits obligations can be found in our 2009 Annual Report on Form 10-K.

Global Presence

Lexmark management believes that the total distributed output opportunity was between \$80 and \$90 billion in 2009, including hardware and supplies. This opportunity includes printers and multifunction devices as well as a declining base of copiers and fax machines that are increasingly being integrated into multifunction devices. Based on industry information, Lexmark management believes that the market declined in 2009 due to the continued global economic weakness. 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 MFPs, color lasers

and related software solutions and services and stronger emerging countries. The Company's management believes that the integration of print/copy/fax/solve capabilities enables Lexmark to leverage strengths in network printing and document workflow solutions. In general, as the hardcopy industry matures and printer and copier markets converge, the Company's management expects competitive pressures to continue. This convergence represents an opportunity for printer-based product and solution vendors like Lexmark to displace copier-based products in the marketplace.

The Internet and the deployment of Electronic Content Management (ECM) systems are positively impacting the distributed output market opportunity in several ways. As more information is available electronically, and new tools and solutions are being developed to access it, more of this information is being printed on distributed output devices and less on commercial and centralized printing 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.

The laser product market primarily serves business customers. Laser products can be divided into two major categories—shared workgroup products and lower-priced desktop products. Shared workgroup products are typically attached directly to large workgroup networks, while lower-priced desktop products are attached to personal computers or small workgroup networks. Both product categories include color and monochrome laser offerings. The shared workgroup products include laser printers and multifunction devices, which typically include high-performance internal network adapters and are easily upgraded to include additional input and output capacity and finishing capabilities as well as additional memory and storage. Most shared workgroup products also have sophisticated network management tools and are available as single function printers and multifunction products that print / copy / fax and scan to network.

Color multifunction products continue to represent a more significant portion of the laser market. The Company's management believes these trends will continue. Industry pricing pressure is partially offset by the tendency of customers to purchase higher value color and multifunction products and optional paper handling and finishing features as well as to purchase output through print and document management software solutions and services that help customers to optimize their document-related infrastructure to improve productivity and cost.

The inkjet product market historically has been predominantly a consumer market, but there is an increasing trend toward inkjet products being designed for small office / home office (SOHO) and other businesses. Customers are increasingly seeking productivity-related features that are found in inkjet multifunction products designed for office use such as wireless and Ethernet connectivity, automatic document feeders and duplex capabilities, as well as web-based applications to automate print and document related work functions. This trend represents an opportunity for the Company to pursue revenue growth opportunities with its inkjet products and solutions targeted at SOHO and business market segments.

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.



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.

We apply the same standards of excellence to our contribution and community support activities that we use in our business operations. In the U.S., 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 headquarter facility in Lexington, Kentucky, has a positive economic impact on the surrounding community. Examples of our positive impact in 2009 are provided below:

- 3,669 trips in and out of Lexington's Blue Grass Airport, producing \$3.1 million in airfares.
- 3,478 overnight Lexington hotel stays valued at \$365,998.
- 3,390 Lexington car rental days generating \$124,193 in fees.
- Average salary of \$85,000 for Lexington and surrounding area residents.
- More than \$300 million in local wages – contributing nearly \$9 million for local government and public schools.

Corporate Social Responsibility 2009 Report



Human Rights

Human Rights

Lexmark Workforce

Lexmark's worldwide workforce includes regular employees, temporary employees (limited assignments, students and co-ops are included in this number) and contingent workers around the world. Our total worldwide workforce is approximately 16,000, with more than 70 percent employed as regular employees. The complete breakdown by geography follows:

Geography	Regular Employees	Temporary Employees / Contingent Workers
AP	4,312	1,098
EMEA	1,382	622
LA	2,561	537
North America	3,518	1,846
WW Total	11,773	4,370

Equal Employment Opportunity

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

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

Employee Rights

The conventions of ILO, to which Lexmark adheres, aim to promote worker's rights, decent employment opportunities and channels of communication between employees. Other ILO and United Nations Global Compact (UNGC) initiatives include the abolition of forced labor, the freedom of association and protection of the right to organize and the prohibition of child labor are discussed in Lexmark's Supplier Code of Conduct to which Lexmark and applicable Lexmark suppliers are accountable. The Supplier Code of Conduct also discusses Lexmark's policy on Freely Chosen Employment. No Lexmark employees are covered under collective bargaining units. Works Councils are established at certain of Lexmark's European locations. Works Councils, on behalf of employees, require employers to provide company information for review

and to engage in consultation on certain company decisions. Information on the EWC is available at <http://www.etuc.org/r/57>. 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.

Employee Health and Housing Programs

In Juárez, Mexico, and Cebu, Philippines, employees have access to onsite medical care. In the U.S., 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.

Continuing Education and Career Advancement

Lexmark is committed to learning. All employees have access to an online learning library that consists of more than 2,000 offerings as well as defined curriculum paths for jobs as well as leadership profiles.

These numbers are based upon the corporate-level systems that capture employee development activities and do not include formal education paid for in part by Lexmark. Therefore the actual hours listed will be greater than reported in some employee categories.

We strive for continuous improvement at the personal, professional and organizational level. Our employees enjoy extensive internal technical and business skill training, delivered both at the corporate level and through resources within our various business areas. At the corporate level, we offer leadership training and participation in such company-wide development programs as operational excellence and change management.

Learning occurs in traditional classroom settings around the world, but third party and proprietary development is also available 24/7 via i-Learn, Lexmark's worldwide online learning platform. Funding programs for external training vary by location and are also provided to develop employees in their current roles, and to prepare for future roles.

Lexmark encourages professional and personal growth for each employee and supports continued education as a way to help employees become more effective in their current positions through our education assistance programs. Program requirements and benefits vary by location, but provide financial assistance to employees who wish to continue their education by attending undergraduate or graduate courses.

Lexmark's Educational Leave of Absence allows employees with at least two years of regular employment and demonstrated capability and potential to supplement their educational background for their benefit and Lexmark's. Approval is based on the relevance of the study



program to Lexmark's goals and interests, academic and work records and the business needs at the time of the proposed Educational Leave. The duration of an Educational Leave depends on the time required to complete the approved course of study, but is typically no more than four years.



In September 2009, 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 up to 12 hours per calendar year.

Lexmark's transition programs provide information and support for employees separating from the company. Separation packages vary based upon situation and location, but may include separation pay, pre-retirement leaves of absence, career transition assistance reimbursement, access to pre-retirement financial counseling and 180-day free access to a custom course catalog from our online learning partner, ElementK.

All of our 11,773 regular, worldwide employees work with their managers to create objectives that support department, division and company goals. Success criteria are established for each objective. Employees then use a system-based multi-rater feedback tool – and other forms of feedback gathering - to solicit feedback on their performance against their objectives. Eighty-four percent of Lexmark employees participate in this process. The sixteen percent of our employees that do not participate in this process are hourly workers in two plant locations, and do not have access to the system containing the multi-rate tool. These employees use site-specific processes and tools to set and review performance expectations. Managers and employees have performance progress discussions at the end of each performance period.

Employee Category (# of Employees)	Average Training Hours
Executive Vice President (38)	20
Director (183)	34
Manager (1,060)	34
Individual Contributor (10,361)	34

Lexmark Suppliers

Supplier Diversity

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.

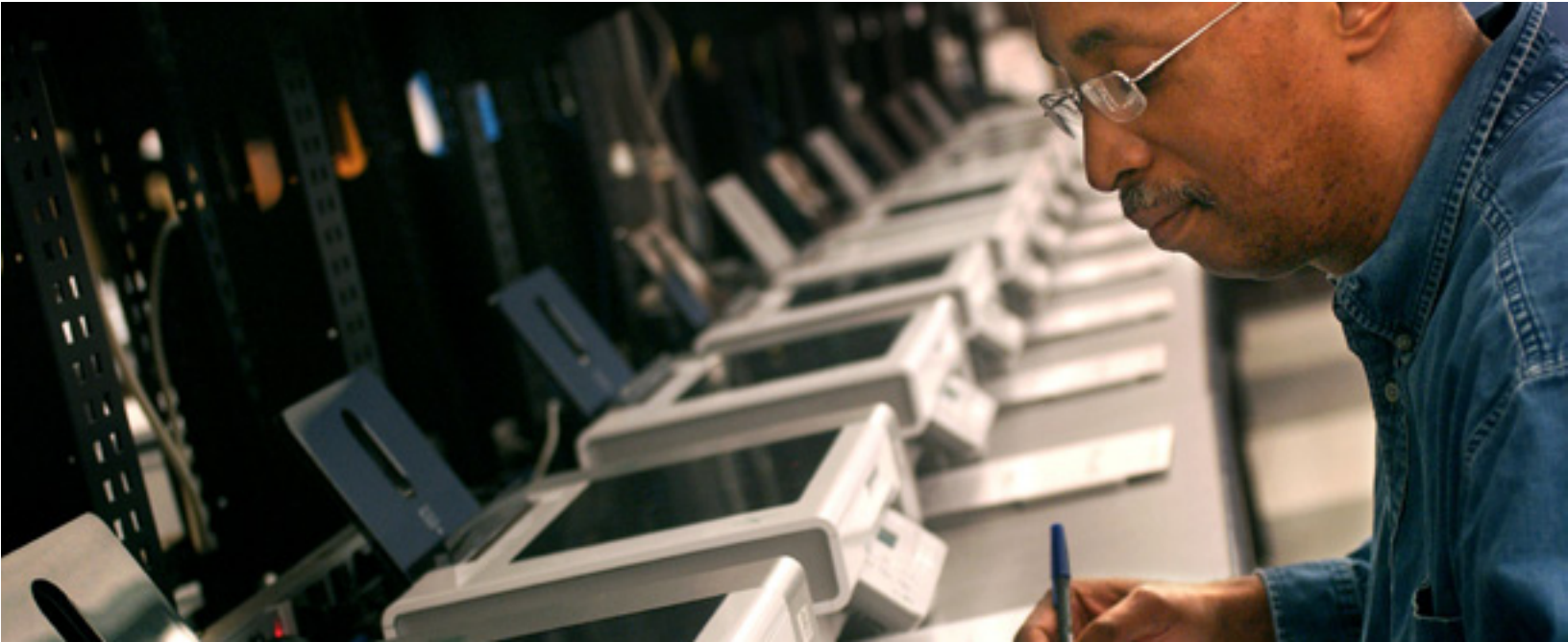


Supplier Responsibility

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.

In 2010, Lexmark plans to initiate a supplier audit program which will reinforce the importance of corporate social responsibility in the supply chain.

Corporate Social Responsibility 2009 Report



Product Responsibility

Product Health And Safety Impacts

Lexmark considers the health and safety impacts of all of its products and services at all life cycle stages including concept development, research and development, certification, manufacturing and production, marketing and distribution, storage distribution and supply, use and service and disposal, reuse and recycling.

A number of these health and safety considerations are mandatory, such as the Organization for Economic Co-operation and Development (OECD) toxicity testing Lexmark completes in accordance with OECD 404, 405, 406 and 423.

Other considerations are based on customer concerns. For example, news coverage of a 2008 study regarding ultrafine particulates concerned some users of laser printers. The study found that laser printers emit particulate in the ultrafine size range. Further investigation revealed that these ultrafine particles were not particles of toner, as originally believed.

Though there are no regulations or standards governing ultrafine particulates to which printer emissions can be compared, Lexmark investigates ultrafine particulates and monitor related studies because this is a concern for our customers.

Lexmark had no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services or the provision and use of products and services in 2009.



Product And Service Information

Lexmark considers the safety and compatibility of our products to be of utmost importance to our customers. To achieve regulatory compliance with worldwide standards and local laws our products are tested in laboratories that are accredited by third party agencies annually. This accreditation ensures that the data collected and the reports submitted for regulatory compliance are obtained

with test facilities and personnel that comply with the relevant ISO standards.

These laboratories are accredited to run tests for certifications associated with regulatory standards/agency marks such as Blue Angel, Federal Communications Commission (FCC), Comité International Spécial des

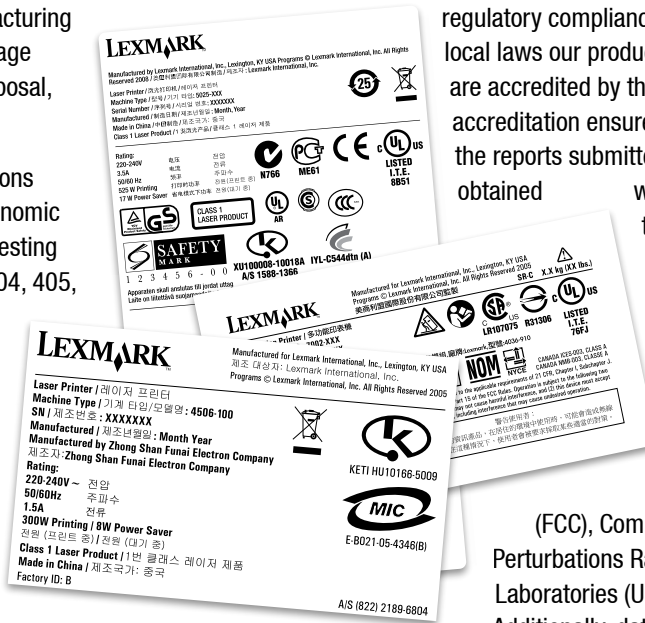
Perturbations Radioélectriques (CISPR), Underwriters Laboratories (UL), Conformité Européenne (CE).

Additionally, data is collected and submitted to regulatory agencies worldwide such as the US Environmental Protection Agency (EPA) and the China Quality Certification Center (CQC) to obtain the mandatory marks for importation to countries worldwide.

To maintain these capabilities, the test equipment in these facilities is calibrated to ISO 17025 / ANSI Z540 standards and tracked for annual calibration with an ISO 9001 database.

This system of certifications is employed by our suppliers worldwide

at a subassembly as well as a finished product level and audited regularly for compliance by the respective agencies whose regulatory marks are applied to each product. Any non-compliances/variation notices issued as a result of these audits are promptly addressed within the required compliance period and resolved prior to future product shipments. Lexmark had no incidents of non-compliance with regulations and voluntary codes concerning service information and labeling in 2009.



Marketing Communications

It is Lexmark's policy to avoid any misstatement of fact or misleading impression in any of its advertising, literature, exhibits or other public statements. All statements made in support of our products and services should be true statements that can be supported to the satisfaction of a reasonable person. In addition, any omission of fact, wrongful emphasis or use of illustrative material that would tend to mislead a reader, listener or viewer is to be avoided. No claim, comparison or other statement of fact should be included in a message without having sufficient evidence to support it. It is the joint responsibility of the Corporate Communications Department representative preparing the message and the person in the business area responsible for the product or service involved to see that all facts are true and properly supported.

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. It is Lexmark's policy to comply with all laws, rules and regulations. Lexmark is organized and its securities are registered, under U.S. law. As a result, its operations are governed primarily by U.S. laws, rules and regulations.

Lexmark operates through subsidiaries, branches and other legal entities in many countries outside the U.S. and is subject to the laws, rules and regulations of those countries and jurisdictions as well. Where there is a conflict between U.S. law and the laws of another country, the issue is to be resolved by management with the concurrence of Lexmark's Legal Department or, in the case of tax matters, the Vice President of Tax.

All investigations by governmental authorities, other than tax matters, are to be managed by Lexmark's Legal Department. Tax matters are to be managed by the Vice President of Tax. Employees are required to contact Lexmark's Legal Department or the Vice President of Tax as soon as possible regarding an inquiry from any governmental authorities or from other parties who have filed, or expressed their intention to file, a lawsuit involving Lexmark.

Lexmark had no incidents of non-compliance with regulations and voluntary codes concerning marketing communications in 2009.

Customer Satisfaction

Lexmark has a corporate vision of "Customers For Life" that indicates how much customers are valued within Lexmark. Dedicated customer experience teams exist within Lexmark with a goal of creating an intentional and valued customer experience, but it doesn't stop with them.

Understanding our customers

Lexmark's survey strategy seeks customer input across the entire customer lifecycle from pre-purchase thru usage and replacement from Lexmark customers as well as our competitors' customers. Customer perceptions of those current products and services are collected and analyzed to drive enhancement to both current and future development efforts. Customer needs-based research is also employed to identify ideas and technologies that have the greatest potential for creating customer value in our future efforts.

Research employed:

- Annual competitive survey of customer loyalty (NPS) and perceptions regarding value, quality, ease of use and service
- Current customer surveys at regular intervals thru the customers' expected lifetime usage of customer loyalty (NPS) and perceptions regarding value, quality, ease of use and service
- Needs based research with our target customer in order to identify customer needs and opportunities
- Pre-purchase research conducted in aisle at retail locations
- Post-service experience surveys
- Customer web panels used to field feedback on new ideas
- Customer testing on ease of use in early product development to drive improvement prior to start of production
- Distributed Fleet Management (DFM)

This broad spectrum of research provided feedback from over 150,000 customers in 2009 alone.



The whole business, from the CEO through each employee, is engaged in understanding and solving customer's needs and concerns. All Lexmark employees have at least one annual performance objective focused on the customer (Customer Focused Objectives). The Net Promoter Score (NPS) has been adopted as a common language used to broadly communicate and set targets for improving customer satisfaction. Lexmark has established a set of repeatable processes which utilize direct customer feedback to improve our products and services, driving a deeper understanding and continuous improvement in customer experience.

At Lexmark, various methods are utilized to regularly connect with, listen to and understand our customers. A worldwide "Customers For Life" annual survey is completed to better understand our customers' perception of us through the use of the Net Promoter Score and the key drivers of loyalty. Lexmark also incorporates surveys at all phases of our customer's experience including 30 days after purchase, 1 year after purchase, post service experiences and on an annual basis with our Managed Print Services (MPS) customers. The Voice of the Customer (VOC) in social media is captured with Mystery Shopper, online panels, industry awards that are reviewed and online web commentary. Finally, Lexmark seeks to improve our newest products with the use of Beta testing with select customers. Each of these VOC methods is incorporated back in the business in the various formal processes, ODI, CLQS, LOS, to ensure that we are listening to our customers and designing products and services that meet their needs.

Customer feedback is crucial but it has to be followed up with formal processes to create sustaining improvement and value for our customers. Lexmark employs formal processes to sustain and enhance current products, design an intended customer experience for future products and focus employees on the customer.

Sustaining and Enhancing Current Products

Closed Loop Quality System (CLQS)

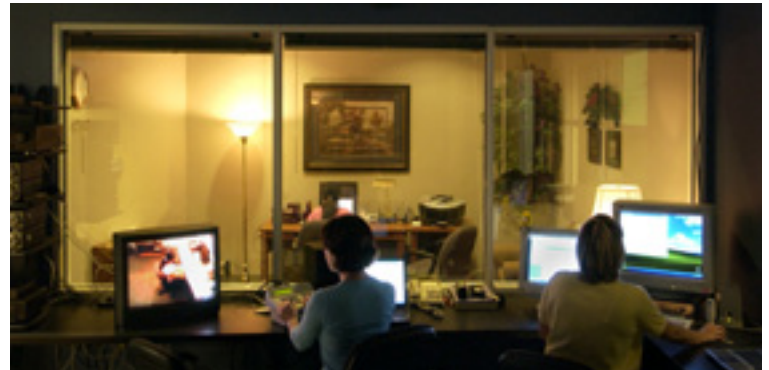
The Closed Loop Quality System is a continuous process that utilizes direct customer feedback to better understand and resolve the negative issues that our customers experience. The individual Voice of Customer (VOC) feedback is combined, categorized by theme and then prioritized taking into account the customer's loyalty and concerns. A cross functional team of value stream leaders addresses each theme using critical problem solving tools. The system is designed to address the immediate issue in addition to improving the processes for prevention of the problem in the future. And finally the system has a Check phase to ensure that the theme has been resolved. The CLQS at Lexmark ensures that our process improvement efforts are focused on the customer and addressing what matters most to them.

Line of Sight (LOS)

The LOS process is based on understanding key customer needs that define a desired customer experience throughout the customer lifecycle (purchase → initial product use → use through life → end-of-life). Customer satisfaction input is regularly collected to understand and measure how the desired customer experiences are being delivered over time. To proactively manage the delivery of these customer experiences, the key internal Lexmark processes that deliver the desired customer experiences are mapped and critical performance targets are set. By managing the performance of the key internal processes, Lexmark is in a position to proactively deliver the desired customer experiences throughout the customer lifecycle.

Design an intended customer experience

Lexmark leverages customer needs based research in innovation processes as a part of the creation of product lines, future technology planning and detailed product and service requirements. These processes include methods to systematically and predictably identify opportunities and then design and evaluate concepts that deliver significant new value.



Product Validation / Usability

During the new product development cycle Lexmark verifies that the product meets all of the specifications, but it goes beyond that to gather indirect and direct input from customers to validate how well the product satisfies their needs. Early in the development cycles Lexmark utilizes an internal team whose goal is to emulate the customer in use of the product. They utilize feedback from current customers to direct their product validation efforts. During this same time period, internal Lexmark customers are recruited to provide early feedback on what the ultimate customer will experience. As the product development cycle continues, future customers are brought into Lexmark and products are sent to their work or home environments to gather specific feedback on the function and usability of the products. These processes provide products that not only meet the specifications but, more importantly, satisfy the needs of Lexmark's customers.

Focus employees

Lexmark employs a worldwide performance program that includes a formal process to assess progress against customer focused objectives. Every employee sets objectives that focus on improving the customer experience. These individual objectives are based on an understanding of how the work they do connects to the customer and aligns with the strategy of their department and the business. Each objective has specific success criteria – the difference that it will make to the customer. We believe that this focus on improvement and innovation will lead to a better customer experience.

In support of Lexmark's vision of "Customers For Life," Lexmark actively pursues customer feedback and then utilizes that important input to continuously improve our products and services through a robust set of processes.

Customer Privacy

The internet has become a major portal for Lexmark and customers to interact. Customers and prospective customers use Lexmark's Web site for a multitude of reasons:

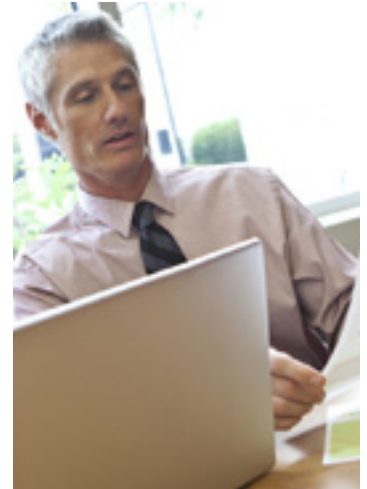
- Research Lexmark products, solutions and service offerings,
- Buy products direct from Lexmark online, or find where to buy them through partners,
- Register a product purchased from Lexmark for warranty purposes,
- Get help for resolving a product issue – unassisted help via the Lexmark Knowledgebase or assisted help from a Lexmark Support Representative.

During these transactions, Lexmark may ask customers for the following personal information:

- First and last name;
- Title and company name;
- Home, billing, or other physical address (including street name, name of a city or town,
- State/province, postal code);
- Credit card number;
- e-mail address;
- Telephone number;
- Online account id and password;
- How products are used in their home or business;
- Whether or not they accept future contact from Lexmark (marketing materials, special offers and promotions, etc)

Lexmark takes very seriously the privacy of personal information provided by our customers. We are happy to report that we have had no customer complaints regarding breach of personal information collected via internet marketing and sales activities.

Prior to October 2009, Lexmark outsourced the web store to a third party channel partner, who administered the store and collected personal information necessary to complete sales transactions. We have also not received any customer complaints for breach of personal information by the third party.



Security of Customer Information

To protect against unauthorized access, misuse, disclosure, or alteration of personal information, Lexmark employs appropriate physical, technical and administrative measures. Physical security is designed to prevent unauthorized access to database equipment and hard copies of documents. Electronic security measures, such as firewalls, access restrictions and encryption provide protection from hacking or other unauthorized access. Lexmark limits access to personal information to those persons in Lexmark's organization, or as agents of Lexmark, who have a specific business purpose for maintaining and processing personal information and data. Lexmark regularly reviews privacy compliance.

If customers feel there has been a breach of their personal data, they can send a complaint to Lexmark via e-mail (privacy@lexmark.com) or physical mail:

Lexmark International, Inc.
Privacy Mailbox
740 West New Circle Road
Lexington, Kentucky 40550

When we receive written questions and concerns at this address, it is Lexmark's policy to contact the individual user regarding his or her concerns. We will investigate and attempt to resolve concerns regarding use and disclosure of personal information in accordance with the principles contained in this statement. Any concern that cannot be resolved through our internal processes will be settled by arbitration administered by the American Arbitration Association (AAA) in accordance with its applicable commercial rules and, as applicable, the Safe Harbor Principles. The exclusive location for such arbitration shall be Lexington, Kentucky.

Lexmark's U.S. privacy policy can be found [here](#).

Corporate Social Responsibility 2009 Report



Society

Lexmark's Impact on our Communities

Where We Do Business

Lexmark owns or leases 7.4 million square feet of administrative, sales, service, research and development, warehouse and manufacturing facilities worldwide. Lexmark operates sales offices in more than 70 countries, three manufacturing centers in Boulder, Colorado; Juárez, Mexico; and Lapu-Lapu City, Philippines, and sells Lexmark products in more than 170 countries.

Lexmark has programs and policies in place that guide our decision making and operations prior to entering a community, while we are operating in a community, and as we exit a community. These programs and policies help to ensure that our impact on the communities we inhabit is positive.

Prior to Entering the Community

Lexmark carefully considers the potential social and environmental impacts of doing business in a particular location prior to entering that community. Lexmark's Corporate Real Estate and Facilities Team conducts assessments of all proposed Lexmark locations, taking into consideration the potential for severe weather such as floods or tornadoes, the general safety of the area as indicated by the proximity, availability, and reliability of police and fire departments and local crime statistics, indications of government volatility, the potential impact of Lexmark operations on local utilities and ecosystems, and a variety of other factors. These assessments are conducted using information gathered during site visits and through conversations with landlords and other area representatives.

Whenever possible, Lexmark chooses to do business in locations that are politically stable and have enacted environmental, safety, and labor regulations that protect the environment and local residents.

Whether Lexmark builds a new building or chooses to lease an already existing building, our preference is to do so in previously industrialized areas. Choosing to operate in previously industrialized areas precludes the deforestation and habitat destruction that comes with building in non-industrialized areas. This choice gives the additional benefit of locating our operations near the homes of our employees, thereby reducing commuting time and distance, and typically increases employee transportation options (walking, biking, public transportation).

While Operating in the Community

Lexmark's presence has a positive financial and social impact on the communities we call home. The patronage of Lexmark and its employees increases business for local utility companies, service providers, restaurants, and retailers. The corporate taxes paid by Lexmark and additional wage taxes paid by our employees support local governments and schools. These impacts are quantified in terms of dollars spent. For example, highlights of Lexmark's economic impact on Lexington, Kentucky, in 2009 are:

- 3,669 trips in and out of Lexington's Blue Grass Airport, producing \$3.1 million in airfares.
- 3,478 overnight Lexington hotel stays valued at \$365,998.
- 3,390 Lexington car rental days generating \$124,193 in fees.
- Average salary of \$85,000 for Lexington and surrounding area residents.
- More than \$300 million in local wages – contributing nearly \$9 million for local government and public schools.

Lexmark's commitment to its local, national and global communities, including contributions of equipment, volunteers and financial support to social organizations, may also be quantified. In 2009 alone, Lexmark donated \$2,159,426.52 and nearly 12,000 hours of service to more than 200 nonprofit organizations or schools to charitable organizations.

Lexmark's positive impacts do not end with those that can be quantified in terms of dollars or hours. Some of our most significant impacts are related to our efforts to effect social change in the communities where our employees live and work.

Lexmark is a global company, and as such, it is our goal to have a highly diverse and inclusive workplace that understands and is responsive to the needs of our customers around the world. Such diversity, while obviously good for the company, can present unique challenges for our employees in the workplace and their families at home. Lexmark recognizes these challenges and we take action to make working for Lexmark a positive experience.

We recognize, for example, that employees who have emigrated may face language barriers, the challenge of dealing with unfamiliar social norms and a longing for their homeland. Lexmark, in conjunction with motivated employees, has developed a number of national origin focused affinity groups. Lexmark's Asian Network Diversity Associates (ANDA) and Hispanic Diversity Network Group (HDNG) were created to help these employees adjust to new cultures while maintaining a link to their past.

Lexmark also recognizes that employees may face challenges related to their gender, sexual orientation, race or color, or religion. It's for this reason that Lexmark also supports affinity groups that are targeted to help female, African-American, Christian and GLBT employees.

Making Decisions to Exit the Community

Over the past several years, business needs, including a changing product portfolio and demand for increased operational efficiency, have resulted in the geographical movement of some Lexmark operations. The obsolescence of a particular type of inkjet cartridge, for example, necessitated the closure of the Lexmark facility in Chihuahua, Mexico, that manufactured that component. This, in turn, created an increased production burden on the Lexmark facility in Cebu, Philippines, that manufactures the new type of cartridge.

Recent plant closures have included the closure of an inkjet facility in Scotland (2006), the closure of inkjet supply manufacturing facilities in Juárez, Mexico (2007,) and Chihuahua, Mexico (2008), and the closure of a circuit assembly facility in Juárez, Mexico (2009). Facility openings and expansions include the ongoing expansion of development and manufacturing operations in Cebu, Philippines, and the construction of a new LEED-certified cartridge recycling and remanufacturing facility in Juárez, Mexico.

These changes have been greatly beneficial to the residents of the geographies experiencing job creation and an increased tax base, but geographies experiencing losses have had to deal with increased unemployment and a decreased tax base. Lexmark does take care to reduce the impact on the geographies that experience losses. When exiting buildings, we ensure that the locations are clean and secure. We make every possible effort to avoid leaving an unoccupied building and we comply with all local laws to ensure that employees and local governments are given notice of imminent changes and assistance in their efforts to secure new employment, in some instances, even offering some non-exempt employees the opportunity to continue their employment with Lexmark at other Lexmark facilities.

While there are no standard metrics that can be used to gauge the effectiveness of these efforts, we have seen evidence that these efforts have mitigated negative impacts.

Lexmark's inkjet facility in Chihuahua, Mexico, was purchased by a developer who went on to lease this facility to a manufacturer. In transitioning this property to another manufacturer, Lexmark ensured that the existing building was not left unoccupied and the new occupant offered employment opportunities to laborers in the area.



When leaving an area, Lexmark is proactive in assisting employees in finding new employment in their community. Partnership Action for Continuing Employment (PACE), the Scottish Government's national strategic partnership framework for responding to redundancy situations, had the following to say of Lexmark in regard to the closure of the Lexmark facility in Scotland:

"Lexmark has been in Rosyth for ten years and employed some 700 staff in the production of printer cartridges. Due to a down turn in demand and company restructuring the decision was reluctantly taken to close the Rosyth operation.

From the outset, Lexmark was extremely proactive and, prior to meeting the representatives of the PACE team, had set up a well resourced Job Shop...

Due to the publicity over the closure and successful marketing by both Lexmark Job Shop staff and Jobcentre Plus, employees were made aware of over 1500 vacancies. These covered a wide spectrum of opportunities including engineering, call centre work and care vacancies."

(link)

Lessons Learned

As Lexmark traverses each step in the business process, we take what we have learned and apply that knowledge to future engagements. The environmental screening tools and checklists used by Lexmark's corporate real estate and Facilities teams have been recently updated with new guidance criteria to ensure that Lexmark sites are as energy efficient as possible from the start.

Financial and In-Kind Contributions

Political Contributions and Lobbying

Lexmark is committed to transparency in its political dealings and relationships. No financial or in-kind political contributions have been made in non-U.S. countries where we do business or at the U.S. federal level. On the rare occasion that state-level contributions may be made, they are reviewed and approved through a rigorous process and must be approved by the Chief Executive Officer.

Commitment to Corporate Giving

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. Lexmark applies the same standards of excellence to its contribution and community support activities that it demonstrates in all business practices.

2009 U.S. Charitable Giving	
Lexmark Scholars Academic scholarships to employee dependents in the U.S.	\$120,000.00
United Way U.S. employee pledges of cash and in-kind gifts totaling more than \$1 million, including Lexmark's \$206,000 corporate contribution, once again made it the largest supporter of United Way of the Bluegrass.	\$1,200,000.00
Other cash and equipment donations	\$839,426.52
Total giving	\$2,159,426.52

Policy on Political Contributions and Lobbying

Lexmark will make contributions or provide other forms of support to a political party, committee or candidate only when permitted by law and approved by the Chief Executive Officer. On the rare occasions that Lexmark makes political contributions, they are reported to the appropriate state or federal political / ethics authorities and published on their respective websites.

Commitment to Volunteerism

Lexmark places special emphasis on programs utilizing the time and talents of its employees as volunteers.

United Way – Lexmark not only supports the United Way through charitable giving, but also encourages employee volunteerism. During 2009, nearly 285 Lexmark employees volunteered 1868 hours to the United Way. Employees completed 35 community service projects in Boulder, Colorado, and Lexington, Kentucky.

Employee Volunteer Time - Lexmark's paid Volunteer Time Off Program for all regular U.S. employees generated more than 10,000 hours of service to more than 200 non profit organizations and schools.

Habitat for Humanity – In 2009, more than 200 employee volunteers built a two-story home in a record eight weeks, which was sponsored by Lexmark. Over the past several years, Lexmark employees have built 13 homes in Lexington, Kentucky, with Lexmark paying for the materials to construct 11 homes.

Commitment to Education

University of Kentucky – Lexmark contributed nearly \$90,000 in 2009. This included a cash contribution to the UK Administration Building, completing the five-year commitment totaling \$500,000.

Junior Achievement – During the 2008-2009 school year, Lexmark sponsored courses at its adopted school, Johnson Elementary, with close to 50 employees volunteering to teach business and economics courses at this and other Fayette County Public Schools.

Lexmark Teacher's Institute – Lexmark sponsored the weeklong institute which pairs 60 K-12 teachers of science, technology, engineering, math (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 learn about how business works and what students must do to compete in the real world.

Substitute Teaching Initiative – Using the three days of volunteer time off, Lexmark employees are matched with a teacher in one of the STEM fields to provide teachers the opportunity to pursue professional development and provide significant teaching opportunities for the 30 Lexmark volunteers.

Partnership for Successful Schools – 22 One-to-One Reading coaches at Booker T. Washington Academy contribute one-half hour each week to help students achieve higher reading scores. The students achieved a 50 percent increase in their reading levels as a result of the personal attention.

Big Brothers Big Sisters – The Corporate Mentoring Partnership at Deep Springs Elementary matches 20 Lexmark employees to students for one hour each week for improved self esteem, social skills and interaction.

Tubby's Clubhouse/Dell TechKnow – The Dell TechKnow program is a 40-hour, after-school initiative in which students learn about computers and software applications through hands-on activities. Five Tubby's Clubhouses in Lexington, Kentucky, offer the program and Lexmark provided support through in-kind gifts. Nearly 800 middle-school students have graduated from the program to date, with each graduate receiving a Lexmark printer

Commitment to Diversity

Lexmark strives to value and respect the individual differences of its employees, customers and business partners. Embracing our differences will make Lexmark a more competitive company and a better place to work. Lexmark supports a variety of programs within the company as well as in the communities where its employees live and work. A few of the diversity initiatives for 2009 include:

Martin Luther King Jr. Day – Lexmark sponsored the annual Unity Breakfast in Lexington, Kentucky. Lexmark also sponsored a diversity-related community event at the public library in Boulder, Colorado.

Girls Go Tech – Lexmark supports Girls Go Tech, a Girl Scouts violence prevention program focused on encouraging disadvantaged girls to become interested in math, science and technology. More than 250 girls have benefited from this program. Student participation allows them to achieve their science badge.

The GEM Program (National Consortium for Graduates Degrees for Minorities in Engineering and Science) - The National GEM Consortium Program is an annual program that promotes the growth and support of minority graduate students in engineering and science fields. Lexmark is an active participant in the GEM Program and currently hosts 13 students per summer, making it the third largest sponsor of GEM students nationwide.

Technical Rotation Leadership Program - The Rotational Program is a leadership program for entry level Bachelors and Masters Level graduates. The program allows Lexmark to develop young and innovative talent from all backgrounds.

Women Leading Kentucky – Lexmark was a platinum sponsor of the Women Leading Kentucky Women's Business and Leadership Conference in Lexington, Kentucky. Women Leading Kentucky is a coalition of men and women committed to creating business and leadership opportunities for women.

Women in Engineering Career Day - Fayette County Public Schools and Lexmark hosted nearly 100 high school girls and Women in Engineering Career Day. Thirty Lexmark engineers showcased their talents and educated the youth about careers in their field during National Engineers Week. Lexmark also works closely with the local chapter of Society for Women Engineers (SWE) and has significant representation among its employees.

No Child Left Offline – In partnership with ConnectKentucky, Lexmark continues to support this innovative project to help all Kentucky households join the Information Age. Students in Eastern Kentucky counties who did not have computer hardware in their homes received a refurbished state government computer, Lexmark printer and one year of free Internet access.

Global Reporting Initiative (GRI) Index

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	EC8	Finance and Economics	Partial	43-45
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Global Reporting Initiative (GRI) Index

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