

# Supply Chain

## Responsibility

At Lexmark, we work closely with our suppliers to ensure that our products and services have a positive impact on people, communities and the environment. We choose suppliers who share our vision of corporate citizenship and agree to conform to Lexmark's expectations and standards. We monitor the performance and compliance of our suppliers by analysing on a regular basis their social, environmental and economic data.

Our membership and participation since 2009 in the Responsible Business Alliance (RBA) has further strengthened our organisational efforts in support of human rights, labour standards and other corporate social responsibility values. Lexmark has adopted and actively pursues conformance to the [RBA Code of Conduct](#) supplemented by the [Lexmark Supplier Code of Conduct](#).

### Compliance with the Lexmark Supplier Code of Conduct and RBA

Lexmark's Supplier Code of Conduct defines our expectations for suppliers regarding ethical behaviour, sustainable environmental practices and protection of the health, safety, dignity and fundamental rights of all workers. Lexmark's contracted suppliers have committed to comply with a required supplier code of conduct. The Lexmark Supplier Code of Conduct is based on the following standards:

- RBA Code of Conduct
- United Nations (UN) Global Compact
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights and UN connected conventions
- ILO Declaration on Fundamental Principles and Rights at Work
- OECD Guidelines for Multinational Enterprises

In accordance with RBA guidelines, Lexmark will be conducting third-party VAP audits for each of the Tier 1 final hardware assembly suppliers as per the following table:

Tier I Final Assembly <sup>1</sup> - RBA VAP Audit Schedule			
Tier I - Final Hardware Assembly Count	2021 Completed Audits	2022 VAP Planned Audits	2023 VAP Planned Audits
4	0	4	4

<sup>1</sup>Tier 1 Final Assembly is defined as the final production site for hardware devices and where the product is considered to be a finished good.

### Supply chain responsibility programme at Lexmark

The Lexmark Vice President of Global Supply Chain and Planning is the senior person responsible for delivering on our environmental, social and governance (ESG) objectives. At the operational level, the management of Global Sourcing and Supplies Operations has responsibility for implementing the ESG objectives.

Lexmark procurement staff have received training on ESG issues related to our procurement processes. Lexmark procurement personnel also have access to a database of supplier information that includes the suppliers' ESG commitments, as well as their performance metrics. All Lexmark staff who engage with suppliers are expected to consider the ESG impacts of engaging with a supplier prior to entering into a relationship with the supplier.

Sustainability is integrated with the Lexmark supplier selection and retention processes. Lexmark provides incentives for suppliers to adhere to RBA guidelines by offering long-term contracts, collaborating on production volumes, consolidating suppliers and partnering on development projects.



The [RBA Code of Conduct](#) sets forth performance, compliance, auditing and reporting guidelines across five areas of social responsibility.



## Locations

Lexmark sourcing teams are encouraged to select suppliers that are near the location where their products will be used - such as near a manufacturing location - when possible. The use of locally based suppliers is both environmentally and financially preferable, resulting in positive local impacts.

Lexmark supplies are strategically produced in local economies near our customers. We produce supplies in Poland to meet the needs of our customers in Europe. Lexmark sources supplies for Asia Pacific from China, and our manufacturing plant in Mexico produces hardware and supplies for Latin America and North America. Manufacturing products regionally near our distribution centres not only allows our customers to receive needed supplies faster, it also provides an opportunity for our customers to recycle their end-of-life hardware and supplies closer to home.

### Critical suppliers

Critical suppliers account for a significant percentage of Lexmark total procurement spending. Based on 2021 spending, the 158 critical suppliers make up about 39% of our purchases.<sup>2</sup>

## Accountability

To better understand corporate social responsibility (CSR) risks in the supply chain, Lexmark analyses the spending behaviour of that chain, evaluating basic information (total number of suppliers, geographical spread, and so on), as well as social and environmental aspects, such as supplier diversity and environmental factors. Potential and new suppliers undergo a CSR assessment on sustainable procurement issues. These assessments are conducted with data collection tools specialising in supply chain analyses.



### Our spending analysis process

Over the last eleven years, 100% of Lexmark procurement spending was subject to our spending analysis process. Through this process, we have identified critical suppliers - our high-volume, high spending suppliers, suppliers of critical components and unique or sole source suppliers. Lexmark has over 5,200 suppliers, 3% of which have been identified as critical.<sup>1</sup>

### Risk management

Less than 1% of our suppliers are determined to be high risk. Based on how critical the risk is, Lexmark conducts a deeper analysis of economic (cash management), environmental (weather related) and social (war and political instability) risk factors. Lexmark's supply chain organisation continually monitors and leverages proactive forecasting methods to ensure that the supply chain is resilient and can meet demand for its products, services and markets served. These monitoring activities may also include accessing potential risk factors to downstream and upstream impacts across the value chain.

Social responsibility risks are managed in part through the RBA Code of Conduct. This code prescribes best practices related to environmental performance in operations, human rights (forced or child labour, freedom of association, International Labour Organization conventions), working conditions (working hours, layoff practices, remuneration), occupational health and safety and business ethics (corruption, anti-competitive practices). To improve business practices and assist companies in identifying risks and driving improvements, self audits and site audits are conducted in conformance with the RBA Code of Conduct, laws and regulations.

### Demonstrating improvement

Lexmark requests information from its suppliers to determine their policies and principles that protect the environment and promote social responsibility. We encourage suppliers to demonstrate continual improvement through the completion of the RBA Self-Assessment Questionnaire (SAQ) or Lexmark Supplier Sustainability Questionnaire.

100% of Lexmark Tier 1 final assembly suppliers have undergone a CSR assessment and received a risk assessment from their response in 2021. 100% of Lexmark Tier 1 suppliers have received third-party on-site certifications of their environmental or social practices in 2021 with third-party and internal audits planned in 2022. Lexmark has four Tier 1 final assembly hardware suppliers worldwide, each of which provides progress towards yearly goals and improvements towards environmental and social practices.

Supplier questionnaires provide us with greater understanding and transparency of the CSR initiatives of the key suppliers of goods and services that support our operations. Questionnaire input creates ongoing discussions between Lexmark and its suppliers so that we can document our progress on environmental and social initiatives, and helps us to explore how we can improve as responsible corporate citizens.

### Conflict minerals

Lexmark is committed to responsible global sourcing of the minerals in our products. As a member of the Responsible Business Alliance (RBA), we perform due diligence to reasonably assure that conflict minerals (tantalum, tin, tungsten and gold) and cobalt in the products that we manufacture do not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of the Congo or an adjoining country. Lexmark is also a member of the [Responsible Minerals Initiative \(RMI\)](#). RMI's tools provide Lexmark with guidance in responsible mineral sourcing in our supply chain.

As part of its responsible sourcing efforts, Lexmark conducts a country of origin enquiry to determine whether a conflict mineral originated in the Democratic Republic of the Congo or an adjoining country. Lexmark, as well as its subcontractors and suppliers, discloses its reasonable country of origin enquiry about the tin, tungsten, tantalum, gold and cobalt used in the manufacture of Lexmark products. Lexmark also requires a [due](#)

[diligence](#) declaration identifying the list of smelters used within a supplier's supply chain. This information must be submitted along with the supplier's due diligence process. Suppliers must report the results using the RBA template, or similar Lexmark-approved template. Click [here](#) for the Conflict Minerals Report of Lexmark and click [here](#) for the Cobalt Report. Lexmark will begin reporting cobalt and mica under RBA guidance with the revised and combined [EMRT format](#) in 2023.

### Human trafficking and slavery

Lexmark has implemented the following practices to prevent human trafficking and slavery. Our practices and procedures uphold the human rights and labour policies and principles in our supply chain.

- Standards - Lexmark upholds and respects international human rights standards that promote workers' rights, fair employment opportunities and open channels of communication.
- Verification - Lexmark inspects for compliance through supplier assessments, operation reviews, risk management and third-party audit systems.
- Audit - Lexmark monitors and audits its facilities and selected partners' facilities by questioning about labour and human rights policies and procedures to ensure that forced, bonded, trafficked, slave or involuntary prison labour is not being used.
- Training - Lexmark provides training on the RBA Code of Conduct to employees in procurement who have direct responsibility for supply chain management.
- Accountability - Lexmark suppliers are required by contract to operate in full compliance with laws and regulations, including those regarding human trafficking and slavery in countries of operation or where products are distributed.

For more details, read our [Human Trafficking and Slavery Statement](#).

<sup>1</sup>Critical suppliers produce goods and/or services critical to Lexmark operations, require more than 3 months to qualify and/or switch to a new supplier, and for indirect material, over \$1 million in spend.

## Diversity

Lexmark strives to encourage and afford opportunities to minority suppliers. The Lexmark Supplier Diversity Programme is founded on Lexmark values of mutual respect, corporate citizenship and integrity. Diverse businesses make up a vital segment of the economy and, therefore, supporting diverse businesses is advantageous to our financial performance and our community.

Our global sourcing efforts with veteran-owned small businesses helped Lexmark to earn the distinction of a Military Friendly Employer for the sixth year in a row and placement on the Military Friendly Supplier Diversity Program list. This recognition resulted from a leading survey by Victory Media that recognises companies with the strongest job opportunities and best-in-class hiring and retention programmes for transitioning service members and spouses seeking civilian employment. Click [here](#) to view our supplier diversity ratings based on our efforts to create sustainable and meaningful benefits for the military community.

### How the supplier diversity programme works

Lexmark sets goals annually to increase contracting opportunities for eligible minority suppliers. These goals are reviewed to determine if they are attainable and represent a meaningful contribution to the Lexmark supplier diversity programme. Lexmark employees are encouraged to take an active role in supporting the supplier diversity programme by ensuring that diverse-owned vendors are encouraged and given an opportunity to do business with Lexmark.

### What we buy

- Construction: New work, additions, alterations or maintenance and repairs services
- Manufacturing: Packaging, moulded plastics, chemicals
- Printing: Labels, business cards
- Office Supplies: Furniture, office supplies
- Consulting/Professional Services: Photography, translation, environmental consulting services
- Professional Equipment: MRO/Lab supplies
- Administrative Services: Facilities support services, temporary staff services
- Educational Services: Instruction and training services

### Who is eligible

- All Small Business (including ANCs and Indian Tribes)
- Small Disadvantaged Business
- Women-Owned Small Business
- Veteran-Owned Small Business
- HUBZone Small Business
- Service-disabled Veteran-Owned Small Business
- LGBTQ-Owned Small Business

### Programme requirements

- Certification by a third-party agency
- The company must be at least 51% owned and operated by a United States citizen who is a member of one of mentioned groups

### Business trade organisations

Lexmark is a member of DiversityInc and sponsor of the Lexington, Kentucky, Chamber of Commerce and Minority Business Expo.

### Diverse supplier registration

Click [here](#) for the Supplier Registration Form. Email the completed form to [supplierdiv@lexmark.com](mailto:supplierdiv@lexmark.com). These data will be used to provide a list of diverse suppliers to the appropriate Lexmark decision-maker.

Our vision is to create strategic partnerships with qualified, socially responsible and diverse suppliers. We believe this provides us the greatest opportunity to develop innovative and cost-effective business solutions and at the same time, strengthen our company, customers and community. Supplier diversity brings different strengths and values and a competitive advantage for our company.



**Michelle Rawlings**  
Vice President, Product Lifecycle Management, Lexmark

<sup>2</sup> Direct material critical suppliers are those which require more than 3 months for Lexmark to qualify and/or switch to a new supplier. Indirect material critical suppliers are those with whom Lexmark spent more than \$1,000,000 USD in the previous calendar year and in addition, which require more than three months for Lexmark to qualify and/or switch to a new supplier.