

CORPORATE RESPONSIBILITY

2010
REPORT



.....
AT THE SPEED OF IDEAS™

Alcatel-Lucent 

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This annual Corporate Responsibility (CR) report covers our performance for the year 2010, and includes additional information from early 2011. Unless otherwise stated, performance data concerns all of our global operations. The report represents a consolidation of our CR activities worldwide, with a particular focus on key achievements and future objectives. We have aimed to be factual and to the point, using concrete examples to illustrate some of our achievements.

This document is intended for all of our stakeholders – customers, investors, employees, analysts, media, suppliers, government and nongovernmental organizations and citizens. It is an important element in our overall public reporting policy. Alcatel-Lucent has been publishing annual Corporate Social Responsibility reports since 2002.

We have prepared this according to the principles of the **United Nations Global Compact** (see page 30) and the sustainability reporting guidelines of the **Global Reporting Initiative** (GRI) (see pages 98 to 104). Following GRI review, it has received a GRI Application Level Check Statement B+.

This report has also been subject to an independent review process by **Ernst & Young**. The full scope of their review and conclusions can be found in their Independent Verification Statement on page 105.

For environmental reasons, this document will not be printed. For the third consecutive year, it is available only on-line, along with regularly updated information on Alcatel-Lucent's CR activities and performance, at **www.alcatel-lucent.com/csr**. General information about Alcatel-Lucent's strategy, business and financial performance is available in the Alcatel-Lucent annual report, the *Document de Référence 2010*, 2010 Annual Report on Form 20-F and Additional Information 2010, all of which can be accessed at **www.alcatel-lucent.com/investors**

We welcome your feedback, suggestions and questions. Please contact us at **sustainability@alcatel-lucent.com**

● This report is interactive, enabling you to easily navigate from one section to another.

● The content summary and the navigation bar on the left side of each page are available to facilitate your reading.

● Be eco-friendly, think of the environment before printing this report.



//WEBSITE

This means that you can find more detailed information on internet.



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This shows that the highlighted indicator or qualitative assertion has been reviewed by Ernst & Young as part of the independent assurance process for 2010.

1. MESSAGE FROM THE CEO

MESSAGE

BEN VERWAAYEN, ALCATEL-LUCENT CEO



The world faces many tough challenges, and three we can have the most impact on are climate change, inclusion and the transformation to digital economies.



Corporate Responsibility is a business imperative for Alcatel-Lucent, just like meeting the expectations of our customers and our investors. For that reason, each year we issue a report disclosing our Corporate Responsibility results, just as we issue one on our financial results. The fact is, for more and more of our customers being a good, active corporate citizen is one of the criteria they use when making a buying decision, and that alone makes it an issue for investors as well.

That sensitivity makes sense. A rational business person wants to do business only with those companies that operate with integrity and strive to do the right thing at all times. They want to do business with companies whose products and services help make the world better for all people, are able to respond effectively to global challenges with bold new thinking and achieve meaningful business results. As our Corporate Responsibility report for 2010 shows, we are meeting those expectations, as we come into the final year of our three year transformation plan.

The world faces many tough challenges, and three we can have the most impact

on are climate change, inclusion and the transformation to digital economies. I am particularly proud of the work we are doing in the area of protecting our planet. We are well on our way to meeting our 2020 goal of halving our greenhouse gas emissions. But more important are the revolutionary technologies and broad stakeholder approaches we are developing to build more sustainable networks for our customers and how we are helping them develop strategies to cut their own carbon emissions.

We also are ensuring more people have access to the digital economy – that is the essence of our business. Through our innovative products and services, and approach, we are enabling access to the world's best communications and information technology in ways that are affordable, sustainable and ultimately inclusive.

But as this report shows, it is about more than technology development. Digital economies already benefit those of us in the developed world, but we need to take steps to ensure the inclusion of those in the developing world as well. The Alcatel-Lucent Foundation funds programs that help young people in

disadvantaged communities acquire the life skills they need to secure good careers and become contributing members of their communities. Our employees donate their time to help others in their communities across 40 countries.

We also are investing in our own employees and leveraging the advantages our diverse employee population gives us. We are giving them tools to help them develop their talents and broaden their career opportunities regardless of where they are located around the globe.

Lastly, compliance was an issue for us as we dealt with activities that took place several years ago. As you will see in this report, we have taken steps to make sure it isn't anymore, with training, rigorous audits and an absolute zero tolerance policy toward any violations of our policies. We only do business with partners, suppliers and contractors who share and support our values.

We are part of a global community. We know we need to bring value to those communities in which we live and work in new ways. We do that through the innovative products, solutions and services we deliver, by working with other responsible partners and by making the principles of a responsible company part of our culture and our day-to-day behavior. As you read through this report, I think you will see we are doing just that.

Ben Verwaayen

Watch the video

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2. CORPORATE RESPONSIBILITY COMMITMENTS

2.1 OUR COMMITMENT TO CORPORATE RESPONSIBILITY

Alcatel-Lucent views corporate responsibility as a business imperative that plays a critical role in transforming our company into a strong, innovative and profitable market leader in today's global economy. We will win in the marketplace, by helping our customers and communities solve some of the world's most pressing environmental, economic and social challenges. Operating in a responsible manner is an investment in our long-term success.

Our commitment:

1. Continue to lead the industry in developing and deploying globally recognized innovation in eco-sustainable communications technologies that enable our customers to compete and win in a world facing increasing environmental challenges and resource constraints. We seek, with the GreenTouch™ Consortium initiated by Bell Labs, to make communications networks 1000 times more energy efficient to drastically reduce any negative impact our industry has on the environment.

2. Realize the potential of a connected world and tackle rural inclusion by developing and deploying affordable communication solutions that will help increase access to education, communication and socio-economic development to the world's citizens in a sustainable manner. This will change the way billions of people live and work, help improve the quality of life around the globe and open the world's talent to new opportunities.

3. Inspire our own talent and human capital to be best in class while reflecting the diversity of the markets we serve and the communities in which we operate. We will ensure our employees work in a stimulating environment of continuous knowledge building while fostering open dialogue with innovative tools to share learning.

4. Take a zero-tolerance stance on compliance violations and reinforce full integrity in every business action from every employee, as well as treating each other with **respect and empathy**.


5. Collaborate and do business only with partners, including suppliers, contractors and sub-contractors, who share and support our values. We commit to regularly and thoroughly assessing their CR performance and partnering to ensure improvement.

We embed Corporate Responsibility (CR) in every part of our business by:

- Dramatically reducing greenhouse gas emissions – our own, our industry's and those of other sectors;
- Making environmental, economic and social responsibility integral to the way we operate;
- Fully engaging as citizens of the communities where we do business.

Our commitment demands radically different thinking and creativity from all of us.

Tools, resources and experts are available throughout Alcatel-Lucent to meet this challenge and share expertise. To know more about our CR objectives, visit our online dashboard.

 [Read more](#)

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2. CORPORATE RESPONSIBILITY COMMITMENTS

2.2 CORPORATE RESPONSIBILITY (CR) MANAGEMENT

Corporate Responsibility Council

The Corporate Responsibility Council is the highest-level CR management body within Alcatel-Lucent. Chaired by CEO Ben Verwaayen, the council counts eight members, including senior executives, members of the Management Committee and CR Department and two outside experts. The CR Council meets four times a year. It sets CR priorities and goals, tracks progress, advises on key CR strategy issues, provides perspective on potential risks and opportunities and makes recommendations to the Management Committee on emerging and critical sustainability issues.

Corporate Responsibility Operations

The Corporate Responsibility Department defines and drives implementation of the company's CR strategy and initiatives worldwide. It is responsible for consolidating all the social, economic and environmental indicators used to monitor progress.

CR operations throughout the Group are handled by the members of the Corporate Responsibility Network. Network members come from a dozen different entities, including the Alcatel-Lucent Foundation, Environment, Health and Safety, Bell Labs, Public Affairs, Human Resources, Office of Business Conduct, Corporate Communications, Risk and Crisis Management, Governance and Purchasing. ✓

CR network members are responsible for:

- Helping define, manage, implement and be held accountable for CR action plans in their respective domains of expertise;
- Ensuring CR messages and actions are in line with the Group's overall CR strategy, current global challenges and customer business imperatives;
- Serving as ambassadors of Alcatel-Lucent's CR strategy internally and externally.

World Economic Forum

Our strategic relationship with the World Economic Forum (WEF) was integrated into the Corporate Responsibility function in early 2011. To continue building on our strong executive corporate engagement with the WEF, in early 2011 we designated specific Alcatel-Lucent members from diverse functions to act as WEF correspondents. Each will be held accountable for our representation and relationships within various WEF workgroups, communities and regional events. The initial members of this WEF network are from all three world regions and as well as Bell Labs, Public Affairs, Marketing, Strategy and Communication. They will work closely with our executive leaders and Corporate Responsibility group to maintain our proactive engagement on "improving the state of the world".

2011 Sustainability Yearbook

Alcatel-Lucent was selected for inclusion in The Sustainability Yearbook 2011 by the SAM (Sustainable Asset Management) sustainability investment group. The yearbook includes the top-scoring 15% of the world's largest 2,500 companies in each of 58 sectors. **Alcatel-Lucent was named "SAM Sector Mover,"** which is awarded to the company that achieved **the biggest proportional improvement in its sustainability performance compared with the previous year. The Group was further selected to the SAM Silver Class**, a distinction awarded to SAM Sector Leaders with a total score of 70-to-75%.



The Group's CR commitment, policies and achievements were further recognized at the beginning of 2011 as Alcatel-Lucent continues to be a member company of the **FTSE4Good index**. The index lists companies that meet globally recognized corporate responsibility standards.



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2. CORPORATE RESPONSIBILITY COMMITMENTS

2.3 CR CHALLENGES AND COMMITMENTS

CHALLENGES	2010 COMMITMENTS	TIME FRAME	2010 STATUS
ETHICS AND COMPLIANCE see page 19	Data privacy plan to be executed	2010	✓ The Alcatel-Lucent Data Privacy Plan, developed in 2009, was substantially implemented over the course of 2010.
	All employees complete the Ethics and Integrity Training Course.	2010	✓ At the end of 2010, 84% of employees had completed Ethics & Integrity Overview training. At the date of publication of the CR report, the company was at 93%.
REDUCE THE IMPACT OF OUR PRODUCTS ON THE ENVIRONMENT see page 45	Improve the functional energy efficiency of key products* by at least 20% by 2010 compared with 2008. *New or recently developed products on an upward curve of their life cycle.	2010	✓ Alcatel-Lucent met this objective for its key products - with many products significantly exceeding this target value.
	Include carbon footprint information in the eco-declaration for new product families, starting in 2010.	2010	✓ Alcatel-Lucent met this objective for its new product families introduced starting in 2010. The Group developed a unique and efficient process for providing this information in product eco-declarations, and is leading an industry effort (through INEMI and WRI / WBCSD) to standardize the methodology.
	Expand product remanufacturing operations globally by an additional 20% compared with 2009 as an eco-alternative to disposal/recycling.	2010	✓ Alcatel-Lucent exceeded this objective. As of the end of 2010, we increased by an additional 21% the number of product families being remanufactured in our operations.
REDUCE OUR CARBON FOOTPRINT see page 55	Reach a 10% reduction in CO ₂ emissions from facilities compared with the 2007 CR-reported baseline by the end of 2010.	2010	✓ Exceeded - Alcatel-Lucent exceeded this objective by achieving a 15% reduction in total CO ₂ emissions one year earlier than projected.
	Reduce our absolute carbon footprint (CO ₂ equivalent) by 50%, of 2008 baseline, by 2020.	2020	► On target - as of the end of 2010, Alcatel-Lucent reduced the carbon footprint from its facilities by 15%, of 2007 baseline, and reduced the entire corporate carbon footprint from all operations (scope 1 and 2) by 8%, of 2008 baseline.
OUR PEOPLE see page 66	Continue tracking transformation progress with internal pulse checks.	2010	✓ In total, 46,761 employees representing all business-lines, regions, and central functions participated in 2010.
	Continue simplifying and standardizing HR processes by deploying MyHR Information System worldwide. Systems and tools support business needs and contribute to the achievement of organizational efficiency and effectiveness.	2011	► Continuing - Deployment in 18 new countries during 2010, for a total of 35.
	80% of our high-potentials changing position within 3 years.	2011	► Continuing - While the company has engaged a deep and global effort optimizing Alcatel-Lucent leadership profile and leadership pipeline management. By end 2010, 62.84% of high potentials have changed position within three years. ✓
	Triple the number of employees that complete professional certification, with impact on overall skill development and employability.	2011	► On target - In 2010 Alcatel-Lucent's People@ALU global training and certification framework has been successfully finalized and launched targeting most critical businesses and competences in the group. Global extension planned for 2011.
PHILANTHROPY ALCATEL-LUCENT FOUNDATION see page 78	Implement a way to measure the effectiveness of the funds the Foundation invests in each program it supports around the world.	2010	✓ Achieved - New Monitoring and Evaluating system designed and in place for any future programs.
	Further foster the spirit of employee volunteerism across the company.	On going	► Continuing - Under Foundation aegis, some 7,500 employees donated 46,000 hours of their time to contribute to more than 200 projects in 40 countries.
	Implement an efficient tool to track and measure volunteerism across the company.	2010	✓ Achieved - Enablon system in place and was operational for the 2010 International Days of Caring campaign as well as ongoing volunteer activities in 2010.
SUPPLY CHAIN see page 85	Ensure that the CR practices of all of our key* and preferred** suppliers are assessed for meeting expectations. *Key suppliers are defined as major and strategic suppliers for Alcatel-Lucent. **Preferred suppliers correspond to the preferred sources for a given purchasing family that should be considered first for all new developments.	2010	✓ Alcatel-Lucent is about to achieve its goal, set in 2008, of assessing all "key" and "preferred" suppliers by the end of 2010. In early 2011, 97% of key and preferred suppliers had been rated on CR.
	Build on the environmental pilot results to broaden the program to other internal use sectors and installation projects procurement.	2010	✓ The program has been broadened to other CR topics (social, health and safety, ethics) and objectives for 2011 have been defined.
	Establish a systematic improvement program with suppliers assessed below satisfactory ensuring that by the end of 2012, 80% of the active suppliers assessed on CR are satisfactory or above and action plans are in place for the remaining 20%.	2012	► Continuing - current figure is 53%.

✓: target reached

►: in progress

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2. CORPORATE RESPONSIBILITY COMMITMENTS • 2.3 CR CHALLENGES AND COMMITMENTS

CHALLENGES	COMMITMENTS FOR THE COMING YEARS	TIME FRAME
ETHICS AND COMPLIANCE see page 19	[NEW] Public reporting of statistics related to breaches of the Group's Code of conduct.	2011
	[NEW] Privacy and Data Protection program audited externally by PwC in 2009. The Group will be undertaking audits in 2011 to follow up on these recommendations.	2011
	[NEW] Include ethical behavior considerations in the 2011 performance management process.	2011
	[NEW] Target 100% participation in the employee review and acknowledgement of the Alcatel-Lucent Code of Conduct.	2011
	[NEW] Target 100% of People Managers for ethical leadership training.	2011
REDUCE THE IMPACT OF OUR PRODUCTS ON THE ENVIRONMENT see page 45	Improve the functional energy efficiency of key products* by at least 25% by 2012 compared with 2010 *New or recently developed products on an upward curve of their life cycle.	2012
	[NEW] Improve the functional energy efficiency of lightRadio by at least 75% by 2015 compared with 2008.	2015
	[NEW] Leverage our innovation to establish common methodology for measuring the carbon footprint of network telecommunications products over their life cycle, by 2012.	2012
	[NEW] Eliminate PVC in all products by 2015*. *Subject to the availability of technically, environmentally and economically sound alternatives.	2015
	[NEW] Achieve a 40% increase in the number of base stations deployed with alternative energy powering solutions (relative to 2010 baseline) by end of 2011.	2011
REDUCE OUR CARBON FOOTPRINT see page 55	Reduce our absolute carbon footprint (CO ₂ equivalent) by 50%, of 2008 baseline, by 2020.	2020
	[NEW] Reduce water consumption by 20%, of 2010 baseline, by the end of 2013.	2013
OUR PEOPLE see page 66	Continue simplifying and standardizing HR processes by deploying MyHR Information System worldwide. Systems and tools support business needs and contribute to the achievement of organizational efficiency and effectiveness.	2011
	Have 80% of our high-potentials change position over 3 years.	2011
	Triple the number of employees that complete professional certification, with impact on overall skill development and employability.	2011
	[NEW] Launch a 3 year workforce planning with development plans, human capital performance metrics.	2012
	[NEW] Increase internal mobility by 20% worldwide by end 2011.	2011
	[NEW] Launch a groupwide professional accreditation program over 3 years : single training and accreditation framework applying to all critical functions. Triple the certified People@ALU population from 2009 to 2011.	By end 2011
	[NEW] Launch SA 8000 certification in one of Alcatel-Lucent's major countries in 2011 for certification in 2012; extend to all large countries by 2014.	2011-2014
	[NEW] Grow local management tracks and mobility : +50% campus hirings by 2012.	By 2012
	[NEW] Increase representation of women in management positions to at least match the representation in group population by 2014; +20% women among corporate exec by 2012.	2012-2014
	[NEW] Extend existing equal pay agreements : engage discussions in Europe and Asia by end 2011 - By 2014 unexplained gender pay gap <5%.	2011-2014
	[NEW] Extend teleworking agreement in top 20 countries by 2012.	By 2012
	[NEW] Finalize discussions on Global committee for information and dialogue by end of 2011.	2011
	[NEW] Define top management Corporate Responsibility metrics.	2011
PHILANTHROPY ALCATEL-LUCENT FOUNDATION see page 78	[NEW] Build a systematic, group-wide knowledge management system, interactive knowledge platforms. Rebalance training portfolio in order to promote greater employee mobility and career development opportunities across the company. Target 2011 : rebalance global/ local trainings from 40/60 today to 55/45.	2011-2013
	[NEW] Launch a group-wide sponsored GenY inclusion program by end 2011.	By end 2011
	Further foster the spirit of employee volunteerism across the company.	On going
SUPPLY CHAIN see page 85	[NEW] Focus our future grass roots programs by 1) training our employees on our social investments 2) open the RFP to local NGOs 3) insist on the impact the programs should provide on individuals.	2011
	[NEW] As of 2011, all new grass roots programs will be measured against a monitoring and evaluating system.	2011
	Include specific Corporate Responsibility requirements in 70% of procurement sectors, for the purchase of own use services/products, by end 2011.	By end 2011
	Establish a systematic improvement program with suppliers assessed below satisfactory ensuring that by the end of 2012, 80% of the active suppliers assessed on CR are satisfactory or above and action plans are in place for the remaining 20%, with an intermediate target of 63% satisfactory by end 2011.	By end 2011 + end 2012

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2. CORPORATE RESPONSIBILITY COMMITMENTS • 2.3 CR CHALLENGES AND COMMITMENTS

CHALLENGES	COMMITMENTS FOR THE COMING YEARS	TIME FRAME
GOVERNANCE see page 12	[NEW] Ensure the improvement of gender diversity in our Board of directors by 2012.	By 2012
	[NEW] Improve the level and quality of the information provided to the Board of directors by 2011.	By 2011
RISK AND CRISIS MANAGEMENT see page 17	[NEW] Have three regional ERM (Enterprise Risk Management) deliverables (risk maps), updated every 2 years.	By end 2011
	[NEW] Have an updated Group-level ERM deliverable (risk map).	By end 2011
	[NEW] Cover more than 80% of key risks with a follow-up of mitigating actions.	By end 2011
	[NEW] Organize an annual Audit & Finance Committee ERM review.	2011
	[NEW] Have more than 90% of all identified critical functions covered by our consolidated, enterprise-wide Business Continuity Management Program (mature BCM Program).	By the end of 2012
STAKEHOLDERS see page 28	[NEW] Sign an MoU with the African Medical and Research Foundation (AMREF) to educate health workers via mobile phones and other mobile devices.	end 2011
	[NEW] Sign an MoU with IGNOU University to support open and distance learning opportunities in rural and underserved areas across India.	end 2011
	[NEW] Via the Public Affairs team, promote digital plans in countries all around the globe, to support ICT benefits for all, with the establishment of an EU plan by mid July 2011.	end 2011
	[NEW] Via the Public Affairs team, promote with Public Authorities best in class CR policies, in particular Corporate Governance, to enhance legislation and voluntary initiatives We will aim to include a reference to best in class practices in the 2011 G8/G20 summit results.	end 2011
	[NEW] Via the World Economic Forum play a leadership role to establish a framework for corporate best practices on gender diversity.	By 2012
	[NEW] Via the World Economic Forum sponsor a Young Global Leaders initiative to promote digital economies in Europe.	By 2012
	[NEW] Via our Alcatel-Lucent Foundation, provide digital training to 13,500 children over the next three years until 2014.	2014
CUSTOMER RELATIONSHIP see page 33	[NEW] Reach 45% to 55% response (where 55% = Best-in-Class) for the Customer Relationship and Product surveys.	By end 2011
	[NEW] Establish a Business Partner survey in 2011, to improve our relationship and effectiveness with them, so that together we will better serve our customers.	By end 2011
INNOVATION MANAGEMENT see page 34	[NEW] Triple our joint research projects with universities on environmentally sustainable technologies in the next three years.	By 2014
	[NEW] Double the percentage of research projects dedicated directly to Green technology) i.e. innovations whose primary function and outcome is the reduction of energy and power consumption, etc. An example of such a project would be Active Antenna Arrays (also the Large Scale Antenna Array developed for GreenTouch™ that exploits existing technology – massive MIMO – for energy efficiency increase as opposed to capacity increase) Timeframe = 3 years.	By 2014
	[NEW] Double the percentage of research projects that have environmental sustainability as an indirect consequence (or one benefit of many). An example of such an innovation would be the light Radio cube. Timeframe = 3 years.	By 2014
	[NEW] The target composite total percentage of projects resulting in innovations that have either direct or indirect environmentally sustainable benefit is approximately 30% of the projects in the research pipeline over this timeframe.	By 2014

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3. ALCATEL-LUCENT OVERVIEW

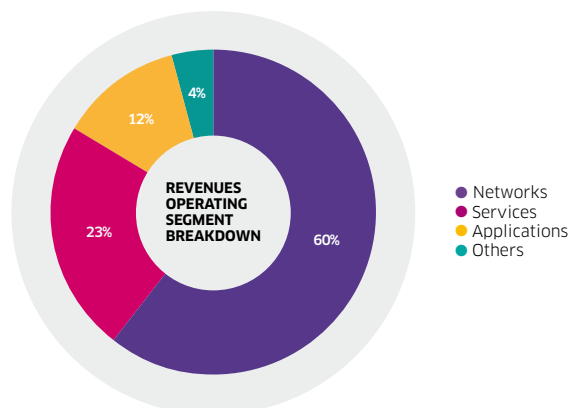
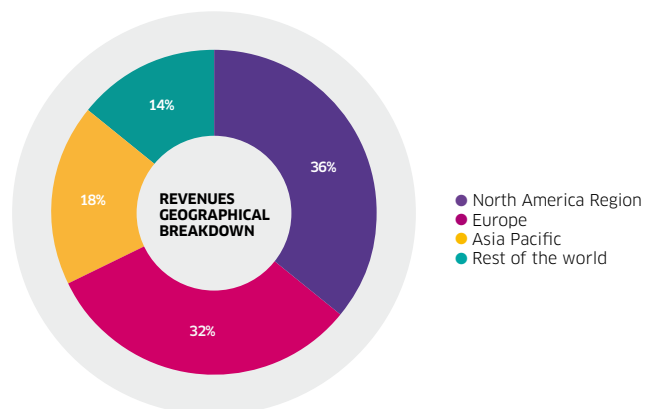
PRESENTATION OF ALCATEL-LUCENT

The long-trusted partner of service providers, enterprises, strategic industries and governments around the world, Alcatel-Lucent is a leader in mobile, fixed, IP and optics technologies, and a pioneer in applications and services. Alcatel-Lucent includes Bell Labs, one of the world's foremost centres of research and innovation in communications technology. With operations in more than 130 countries and one of the most experienced global services organizations in the industry, Alcatel-Lucent is a local partner with global reach.

For more information, visit Alcatel-Lucent on:
<http://www.alcatel-lucent.com>

Read the latest posts on the Alcatel-Lucent blog:
<http://www.alcatel-lucent.com/blog>

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3. ALCATEL-LUCENT OVERVIEW

BELL LABS, ALCATEL-LUCENT'S INNOVATION ENGINE

Well-known for inventions that shaped telecommunications networks of the 20th Century – the transistor, laser, DSL, UNIX, DWDM and MIMO – Bell Labs continues to focus its research on innovations that will define communications in the 21st Century.

In particular, Bell Labs invents technologies that enable us to gain market advantage, help our customers to meet their business objectives and deliver benefit to society.

Our scientists conduct research at eight Bell Labs facilities around the globe: Belgium, China, France, Germany, India, Ireland, South Korea and the U.S.

In 2010, Bell Labs achieved technology breakthroughs across numerous technology disciplines, from optical and wireless networking to enterprise solutions for eHealthcare, “green” research in eco-sustainable technologies, Web 3.0 research for social/work platforms and applications for service providers.

Some examples of recent innovations in these areas include:

- 100 Gigabit per second optical networking solution
- Rate-adaptive optical links that dramatically reduce energy consumption
- “eBook as a Service” transforming existing eReaders into a social communication tool

Bell Labs Intellectual Property and Standards organization, responsible for managing the Group's patent portfolio, obtained more than 2,400 patents worldwide in 2010 that resulted from the Alcatel-Lucent Research and Development community's innovations. The addition of these patents enriches a portfolio that consists of more than 27,900 active patents across a vast array of technologies.



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4. GOVERNANCE

4.1 CORPORATE GOVERNANCE

Alcatel-Lucent is compliant with the AFEP-MEDEF Code of corporate governance for listed corporations. The Board of Directors confirmed its adherence to the AFEP and MEDEF recommendations. The principles of the Code govern, among other things, the operating rules of our Board of Directors and its Committees.

The Code is based on specific principles which also largely underpin our corporate governance policy as those principles are in line with the organization, the status and the means of the Group, unless otherwise mentioned.

4.2 BOARD OF DIRECTORS GOVERNANCE SYSTEM

4.2.1 Operating rules

Alcatel-Lucent operates according to a so-called "monist" system, which means that it is governed by a Board of Directors rather than by a Supervisory Board and Management Board. The duties of the Chairman of the Board, performed by Philippe Camus since October 1, 2008, and those of the CEO, performed by Ben Verwaayen since September 15, 2008, are separate.

Following the renewal of their respective terms of office at the Shareholders' Meeting on June 1st, 2010, our Board of Directors decided to confirm the principle of separation of functions of Chairman and CEO and to reappoint Mr. Camus as Chairman of the Board of Directors and Mr. Verwaayen as CEO for the duration of their terms of office as directors.

4.2.2 Membership and Operation of the Board

Our Board consists of 11 directors, whose terms of office were reduced from four to three years in 2010, in order to stagger the directors' terms of office. According to the AFEP-MEDEF Code, the terms of office should be staggered so as to avoid replacement of the entire Board of Directors and to favor a smooth replacement of directors.

As of December 31, 2010, the 11 Board members represented six different nationalities with an average age of 62. To broaden the circle of the Board of Directors and bring in new personalities recognized in their fields of expertise, the Board proposed to appoint Carla Cico as a director at the June 2010 annual meeting.

This proposal also falls under the proposed law relating to the balanced representation of women and men in Boards of directors. According to the Group's Articles of Association, the Board of Directors must also include two observers (in French, "*censeurs*"). The observers are appointed by the shareholders' meeting and must be (i) salaried employees of Alcatel-Lucent or an affiliate and (ii) members of an Alcatel-Lucent mutual fund (in French, "*fonds commun de placement*").

4.2.3 Selection Criteria and Independence

The appointment of new directors must comply with selection rules which are applied by our Corporate Governance and Nominating Committee. Members of the Board must be competent in the Group's high-technology businesses, have sufficient financial expertise to make informed and independent decisions about financial statements and compliance with accounting standards, and be entirely independent of the Group's management.

The Board reviewed the situation of each director according to the independence criteria of the AFEP-MEDEF Code on February 9, 2011. On the basis of this review, the Board determined that nine of its 11 members qualified as independent. The CEO is not an independent director, nor is the Chairman of the Group who could not be qualified as independent according to the AFEP MEDEF Code. The AFEP-MEDEF Code recommends that at least half of Board members qualify as independent directors.

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4. GOVERNANCE • 4.2 BOARD OF DIRECTORS GOVERNANCE SYSTEM

4.2.4 Directors' Charter and Ethics

Before accepting office, each prospective director must acknowledge the Directors' Charter and its obligations. The Charter stipulates that each director must attend meetings and dedicate the time and care required by the office, respect confidentiality, contribute to setting the Group's strategic direction and monitor implementation of the strategy.

The Directors' Charter also encourages directors to own a significant number of shares (500 shares minimum), and stipulates that each director must comply with applicable securities laws as well as with the rules of the Alcatel-Lucent Insider Trading Policy, which is designed to prevent insider trading.

Directors are also reminded that under French regulatory requirements, a director must notify the *Autorité des Marchés Financiers* (the French securities market regulator) of any personal transactions involving Alcatel-Lucent shares.

4.2.5 Conflicts of Interest

To our knowledge, there are no potential conflicts of interest between any directors' fiduciary duties and their private interests. In accordance with the Directors' Charter, a director must notify the Board of any actual or potential conflict of interest.

There are no family relationships between members of the Board of Directors and senior management.

To our knowledge, there is no arrangement or agreement with a shareholder, client, supplier or any third party that has led to the appointment of our CEO, or a member of the Board of Directors or of the Management Committee.

4.2.6 Board Duties

In addition to performing its legal and regulatory duties, the Board of Directors regularly provides input on the Group's strategic direction and the key decisions affecting its activities. The Board provides its view, in particular, on the main commitments undertaken by the Group and its major investments, as well as on the transactions that may significantly affect its results or the structure of its balance sheet.

The Board of Directors also analyzes the outlook resulting from the research and development activities of the Group and gives input on the main technology options chosen. In addition, the Board monitors the economic and financial management of the Group, and authorizes the financial transactions which have a significant impact on its accounts.

The Board fully exercises its authority and endeavors to ensure that each director's contribution is entirely effective, in accordance with the principles of corporate governance reminded above and the provisions of its Operating Rules.

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4. GOVERNANCE

4.3 BOARD EFFECTIVENESS AND TRANSPARENCY

The Board meets at least once each quarter either at our head office or at any other location in France or abroad as indicated in the notice of meeting.

The Group provides directors with the information they need to perform their duties. They regularly receive such information as press releases, financial analyst reports and share price data. This information is available to Board members at all times via a secure, dedicated intranet site.

They may also seek the opinion of senior management on any subject they deem appropriate, especially during the informal meetings with Group executive officers held prior to each Board meeting.

The Board of Directors has four committees: Audit and Finance, Corporate Governance & Nominating, Compensation and Technology. Each committee has its own operating rules approved by the Board.

Board meetings called to prepare the year-end, half-year and quarterly financial statements are systematically preceded by a review of the financial statements by the Audit and Finance Committee.

The Board carries out an annual assessment of its own work and of the performance of the executive directors. At least once every two years, its performance is assessed by an independent consultant.

Our Board of Directors also ensures that its activities are transparent to shareholders by including in the Group's Annual Report an overview of the work carried out by the Board and its Committees during the last fiscal year along with information on its procedures.

Attendance at Board and Committee Meetings in 2010

BOARD AND COMMITTEE MEETINGS	Board	Audit and finance committee	Corporate governance and nominating committee	Compensation committee	Technology committee
Overall participation rate of board and committee members	97.5%	90%	100%	94%	91%

4.4 PROXY MATERIALS DELIVERY FOR 2011 SHAREHOLDERS' MEETING

With regards to Alcatel-Lucent's eco-responsibility, the Alcatel-Lucent ordinary shares (ORD) shareholders who have agreed to electronic delivery of proxy materials will receive the notice of meeting by e-mail.

They may consult and download the report of the Board on resolutions, the notice of meeting to the Shareholders' Meeting and the *Document de Référence 2010* filed with the AMF by connecting to our Internet site www.alcatel-lucent.com

The holders of American Depositary Shares (ADS)* who receive the Notice of Internet Availability of Proxy Materials will not receive a printed copy of the proxy materials unless they specifically request one. The notice provides instructions on how to access and review all of the proxy materials on the Internet and explains how to submit their proxy on the Internet.

* An ADS represent one underlying ORD, and allows U.S. investors to have access to non-U.S. corporate issuers.

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4. GOVERNANCE

4.5 SENIOR MANAGEMENT REMUNERATION

4.5.1 Executive Directors and Senior Management

The Compensation Committee is responsible for making proposals to the Board of Directors regarding compensation of the directors, the Chairman, the CEO and key senior executives. It evaluates all compensation paid or attributed to them, including compensation relating to retirement, and all other benefits. It also reviews the policies relating to the grant of stock options and performance shares to the Group's executive officers and in particular to members of the Management Committee. The recommendations are based both on the analysis of the practices of other issuers in the same business as Alcatel-Lucent and in reference markets, in particular Europe and the U.S.

The Board of Directors ensures a balance among the various components in Executive Directors' compensation. These include fixed and variable compensation, stock options and performance share awards, and additional pension benefits if any. It also ensures that these components are set in accordance with the general principles of comprehensiveness, balance, benchmarking, consistency, clarity of the rules and reasonableness as set forth in the AFEP-MEDEF Code.

4.5.2 Compensation Breakdown for the Executive Directors*

The Board elected to target the efforts and competencies of the Chairman and CEO on both short-term and medium- to long-term goals. The performance criteria were also set in such a manner as to allow the Board of Directors to assess the medium- and long-term measures taken by the Executive Directors in areas where such measures were most likely to have a delayed impact on the Group's financial performance.

The compensation of Mr. Camus comprised (i) an annual cash component without any variable compensation, and (ii) a component to be paid in shares, in line with the practice of companies in reference markets in the U.S. In accordance with French law (AFEP-MEDEF Code), the compensation to be paid in shares is granted in performance shares and subject to the satisfaction of quantitative performance criteria for 30%, and qualitative performance criteria for 70%.

For the CEO's compensation (variable remuneration, pension benefits and stock options) each component is dependent on the satisfaction of one or more performance criteria. The total annual compensation is consistent with the compensation of other members of the Group's senior management.

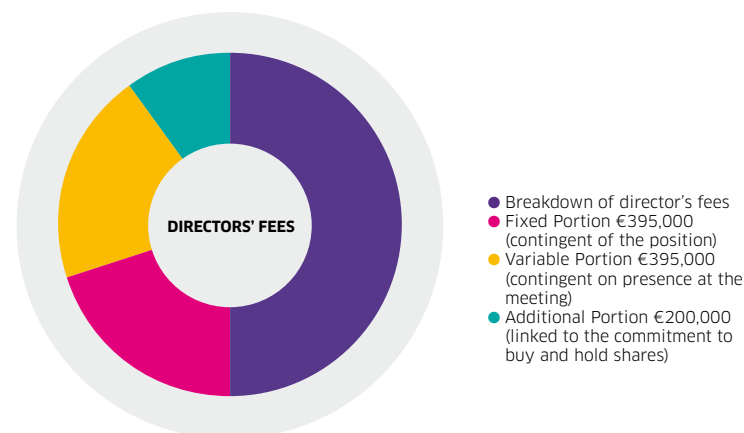
Mr. Camus and Mr. Verwaayen are not entitled to any severance payment, even upon forced termination resulting from a change in control or strategy.

* For more information see Sections 7.5 "Compensation" and 7.6 "Interest of employees and senior management in Alcatel-Lucent's capital" of the document de reference and the Form 20F.

4.5.3 Directors' Fees

The directors receive directors' fees (i) for a fixed portion, for performing their duties on the Board of Directors and, where relevant, on one of the Boards' committees, (ii) for a variable part, for their attendance at the various meetings. Additional directors' fees are equally allocated among the directors, subject to the investment in shares of the amount granted and to the holding of the acquired shares during the duration of the term of office as director.

In accordance with the provisions of Article 6 of the Board of Directors' Operating Rules, the Chairman and the Chief Executive Officer do not receive any attendance fees.



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4. GOVERNANCE

4.6 RISK & CRISIS MANAGEMENT

Enterprise Risk Management

The Alcatel-Lucent Enterprise Risk Management (ERM) is built on a comprehensive framework covering 80 risks which encompass operations, finance, legal & compliance, intangibles and strategy. It comprises risk identification and evaluation as well as the setup and capturing of mitigating actions for key risks. The process permits enterprise-wide visibility on the impact of all types of risk on processes, activities, stakeholders, products and services. This enables the Group to define effective and sustainable risk responses. Our ERM identifies the most significant risks based on a consensus view and prioritizes them in terms of their impact on achieving business objectives. Risks are evaluated in terms of severity of impact, likelihood of occurrence and control effectiveness.

The Alcatel-Lucent Chief Financial Officer, a Management Committee member reporting directly to the CEO, represents the ERM at the Board of Directors and its Audit and Finance Committee. The head of Risk & Insurance within Corporate Finance & Investment is the owner of the ERM process. Initiated ten years ago, the Alcatel-Lucent ERM complies with COSO II, an integrated framework for Enterprise Risk Management that enables a company to structure all kinds of risks and organize appropriate mitigating actions. The Alcatel-Lucent ERM is also compliant with AMF and Sarbanes-Oxley mandates.

A number of key risks were identified as key to the Group on the basis of consolidated 2010 ERM results and inputs from selected corporate stakeholders. These risks have been communicated to the Board of Directors and its Audit & Finance Committee. For each key risk, corporate risk owners were identified. Mitigating action plans and key performance/risk indicators were defined and validated in liaison with the corresponding MC member or his/her direct reports. These mitigating actions will be tracked over the course of 2011.

(1) A Highly Protected Risk is a facility at which exposure to loss due to natural hazards (earthquake, flood, windstorm, etc.) and industrial risks (fire, etc.) has been reduced to an acceptable level through all reasonable human element (to avoid high frequency risks) and physical protection measures (to reduce high impact risks).

In 2010, risk mitigation programs focused in particular on property conservation and supply chain contingencies. Industrial risks continue to be well protected against high frequency and high impact risks; more than 63% of our Total Insured Values are classified as "HPR – Highly Protected Risk"⁽¹⁾. Contingencies and interdependencies linked to external and Alcatel-Lucent manufacturing and logistics nodes were thoroughly analyzed. This policy and level of mitigation benefits everyone – our customers, employees, suppliers and stakeholders.

TARGETS 2011

1. By the end of 2011, we expect to have all three regional ERM deliverables (risk maps), updated every two years.
2. By the end of 2011, we expect to have-the Corporate-level ERM deliverable (risk map) updated.
3. By the end of 2011, we expect to cover more than 80% of key risks with a follow-up of mitigating actions.
4. In 2011, we expect to organize the annual Audit & Finance Committee ERM review.

KEY ACHIEVEMENTS FOR 2010

The overall key achievement is to maintain a mature ERM process in place that complies with AMF requirements and the AFEP/MEDEF code.

1. Three risk maps cover the Group's three regions. They are updated every 2 years and were all up to date in 2010.
2. A Corporate-level risk map has been delivered in 2010. It is to be updated annually.
3. 100% of the Group's key risks have associated mitigating actions in 2010.
4. The Audit & Finance Committee conducted an ERM review on Dec. 5th, 2010. It is to be conducted annually

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4. GOVERNANCE • 4.6 RISK & CRISIS MANAGEMENT

Business Continuity: Contingency Plans

Our enterprise-wide Business Continuity Management (BCM) Program is designed to enable Alcatel-Lucent to continue business critical functions and meet customer expectations in “unusual” circumstances. It is closely linked to and supports the Corporate Crisis Management process. If and when they are needed, business continuity plans are activated to support continuity of critical functions such as product delivery, installation and technical support for customers.

The Group is midway through a four-year plan launched in 2008 to establish a standard format and centralized repository for its business continuity plans. The four-year initiative aims to integrate plans for enterprise-wide coverage. The objective is to have a mature BCM Program with more than 90% of all identified critical functions covered by the end of 2012. For 2010, an interim target of 60% coverage was set. This target was exceeded.

Contingency Plans for Environmental and CR-related Risks

Real Estate Business Continuity Plans (BCPs) address environmental risks not as a specific threat but as the risk response to loss of a critical function. As of this writing, 75 real estate facilities plans were in place. They target locations with more than 500 employees (or more than 200 employees in areas with elevated risk such as earthquake-prone, or politically volatile). The plans cover all critical real estate functions identified for a given location.

With some exceptions, BCPs are not developed per threat (environmental, fire etc.) but per critical function. Therefore, BCPs respond to any threat to any system that becomes material. Including environmental risks. Some BCPs, centrally managed by the Business Continuity Management Organization, and local emergency response plans respond to particular hazards such as earthquakes, pandemics etc.

Regarding compliance and ethics and human resources management, key risks are identified in the ERM, requiring dedicated mitigating actions to ensure continuity and avoid contagion or rapid deterioration. Dedicated procedures, business continuity and crisis management plans are put in place to manage the appropriate risk response to the identified key risks.

KEY ACHIEVEMENTS FOR 2010

In late 2010, more than 60% of all identified critical functions were covered by our consolidated, enterprise-wide Business Continuity Management Program.

Local initiatives:

China

Our Chinese operations reduced anticipated probable losses at a major manufacturing location by two-thirds. Risk reduction initiatives there are ongoing. At a contract manufacturing location, the protection system was upgraded to better withstand earthquakes and loss prevention procedures were reinforced.

Spain

Business continuity plans were activated when the building housing 1,100 Alcatel-Lucent personnel in Madrid, Spain partially collapsed before dawn on December 16th 2009. Thankfully no one was injured therefore the event did not trigger any of the specific procedures included in the plans to address that eventuality. Afterwards, BCP team members expressed confidence in the business continuity plan, which facilitated a timely recovery with no impact on customers.

TARGET 2012

Have more than 90 % of all identified critical functions covered by our consolidated, enterprise-wide Business Continuity Management Program by the end of 2012 (mature BCM Program)

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ETHICS & COMPLIANCE



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5. ETHICS & COMPLIANCE

5.1 ETHICS & COMPLIANCE APPROACH

Alcatel-Lucent has designed and implemented a compliance management system to achieve two equally important goals:

- To prevent and detect violations of law, regulation and company policy; and
- To promote an ethical business culture across the organization.

To bring these goals to life, Alcatel-Lucent has put into place a comprehensive Ethics & Compliance program that is consistent with best practice standards and evolving legal requirements. By design, the program goes beyond strict legal compliance and establishes an ethical business culture that enhances our reputation as a company that clients want to patronize and where employees want to work.

The Group's comprehensive Ethics & Compliance management system includes:

- Compliance governance structure, with senior management involvement and oversight;
- Policies and procedures;
- Global Code of Conduct;
- Compliance risk assessment, with related mitigation plans and processes for continuous improvement;
- Communication and training; and
- Accountability and consequences, including reporting mechanisms.

Zero Tolerance

In November 2008, the company announced a strategy to phase out the use of sales agents and consultants on the basis that the corruption risk inherent in their use is inconsistent with the Group's "zero tolerance" policy. The status of this program is reviewed regularly at the highest levels of the Group, including the Alcatel-Lucent Ethics & Compliance Council and the Board of Directors.

On July 1, 2009, the Group rolled out a new "Sales Channel Screening and Selection Process" designed to ensure that resellers, distributors, and other third-party sales channels are not used in such a way as to circumvent policies prohibiting the use of sales agents and consultants.

2010 ACHIEVEMENTS

The Alcatel-Lucent Data Privacy Plan, developed in 2009, was substantially implemented over the course of 2010.

- At the end of 2010, 84% of employees had completed Ethics & Integrity Overview training, with ongoing activity to achieve 100% completion across the Group's 79,796 employees.
- A cultural survey, conducted for the first time in 2010, demonstrates that approximately 95% of employees rated Alcatel-Lucent's commitment to conducting business with 100% integrity as high (with approximately 5% rating this category as medium) and further reported that they knew how to report potential violations of law or Group policy. Approximately 93% of employees rated their direct supervisor's commitment to conducting business with 100% integrity as high (with an approximately 6% rating this category as medium).

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5. ETHICS & COMPLIANCE

5.2 ANTI-CORRUPTION PROGRAM

Alcatel-Lucent has designated Anti-Corruption as a “Tier 1” (highest priority) compliance area based on the level of risk in our industry and the importance to the Group. The Anti-Corruption Compliance Program focuses on ensuring employee awareness of and compliance with applicable Anti-Corruption laws and company policies consistent with the Group’s zero tolerance policy.

The program’s key elements, all of which were implemented over the course of 2010, include:

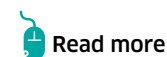
- Ongoing legislative/regulatory monitoring;
- Annual program self-assessment with related enhancement plans;
- Annual compliance risk assessment with related mitigation plans;
- Regular status reporting to senior management.

As part of the ongoing Anti-Corruption compliance risk assessment process, detailed risk mitigation plans, aligned with robust enhancement plans, have been developed for every Operating Units across the business. To ensure full alignment, each Operating Unit’s compliance risk assessment report was reviewed, approved and documented by the Management Committee member responsible for that organization. Consolidated risk assessment results are shared regularly with all interested stakeholders, including senior management. In addition, Operating Unit Compliance Leaders provide periodic status reports on action plan implementation to the Office of Business Conduct.

In addition to a Group-wide Anti-Corruption Program, which establishes anti-corruption standards, policies and procedures, the Corporate Investigation Services organization established an Anti-Corruption Competency Center in March 2009 responsible for testing compliance with the program. More specifically, Corporate Investigation Services developed a risk assessment and testing approach and methodology to test the effectiveness of the controls in place to help ensure compliance with internal Anti-Corruption policies and procedures. The approach and methodology is continually assessed and enhanced to ensure that it effectively addresses the Group’s anti-corruption risks.

U.S. SETTLEMENT

In December 2010, Alcatel-Lucent entered into final settlement agreements with the U.S. Securities and Exchange Commission (SEC) and the Department of Justice (DOJ). Under the agreement with the SEC, which has been approved by the U.S. Federal Court, we neither admit nor deny the allegations of violations of the antibribery, internal controls and books and records provisions of the U.S. Foreign Corrupt Practices Act (FCPA) in the SEC’s complaint, we are permanently restrained and enjoined from future violations of U.S. securities laws, we are liable for U.S.\$45.4 million in disgorgement of profits and prejudgment interest, and we agree to engage a French anticorruption compliance monitor for three years. Under the agreement with the DOJ, if the settlement is approved by the court we will enter into a three-year deferred prosecution agreement (“DPA”) charging us with violations of the internal controls and books and records provisions of the FCPA, and we will pay a total criminal fine of U.S.\$92 million – payable in four installments over the course of three years. If we fully comply with the terms of the DPA, the DOJ will dismiss the charges upon conclusion of the three-year term. In addition, three of our subsidiaries – Alcatel-Lucent France, Alcatel-Lucent Trade International AG and Alcatel Centroamerica – will each plead guilty to conspiracy to violate the FCPA’s antibribery, books and records and internal accounting controls provisions. The DPA also contains provisions relating to engaging a French anticorruption compliance monitor for three years. The settlement agreement with the DOJ is currently under consideration by the U.S. Federal Court for approval, and we can provide no assurance that it will be approved.



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5. ETHICS & COMPLIANCE

5.3 COMPLIANCE

Alcatel-Lucent has developed and implemented an independent and transparent global compliance governance structure. Responsibility is clearly assigned for designing the compliance program, implementing program elements consistent with business needs and ensuring overall accountability for program results across the business.

Building a comprehensive Ethics & Compliance management system within the framework of a corporate culture of integrity has been and continues to be our overriding focus. Alcatel-Lucent's compliance management system is an integrated system supported by an underlying corporate culture of integrity where every individual plays a key role in maintaining high standards of ethical conduct.

Alcatel-Lucent has established written compliance and ethics standards for key compliance program areas. These policies and procedures define acceptable and prohibited behaviors and provide employees with access to resources available to help them behave in a manner consistent with the Group's values. Key policies are reviewed periodically and revised as needed to address changes in law and/or the prevailing business environment.

Zero Tolerance Policy

The Group's zero tolerance policy requires 100 percent integrity in all business practices. Management expects all employees to comply with applicable legal and company requirements; all identified compliance violations are addressed swiftly, consistently and fairly.

As part of a reinforced focus on zero tolerance launched in 2009, Alcatel-Lucent phased out the use of agents and consultants to reduce risks of corruption.

CODE OF CONDUCT

The Alcatel-Lucent Code of Conduct serves as the cornerstone of the Group's Ethics & Compliance program and establishes the company's core values, ethical standards and expectations for its employees. The Code has been translated into 22 languages and is posted on our Intranet site, which also provides links to additional resources. All employees globally are required to review the Code of Conduct and acknowledge their review and agreement to abide by its terms. Understanding of the Code is further reinforced through mandatory Ethics and Integrity Overview training as well as other specialized training in key compliance areas. At the end of 2010, approximately 84% of employees completed Ethics & Integrity Overview training, with activities ongoing to drive completion of this requirement across the total Group population of 79,796 employees.

All business partners, including suppliers and contractors, are selected based on merit, reputation and their ability to help Alcatel-Lucent achieve its business objectives. All partners must abide by ethical standards and business practices. In addition to such criteria as price, quality and delivery capability, suppliers and contractors are chosen according to their reputation for service, integrity and social responsibility.

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5. ETHICS & COMPLIANCE

5.4 PRIVACY PROTECTION

Alcatel-Lucent is committed to respecting individuals' privacy rights and expectations and to protecting the personal data it collects from unauthorized access, use, retention/storage and/or disclosure. Over the course of 2010, the Group implemented Global Privacy and Data Protection Policies to fulfill this commitment.

Highlights of the Global Privacy and Data Protection Policies include the following requirements:

- Notify individuals of the processing of personal data by Alcatel-Lucent entities, employees and third parties acting on behalf of the Group;
- Notify individuals of the available choices they may have relating to the processing of their personal data and, when required, obtain the individual's consent;
- Collect personal data only for the specific purpose(s) indicated in individual notifications and proportional to the applicable purpose(s);
- Use personal data only for the purpose(s) for which it has been collected as indicated in individual notifications;
- Provide data subjects with access to their personal data for review and updates.

Governance

The Chief Privacy Officer is responsible for ensuring that Alcatel-Lucent has a consistent and effective Privacy and Data Protection strategy, in line with the overall business strategy, and associated Privacy and Data Protection compliance program and with applicable privacy and data protection laws.

The Chief Privacy Officer has responsibility for defining, documenting, promoting and communicating the Alcatel-Lucent Global Privacy and Data Protection Policies. Responsibility for establishing and executing the Privacy and Data Protection program lies with the Privacy and Data Protection Compliance Program Owner. The Program Owner is responsible for developing and implementing processes and procedures to ensure global compliance with these defined strategy and policies.

Other key stakeholders include:

- The Privacy and Data Protection Steering Committee whose main goal is to provide overall cross-functional leadership and direction to the Privacy and Data Protection program;
- A Chief Privacy and Data Protection Counsel, who ensures that the various stakeholders have all necessary legal advice and support; and
- The Data Privacy Network, which consists of legal, human resources and other specialists representing countries where Alcatel-Lucent operates.

2011 Priorities

In 2011, the focus of the Global Privacy and Data Protection program will be on assessing and increasing the compliance profile for the Group's 50 most critical applications. Awareness and training efforts will be reinforced with material targeted to specific audiences, such as information technology, human resources and sales & marketing. The organization also aims to develop metrics to measure the effectiveness and track progress of the Group's privacy and data protection initiatives.

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5. ETHICS & COMPLIANCE

5.5 COMPLIANCE GOVERNANCE STRUCTURE

Alcatel-Lucent has developed and implemented an independent and transparent global compliance governance structure with defined functions responsible for designing the compliance program, implementing program elements consistent with business needs and ensuring overall accountability for program results.

- The Alcatel-Lucent Ethics & Compliance Council, chaired by the Chief Compliance Officer, consists of senior level Group officials. It is responsible for overseeing and monitoring program status, both across the Group and within each business unit.
- The Operating Unit Compliance Council, consisting of compliance representatives from each business, or Operating Unit, is responsible for designing and implementing program elements and ensuring achievement of measurable results.
- The Compliance Program Owner community, consisting of the functional owners for the Group’s key compliance program areas, is responsible for ensuring that each of these programs is fully integrated into business operations, effectively managed and consistent in quality across the organization.
- The Alcatel-Lucent Board of Directors, through the Audit and Finance Committee, provides program oversight and receives formal reports on overall program status at least twice per year.

Chief Compliance Officer

The Group’s Chief Compliance Officer, a position established in 2009, is responsible for ensuring that Alcatel-Lucent operations are consistent with a culture of integrity. The Chief Compliance Officer oversees the Office of Business Conduct and is responsible for supporting and overseeing the global Alcatel-Lucent Compliance Management System. The Chief Compliance Officer and the General Counsel present the status of the Group’s Ethics & Compliance program to the Board of Directors at least twice per year. In addition, at the request of the Chairman of the Board, the Office of Business Conduct developed a training program to ensure that Board members are knowledgeable about critical areas of Ethics & Compliance, with a focus on Anti-Corruption.

Compliance Hotline

Fundamental to the success of Alcatel-Lucent’s Compliance Management System is the ability of employees to raise ethical questions and concerns without fear of retaliation. Under the Compliance Issues Reporting Methods initiative implemented by the Group, employees are encouraged to raise issues in the first instance with their direct line manager. There are times, however, when these first lines of communication are insufficient, for example where the employee perceives a conflict of interest. In these instances, employees are encouraged to use the Group’s global Compliance Hotline (consistent with local law) to report compliance issues, concerns, violations or suspected violations of law or company policy. The Compliance Hotline has been formally deployed in 114 countries and is available via a multilingual web interface in 12 languages and via telephone access in more than 120 languages. The Company has a “no retaliation” policy, which specifically prohibits adverse action against employees who report in good faith suspected violations of law or company policy.

Regional Compliance

In addition to the referenced Operating Unit Compliance Council, a Regional Chief Compliance Officer oversees and reinforces compliance policies in each of the Group’s three regions. These Regional Chief Compliance Officers work closely with Alcatel-Lucent’s Chief Compliance Officer and the compliance organization, the Office of Business Conduct, as well as with Corporate Audit Services and the Law Division, to deploy the Alcatel-Lucent Compliance program within their organizations.

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5. ETHICS & COMPLIANCE

5.6 COMPLIANCE RISK ASSESSMENT, ENHANCEMENT AND MITIGATION

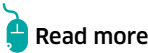
Alcatel-Lucent endeavors to ensure that each critical compliance program area is fully integrated into business operations, effectively managed and consistent in quality across the Group. To achieve this, experts in particular compliance subjects work with business people, assisted by the Office of Business Conduct, to review compliance program areas on an ongoing basis and formally at least once annually. These reviews ensure that compliance programs are robust and reflect the evolving nature of the Group's business and applicable requirements. Inputs to the continuous improvement process include experience from prior audit cycles, the compliance risk assessment process and specific compliance issues that have been encountered.

In addition, experts in particular compliance subjects work with personnel from each Operating Unit to evaluate implementation of the compliance program. If gaps and associated risk factors are identified, Operating Unit Compliance Leaders and their respective Compliance Work Groups are responsible for working with the relevant compliance experts to develop, implement and monitor remedial action.

Detailed risk mitigation plans, aligned with the remedial compliance programs, are developed for each Operating Unit Compliance Work Group. To ensure full alignment across the Group, each operating unit compliance risk assessment must be reviewed and approved by a member of Alcatel-Lucent senior management on an annual basis. In addition, consolidated risk assessment results are shared with the Alcatel-Lucent Ethics & Compliance Council and senior management, as appropriate.

CONTROVERSIES

As part of its policy supporting transparency, Alcatel-Lucent keeps stakeholders up-to-date on various controversies involving the Group. The controversies section of our website provides information on legal proceedings and ethical business practices issues in which Alcatel-Lucent is involved.



Operating Unit Compliance Leaders are required to provide periodic status reports on action plan implementation to the Office of Business Conduct. This information, along with the risk assessment, action plans and related resource materials provided by Compliance Program Owners, are posted on the Operating Unit/Compliance Program Owner Collaboration SharePoint web site. This ensures stakeholder access to important resource information and ongoing connectivity between operating units and compliance experts.

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5. ETHICS & COMPLIANCE

5.7 EDUCATION AND TRAINING

Our compliance training program is designed both to educate employees about their personal and professional responsibilities under the Code of Conduct and to instill an ethical culture and a commitment to the highest levels of business conduct. The training program provides general background covering all of the Group’s major compliance areas to all employees and specialized training to target audiences based on job function. Training courses are updated annually or as needed. All training and related communications are documented on a Compliance Training Roadmap, which is also updated regularly.

The Group has heightened its focus on middle management in recent years through enhanced communications and targeted training designed to enable supervisors to be more effective compliance role models, and ethical leaders.

5.7.1 Anti-Corruption Training

Formal training on Anti-Corruption laws, policies and requirements is delivered over the web and through in-person sessions. A mandatory web-based Ethics & Integrity Overview course (deployed globally in July 2010) includes an entire section on Anti-Corruption. The course includes:

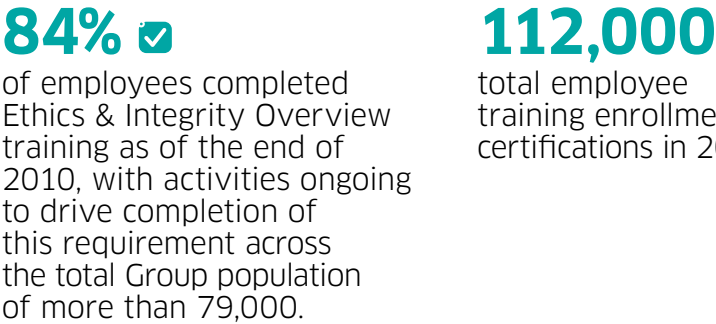
- Definition of bribery.
- Essential policies and procedures (Agents and Consultants; Travel, Lodging, Meals, Entertainment and Gifts; Charitable Contributions; Third Party Screening and Selection; and Procurement and Subcontracting).
- Information detailing the various vehicles available to report potential violations.
- Additional resource information highlighting where to go for assistance.

In addition to the global training referenced above, targeted training on Anti-Corruption was updated and deployed in 2010 to a target audience of over 25,000 employees, including corporate executives and employees who interact or interface directly or indirectly with external parties.

In-person training delivered by experts in particular compliance subjects serves as a complement to web-based courses. In-person training sessions are targeted to potential risk areas identified by the Operating Units through the compliance risk assessment process.

5.7.2 Internal Communications

Many of the Group’s most-important compliance messages to employees – including compliance alerts, messages and articles – are posted and available on the Group’s intranet as well as through the Office of Business Conduct web site. An important component in the communication effort, the Office of Business Conduct web site consolidates essential compliance and business conduct resources in one central location. The Office of Business Conduct monitors the number of visits to the site on a monthly basis through an internal tracking system. In 2010, there were 21,508 visits to the OBC Web site.



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5. ETHICS & COMPLIANCE

5.8 INTERNATIONAL INITIATIVES

Alcatel-Lucent participates in numerous cooperative Anti-Corruption initiatives to contribute to an ethical business environment and help us keep abreast of evolving requirements and best practices. In addition, Alcatel-Lucent has taken a leadership role in the Ethics and Compliance global arena.

5.8.1 World Economic Forum

Alcatel-Lucent's Ben Verwaayen was the first CEO in the information and communications technology sector to sign the World Economic Forum's Partnering Against Corruption Initiative (PACI). PACI brings together companies from across industries and regions to fight bribery and corruption. The initiative engages over 150 chief executive signatories in the implementation of a zero-tolerance policy towards bribery and an effective internal anti-corruption program. PACI is a multi-stakeholder initiative that works with organizations including: The Basel Institute on Governance; The International Chamber of Commerce (ICC); The Organization for Economic Cooperation and Development (OECD); The United Nations Global Compact (GC); The Multilateral Development Banks and selected international financial institutions.

UN Human Rights and Business Dilemma Forum

Alcatel-Lucent is listed among the good practice case studies in the UN Human Rights and Business Dilemma Forum as a result of our phase-out of the use of external agents and consultants, and our transparent approach to past allegations on corruption and other compliance issues through the 'controversies' section on our website.

 [Read more](#)

RESIST

Alcatel-Lucent was the only telecommunications supplier among the 27 companies and organizations that contributed to the latest edition of the RESIST guide, published in June 2010. RESIST, an acronym for Resisting Extortion and Solicitation in International Transactions, is a training tool published by the International Chamber of Commerce, Transparency International, the United Nations and the World Economic Forum. Designed as a practical tool for companies of all sizes, the RESIST guide helps companies train employees to respond appropriately to bribery solicitations.

 [Read more](#)

5.8.2 Global Compact

As a member of the UN Global Compact, we are committed to respect the 10 Global Compact principles, which cover human rights, labor standards, caring for the environment and anti-corruption. Principle 10 reads: "Businesses should work against corruption in all its forms, including extortion and bribery."

5.8.3 Industry Associations

Alcatel-Lucent is represented on the Board of Directors of the Ethics & Compliance Officer Association (ECO). The ECO is the leading global member-driven association exclusively for individuals responsible for their organization's ethics, compliance and business conduct programs.

Likewise, the Group is an active member in the Society of Corporate Compliance and Ethics (SCCE), a nonprofit, individual membership association which provides resources for ethics and compliance professionals from various industries.

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6. STAKEHOLDERS

6.1 RESPONSIBILITY TO STAKEHOLDERS

Stakeholder dialogue is a cornerstone of the Group's approach to corporate responsibility. It means we need to take into account the legitimate concerns and priorities of those who hold a stake in the Group's current and future activities. From employees and suppliers to customers, shareholders and local communities worldwide, we recognize our responsibilities to inform stakeholders of our successes, challenges and plans for the future and to exchange compelling ideas and perspectives.

As an information and communications technology leader, we pride ourselves on making extensive use of social networking tools to dialogue with key stakeholders. For example, with our employees, in 2010, we launched Engage, Alcatel-Lucent's social and collaborative platform enabling our people to dialogue and share insights in real time. We have also developed an active corporate blog used regularly by more than half of our employees, and also with external stakeholders. The Group is also active on outside media such as Twitter, The Blog and YouTube.

Here are a few examples of how we fulfill stakeholder responsibilities:

- We are profoundly engaged in the World Economic Forum's efforts to address critical global challenges to "improve the state of the world".
- Internally and through numerous industry partnerships such as GeSI, we are contributing to the battle against climate change.
- We are working with public and private bodies to promote and support efforts to provide universal access to modern communications services as part of the infrastructure necessary for economic and social development.
- We regularly survey customers to measure our performance against their expectations.
- We provide a steady stream of up-to-date information to shareholders and prospective investors covering the Group's business activities and strategies.

- We engage in regular exchanges with trade unions and other employee representative groups.
- We partner with policy makers, regulatory authorities and other institutions to foster public and private investment in the digital and broadband industries.



Alcatel-Lucent bases the selection of its stakeholders on merit, reputation and their ability to help the company achieve its business and Corporate Responsibility objectives. All must abide by ethical standards and business practices. In addition they are chosen according to their reputation for service, integrity, social responsibility and corporate values.

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6.2 UNITED NATIONS GLOBAL COMPACT



The Ten Principles of the United Nations Global Compact

Alcatel-Lucent is a longstanding signatory of the United Nations Global Compact, an international initiative that brings companies together with UN agencies, labour and community groups to support universal environmental, ethical and social principles. We are committed to integrating the ten Global Compact principles into everything we do.

Launched in 2000, the United Nations Global Compact is both a policy platform and a practical framework for companies committed to sustainability and responsible business practices. It seeks to align business operations and strategies everywhere with these principles. The Global Compact is the world's largest corporate citizenship initiative, with over 6,000 companies belonging to the network.

Principles	Numbers	Engagements	Pages
Human rights	1	To support and respect the protection of internationally proclaimed human rights.	8, 68, 70, 73, 86-87
	2	To make sure that we are not complicit in human rights abuses.	7, 68, 71, 86-87
Labor Standards	3	To uphold the freedom of association and the effective recognition of the right to collective bargaining.	8, 39, 68-70
	4	To support the elimination of all forms of forced and compulsory labor.	68, 86-87
	5	To support the effective abolition of child labor.	68, 86-87
	6	To support the elimination of discrimination in respect to employment and occupation.	5, 68, 71-74, 86-87, 95
Environment	7	To support a precautionary approach to environmental challenges.	4, 7, 32, 42-47, 55, 57, 59-60, 86-91
	8	To undertake initiatives to promote greater environmental responsibility.	4, 5, 7, 32, 35, 42, 45, 46-47, 49-50, 55-56, 58-59, 62-65, 86-87, 90-97
	9	To encourage the development and diffusion of environmentally friendly technologies.	4, 5, 7, 9, 34, 35, 42, 48, 49, 51, 53-54, 61, 64, 66
Anti-Corruption	10	To work against corruption in all its forms, including extortion and bribery.	4, 5, 7, 8, 20-24, 27, 86-87



Read more, please visit: the pages above for Alcatel-Lucent reference to the UN Global Compact Principles.

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6.3 WORLD ECONOMIC FORUM



Alcatel-Lucent's Strategic Partnership with the World Economic Forum is one of the cornerstones of the Group's approach to corporate responsibility. Our goal is to commit our most senior executives and experts to play a leading role, in close collaboration with our customers, partners and major stakeholders, to improve the state of the world.

Alcatel-Lucent executives and experts have focused their participation and resources on three critical world challenges:

- The transformation to digital economies
- Rural inclusion
- Climate change

Engagement

In 2010, senior Group executives participated in numerous WEF meetings in Davos, Switzerland, Latin America, Europe, the Middle East, East Asia, India and China.

Alcatel-Lucent contributions to WEF entities and initiatives over 2010 included:

- The WEF Foundation Board: Ben Verwaayen was elected in August 2010.
- Ben Verwaayen is a new member of the Global Gender Parity Group Initiative for 2011-12 (see page 72).
- The International Business Council: Ben Verwaayen is a member of the Executive Committee.
- Alcatel-Lucent is a signatory to the Partnering Against Corruption Initiative (PACI) and is represented by Barbara Landmann, Chief Compliance Officer and SVP, Intellectual Property & Standards. (see page 27).

- Resisting Extortion and Solicitation in International Transactions (RESIST): A joint initiative by the WEF, International Chamber of Commerce, Transparency International and the U.N., Alcatel-Lucent contributed to an anti-corruption training tool (see page 27).
- The Telecom Industry Global Agenda Council, of which Rajeev Singh-Molares, President Alcatel-Lucent Asia-Pacific (APAC), is Vice Chair. In 2010 Alcatel-Lucent developed and led a study with the WEF GAC on Ubiquitous Access by 2015.
- The Global Redesign Initiative where Bell Labs Vice President for Research Gee Rittenhouse represented the GreenTouch™ Consortium. GreenTouch™ was recognized by WEF as a "Best Practice" on Sustainability at their Doha conference in May 2010.
- Alcatel-Lucent is a member of the Low Carbon Task Force and the ICT for Sustainability Initiative.

Furthermore, Alcatel-Lucent supports several WEF communities:

- Technology Pioneers: Bell Labs President Jeong Kim is a member of the WEF Selection Jury.
- The Science Advisory Council: Jeong Kim is a member.
- The Young Global Leaders Community: Stephen Carter, Chief Marketing, Strategy Communications Officer, and Executive Vice President of Alcatel-Lucent, is a member.
- The Global Growth Companies: Ben Verwaayen and Adolfo Hernandez, President of Alcatel-Lucent Europe, Middle East and Africa (EMEA), mentored high-growth companies in both Brussels and New Delhi in 2010.



If you look at where inventions are taking place, where economic growth is coming from, it is not from within particular sectors. Rather it's at the intersections, where diverse areas of expertise come together. Social, economic and political agendas are coming together, delivering much more powerful results than if they remained within their separate silos.

Ben Verwaayen, Alcatel-Lucent CEO
the 2011 WEF meeting in Davos.



Watch the video



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6.4 GLOBAL eSUSTAINABILITY INITIATIVE (GeSI)

Alcatel-Lucent is a founding member of the Global eSustainability Initiative (GeSI), an international strategic partnership of information and communications technology (ICT) companies and industry associations committed to creating and promoting technologies and practices that foster economic, environmental and social sustainability, and drive economic growth and productivity.

Within GeSI, Alcatel-Lucent has taken a leadership role in three areas:

1. Working in collaboration with other GeSI members, Alcatel-Lucent is providing industry expertise for the forthcoming ICT sector guidance to the Greenhouse Gas (GHG) Protocol Product Accounting and Reporting Standard. By focusing on methodologies, process and metrics used to quantify the enabling effect of ICT, Alcatel-Lucent will play a leading role in the technical working group responsible for developing the guidance and will lead the effort at the steering committee level as well.

This expertise comes from Bell Labs, specifically in the product environmental engineering and network transformation area. For example, our experts are helping to model the amount of energy and associated carbon emissions it takes to communicate information across the network.

This work substantiates the message from GeSI's **SMART 2020 Enabling a Low-carbon Society** report regarding the potential of ICT to enable other sectors to reduce their carbon emissions. According to **SMART 2020**, the ICT sector as a whole is directly responsible for only about 2% of total greenhouse gas (GHG) emissions but can substantially help reduce GHG emissions from the remaining 98%.

The guidance will be published as an ICT Sector Supplement to the GHG Protocol Product Accounting and Reporting Standard—part of the Greenhouse Gas Protocol Initiative, which is the most widely used global accounting and reporting standard for corporate GHG emissions.

2. As a participant in all three working groups of the ICT4EE Forum, the Group is helping develop frameworks for applying methodologies and targets to realize the enabling effect, engaging with other sectors and monitoring EU policy developments that help or hinder in these areas (see page 61).

3. The Group co-chairs GeSI's Communications Working Group, which disseminates key sustainability messages, including supply chain, energy efficiency, public policy, e-waste, and climate change issues.

GeSI's landmark **SMART 2020** report, published in 2008, positioned ICT as an enabler in the global campaign to address climate change by showing how the ICT sector could make it possible for other sectors to reduce their carbon emissions. The report spurred industry, regulators and customers to examine how ICT-driven or -enabled changes could affect businesses and costs related to mitigating climate change.

Enabling the Carbon Reduction Potential of ICT: An Assessment Methodology, the GeSI follow up study published in 2010, demonstrated how a new industry-tested, ITU-endorsed methodology could be used to measure the impact of ICT applications. Six case studies support the report findings and recommendations. GeSI plans further dissemination of the study and more broadly, the message of sustainability through ICT innovation.



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6.5 CUSTOMER RELATIONSHIP

The Alcatel-Lucent Customer Survey Program provides information on how well the Group is meeting customer expectations. This global integrated program is composed of five surveys. Each targets different audiences and aims at evaluating customer satisfaction with their relationship with Alcatel-Lucent, product, technical support, repair services and project performance.

Surveys and evaluations are performed to gain insight into Alcatel-Lucent's strengths and weaknesses and drive corrective actions. The surveys and evaluations also provide an opportunity for account teams to engage in follow-up discussions with customers to enhance the relationship and to develop revenue opportunities. Among these surveys, the twice annual Relationship survey covers the broad spectrum of customer experience and targets key decision makers. It questions our customers on key topics such as overall satisfaction, likelihood to recommend, likelihood to continue to buy and likelihood to select again if for the first time.

An analysis of survey results enables Alcatel-Lucent management to understand what is working, as well as whether corrective action plans are required. **When needed, corrective actions and results are systematically tracked and stored using a computerized tool.**

Multiple organizations are involved with the segmentation and analysis of the data returned by the surveys. Many of the insights gained are acted upon by the regional, product or services organizations closest to the specific customer, product or service involved. Additionally there is a global quality and customer satisfaction organization headed by the Alcatel-Lucent EVP, President Quality and Customer Care who reports directly to the CEO. The central organization examines all regions and products for systemic areas needing improvement. Where necessary, cross-organizational quality improvement programs are enacted using DMAIC (Define, Measure, Analyze, Improve, and Control) Six Sigma methodology.

For the year 2011, Alcatel-Lucent's target is to reach 45% to 55% response (where 55% = Best-in-Class) for the Customer Relationship and Product surveys. We are also committed to establishing a Business Partner survey in 2011, to improve our relationship and effectiveness with them, so that together we will better serve our customers. Targets for customer satisfaction scores are left to the discretion of the various organizations. This allows the teams to focus their resources and efforts on areas most important to them and allows for the known variation in a global environment where culture directly impacts scores. A score of 5 in the U.S., for example, has a distinctly different meaning than the same score in Asia-Pacific or Europe, Middle East and Africa.

All customers receive a follow-up communication after the surveys are complete. These follow-up contacts, handled by our Account Teams, can take the form of meeting notes, emails, presentations or similar items. Face-to-face customer meetings are highly encouraged.

INDICATORS COLLECTED INTERNALLY

Indicators collected internally to support ongoing improvement programs include:

- The percentage of regional analysis reports complete: number of analysis reports submitted/number of regions.
- The percentage of product division analysis reports complete: number of analysis reports submitted/number of product divisions.
- The percentage of account analysis reports complete: number of analysis reports submitted/number of Key Accounts and customers with 20 or more respondents.
- The percentage of account communications: number of accounts with evidence of follow-up within 120 days of customer satisfaction reporting system database reopening/number of accounts surveyed.
- The percentage of improvement or opportunity requests or corrective action requests for each alert or call back request/number of alerts for all surveys.

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6.6 INNOVATION MANAGEMENT

One of the world's most renowned centers of technology innovation, Bell Labs conducts research with a long term horizon and maintains an ongoing commitment to generating disruptive innovations.

In addition to engaging its scientists in the pursuit of breakthrough innovations, Bell Labs recognizes that Alcatel-Lucent's employees represent a rich source of novel ideas with the potential to sustain the Group's success over the long term. To tap into that source and realize its full potential, Bell Labs plays an active role in fostering and recognizing the spirit of innovation and encouraging a free flow of ideas across the company.

Bell Labs programs recognize outstanding innovation and technical excellence demonstrated by individuals and teams in our R&D and engineering communities. The Bell Labs' Distinguished Member of Technical Staff (DMTS) program, which recognizes individuals who have made exceptional contributions over a sustained period of time, was adopted by Alcatel-Lucent's broader research and development community in 2010.

By conceiving new and improved methods for supporting innovative ideas and then gaining acceptance and adoption for those ideas in standards organizations, Bell Labs Intellectual Property & Standards (IP&S) organization contributes to industry advancement and to the global economy. To enrich and protect the Group's substantial intellectual property portfolio, IP&S developed and deployed an Inventors Portal tool in 2010 that it can be used to track the patent application process as an invention moves from initial submission to final issuance.

Recognition

Each year, many Bell Labs researchers and alumni are recognized for their outstanding technical achievements by organizations around the world such as IEEE and OSA. Following are representative examples in 2010:

Global Telecoms Business magazine Top 100 in Telecoms recognized Gee Rittenhouse Bell Labs Research Vice President and Chairman of the GreenTouch™ consortium, as one of the telecom industry's 100 most powerful people worldwide.

MIT Technology Review's TR35 named Bell Labs Optical Research Domain technical staff member Gabriel Charlet, one of the world's top innovators under the age of 35 for his research in optical networking systems based on wavelength division multiplexing (WDM).

IEEE Photonics Society/OSA 2010 John Tyndall Award recognized Randy Giles, head of Bell Labs in Seoul, Korea, for his seminal contributions to advanced lightwave communications.

2010 IEEE Eric E. Sumner Award was given to Reinaldo Valenzuela, Bell Labs Wireless Access Research Director, for his pioneering contributions to multi-antenna systems and microwave propagation.

Innovation Awards

Bell Labs regularly earns recognition for outstanding innovations. In 2010, innovations recognized included:

- **DSL Phantom Mode:** Named "Broadband Innovation of the Year," Bell Labs received the Broadband InfoVision Award for its DSL Phantom Mode breakthrough.
- **FTTH Council's Innovation Award:** Bell Labs 10G gigabit passive optical network (GPON) prototype won the award in the "Technological and Technical Innovation" category.

ENTREPRENEURIAL BOOT CAMP PROGRAM

The Entrepreneurial Boot Camp program gives employees worldwide the opportunity to propose ideas for new products or services, as well as improvements to existing products or services. Proposals are reviewed by a panel of experts drawn from inside and outside the Group. Teams are formed around those ideas that are judged to have the greatest potential. The teams then work with experts to develop business plans and present them to a cross discipline panel to be considered for integration into a product plan or to receive funding for further development. In addition to serving as a potential source of revenue, Boot Camps offer employees a great learning opportunity and rewarding experience.

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6.7 ENVIRONMENTAL INNOVATION

One of the pillars of Alcatel-Lucent's strategy is enabling customers to reduce their carbon emissions. As described in this report's chapter on the environment, the company is committed to:

- Reducing its own carbon footprint.
- Helping customers directly cut energy consumption through more energy-efficient communications products and solutions and use of alternative energy sources.
- Helping customers indirectly reduce carbon emissions through a range of ICT applications.

Bell Labs has established a broad thematic research focus on green technologies that includes:

- Conducting fundamental research on energy efficient networks
- Introducing innovations that will accelerate sustainable network deployment in the market.
- Incorporating renewable energy solutions into the product portfolio.
- Enabling energy efficiency in other industrial sectors.

Our research portfolio addresses aspects of energy efficient networking, that include wireless and fixed access, routing and switching, optical transport, new protocols and coding schemes, applications and components.

Convinced that no one company can successfully combat climate change on its own, Alcatel-Lucent is a firm believer in open, collaborative R&D. To drive innovative environmental research, we lead or participate in numerous collaborative efforts, such as: **GreenTouch™** a global research consortium dedicated to achieving a dramatic improvement in the energy efficiency of information and communications technology (ICT) networks. To learn more, please see page 63.

EARTH, a consortium of 15 leading telecommunications service providers, component and infrastructure vendors and academic institutions includes Bell Labs, whose goal is to achieve a 50% reduction in the energy consumption of 4th Generation (4G) mobile wireless communication networks within two-and-a-half years. To learn more, please see page 64.

Cooperative research programs with universities including the Irish Centre for Science, Engineering & Technology (CSET), Australia's Centre for Energy-Efficient Telecommunications (CEET) and the Gachon Energy Research Institute (GERI) of Korea's Kyungwon University. To learn more, please see page 64.

Local initiatives:

Arc Bretagne Atlantique

To help small and medium-sized enterprises (SME) accelerate innovation, Alcatel-Lucent and France Telecom launched the Arc Bretagne Atlantique (ABA) program in France's Brittany and Loire regions in 2010. The two sponsor companies provide SMEs and research labs with access to resources and infrastructure at their facilities in the regions, such as test benches or specialized expertise. For example, a company that develops software to manage information overloads was able to evaluate the performance of its key product over a 3G network, thanks to the implementation of a mobile platform at a nearby Alcatel-Lucent site.

Solar Power System at Bell Labs Headquarters

Alcatel-Lucent in conjunction with SunPower Corp. and ConEdison Development initiated installation of a 1.2-megawatt solar power system at the company's Bell Labs headquarters campus in Murray Hill, N.J. Bell Labs pioneered the development of solar power technology, initially creating solar panels able to support telephone service for American farmers living off the electricity grid.

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6.8 SOCIAL INNOVATION

Access to modern communications services is a critical precondition for sustained economic growth and social development. In particular, providing access to those who are underserved or not served at all can generate broad social and economic benefits and have an impact matched by few other innovations. Alcatel-Lucent is committed to the goal of achieving ubiquitous access and is delivering on that commitment by developing new products, services and solutions as well as engaging in related initiatives (please see page 37).

Our breakthrough lightRadio™ solution, for example, holds the potential to greatly expand wireless and broadband coverage to even the most remote areas, including those without access to an electricity grid. To learn more, see page 48.

VillageNet represents another innovative access technique that will bring low cost data networking to people in rural areas in developing countries.

Developed by Bell Labs India and successfully demonstrated in locations around the city of Bangalore, VillageNet can bring cost-efficient broadband network access to underserved areas by turning WiFi into a high bandwidth point-to-point link with a 20 kilometer (12 mile) range. The distance covered can be extended with a multi-hop mesh network.

Mobile Uptake

In 2010 Bell Labs undertook a study to understand the impact of ubiquitous network access on economic development. The study presents a unique Bootstrap Model that validates how uptake of mobile service spreads through communities, and in so doing provides a means for governments and investment agencies to gauge the effect that various business models will have on technology adoption and deployment as well as determine the benefits that will result.

The research concluded that rapid and ubiquitous adoption depends on three elements:

- **Infrastructure:** New business and green technology models lower costs and accelerate universality.
- **Applications:** Relevant, broadly deployed applications accelerate economic and social growth.
- **Low-cost:** Mobile devices and services should cost less than 5% of income.

The research results were presented in Dubai in November 2010, in conjunction with the World Economic Forum's Global Agenda Council, whose goal is to make it possible for an additional 5 billion people to gain access to communications networks by 2015.

Research results

The Casensa research project, carried out by Bell Labs in cooperation with In-Ham and the Vrije Universiteit Brussel makes innovative use of Information and Communications Technologies (ICT) to improve the lives of people in the early stages of dementia. The solution that resulted from the project uses sensors, screens and smart devices installed in the home to monitor the behaviour of dementia sufferers and provide them with reminders when, for example, curtains or blinds need to be opened or lights need to be turned off.

Mobile Wallet Service Smoothes the Way for Increased Economic Activity

In many developing economies around the world access to financial infrastructure is still difficult or non-existent. Access to mobile phones, on the other hand, is nearly ubiquitous. The Alcatel-Lucent Ventures Mobile Wallet Service has an offering specifically tailored to the needs and technology of developing economies. It puts the power of advanced financial services onto anyone's mobile phone with a comprehensive mobile payment framework and a full suite of mobile payment applications.

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6.9 DIGITAL INCLUSION

Realizing the potential of a connected world plays an integral part at every stage in the Alcatel-Lucent story. For example, in our relations with public authorities everywhere, we consistently promote policies that enable wireline connectivity to all, with the highest possible bandwidth, using state-of-the-art, future proof, investment-wise technologies. We also propose and support spectrum-efficiency policies, to offer the widest possible wireless access to people everywhere at the lowest possible cost. See page 38.

High Leverage Network™: Universal Access Pillar

Alcatel-Lucent products, services and solutions expand and enhance access to digital networks. Indeed, universal access is one of the key pillars of our High Leverage Network™ architecture. For more information, see page 45. Our universal access solutions are engineered for fixed and mobile broadband access. They use the latest DSL, GPON, fiber, small cell (Femto), 2G, 3G and 4G LTE technologies. And they provide embedded network intelligence to deliver wireless all around with the highest quality of experience (QoE) regardless of the device, location and on-the-move in the most advanced markets and in emerging markets everywhere.

Wireless Innovations

Our innovative lightRadio™ solution promises greener, simpler, lower cost mobile networks. By reducing the cell site to just the antenna and leveraging future advances in backhaul and compression techniques, this technology will eventually enable the easy creation of broadband coverage virtually anywhere there is power (electricity, sun, wind). For more information, please see page 48.

Development of so-called Long-term Evolution (LTE) wireless networks for rural populations has produced revolutionary energy-efficient radio designs. The work will help eliminate the broadband black-spots which affect up to 10% of UK households – ensuring that populations in mountainous regions such as West Wales can get connected.



My view is simple: when a problem has the size of billions of people, it simply is too big to be a problem. Instead, it has to be an opportunity. But an opportunity that requires a holistic approach that will involve business models to reach the people to enable and empower them to develop in rural areas. ”

Ben Verwaayen, Alcatel-Lucent CEO

Access for All

Alcatel-Lucent has helped excluded populations across the world gain access to information technology:

- In Yunnan province, we set up an ICT center so that Chinese and British school children could exchange views.
- In Madrid, we started a digital literacy school for 60 underprivileged young people, also providing access to 300 people with physical or mental disabilities.
- We developed an ICT curriculum in Barcelona for young people risking social exclusion.
- In Portugal we provide IT training to the elderly.
- In Kortrijk, Belgium we started a living lab project where citizens in two underprivileged areas can get such broadband services as multimedia, e-health and local government services.

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6.10 PUBLIC AFFAIRS

The Alcatel-Lucent Public Affairs team interfaces with policy makers, regulatory authorities and other institutions. The team's goal is to create a favorable political, financial, legal and regulatory environment that fosters public and private investment in the digital and broadband industries. Public affairs initiatives focus in particular on innovations that support sustainable economic growth, competitiveness, social welfare and quality of life.

Public Affairs helps to ensure the shaping and sharing of best practices in a range of Internet and on-line areas. These include support for a self sustainable Internet, including net neutrality, online trust, data privacy and content protection.

Our public affairs activities also support the Group's corporate responsibility commitments in several ways:

Digital Inclusion

Alcatel-Lucent promotes development of digital networks everywhere as a way to deliver such benefits as e-health, e-education and e-government at the lowest possible cost in order to contribute to economic development, public welfare and digital inclusion. The Group promotes public policies supporting wire-line connectivity for all underserved populations in both developing and developed countries. Our support for spectrum efficiency policies aims to ensure the widest possible access to wireless communications services.

In 2010, for example, we launched a collaborative project with the African Medical and Research Foundation (AMREF) to educate health workers via mobile phones and other mobile devices. In India, our Public Affairs team initiated a large-scale e-education project with IGNOU University, an open and distance learning institution. The program aims to help the Indian government raise secondary education enrollment rates from 7% to 15% by 2015. It also involves expanding educational opportunities in rural and underserved areas.

Environment

We work with government authorities to promote such initiatives as:

- GreenTouch™, in particular for financing research programs. Please see page 63.
- The Alcatel-Lucent Alternative Energy Program, especially to enable authorities in the least developed countries to overcome energy challenges. Please see page 49.

Corporate Governance

We work with professional associations to promote best-in-class corporate responsibility policies, in particular corporate governance, to enhance legislation and voluntary initiatives and charts.

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6.11 EMPLOYEE DIALOGUE

Alcatel-Lucent is committed to fostering an open dialogue with employees. We respect this commitment through our ongoing exchanges with trade unions and other representative bodies as well as numerous internal communications initiatives.

Internal and External Communications

Our internal communications use a variety of media, ranging from collaborative and social networking tools to more traditional methods. We have been taking advantage of the sharing and collaboration benefits of social media and networking tools since 2008. These interactive media have proved particularly useful as a way to incite open discussion and reinforce collaboration across the organization.

In 2009 and 2010, we developed our use of our corporate blog as well as our presence on Twitter and Youtube both internally and externally. In addition to sharing Alcatel-Lucent's latest news and videos, social media enable us to bring perspectives from experts and partners to our stakeholders.

In 2010, we welcomed such blog guests as Lee Howell (World Economic Forum Managing Director) and Nicole Schwab (Co-Founder of the Gender Equality Project).

To encourage greater collaboration and cross-functional exchanges, we launched Engage, Alcatel-Lucent's social and collaborative platform, in 2010. The platform is being widely used to enable our people to connect and collaborate with their colleagues in real time and to share insights, links and documents.

In less than eighteen months, the vast majority of employees are registered with Engage. As embracing social collaboration internally is important to us, we will continue to push this means of communication in 2011 and beyond. To learn more about our internal communications initiatives, please see page 70.

Trade Union Dialogue

Most discussions with trade unions, subject to varying laws, regulations and practices in different countries, are conducted on a national level.

In addition in Europe, senior management and European employee representatives share views in the Alcatel-Lucent European workers councils called ECID (European Committee for Information and Dialogue).

In 2010, the European committee met in March and October ; an intermediate meeting with the liaising committee took place in July. For more information, please see page 69. In France, senior management meets at least twice annually with a French Committee (*Comité de Groupe France*), composed of 30 members from trade unions represented in Alcatel-Lucent.

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6. STAKEHOLDERS

6.12 INVESTOR RELATIONS


Alcatel-Lucent provides a regular stream of up-to-date information to shareholders and prospective investors covering the Group's business activities and strategies. In 2010, regarding corporate responsibility, a particular spotlight was focused on human resources and corporate governance.

The Group's principal shareholders met with Chairman of the Board Philippe Camus to discuss corporate governance. Pierre Barnabé, Executive Vice President in charge of Corporate Human Resources and Transformation, met regularly with investors and financial institutions over the course of the year.

These meetings focused on the human resources management implications of the Group's transformation as well as governance issues in the wake of the rough 2006-2008 period.

In 2011, the investor relations focus is on maintaining strong relationships with the financial community generally and specifically on sustainability as Pierre Barnabé, Philippe Camus and experts on the environment continue to meet regularly with shareholders and potential investors.

To learn more about information available to Investors and shareholders, visit the dedicated pages of our website.

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7. ENVIRONMENT

7.1 ENVIRONMENTAL SUSTAINABILITY STRATEGY

7.1.1 Our Approach towards Environmental Sustainability

The drive for environmental sustainability constitutes a cornerstone of the Alcatel-Lucent corporate strategy. In addition to reducing its own direct impact on the environment, Alcatel-Lucent ties its long-term business success to its ability to help customers meet the environmental challenges they face.

Our commitment

Lead the industry in developing and deploying globally recognized innovation in eco-sustainable communications technologies that enable our customers to compete and win in a world beset by growing environmental challenges and resource constraints. With the GreenTouch™ global research consortium initiated by Bell Labs in January 2010, we want to make communications networks 1,000 times more energy efficient, thereby drastically reducing their environmental impact.

“Alcatel-Lucent is transforming communications for a sustainable planet.”

 Watch the video

As a consequence of this far-reaching approach to the environment and the fight against climate change, Alcatel-Lucent has integrated environmental considerations into virtually every phase of its activity through a four-part approach:

Part 1 Developing eco-sustainable networks

Alcatel-Lucent is committed to develop and bring to market products, services and solutions that contribute to environmentally responsible, end-to-end networks.

Part 2 Enabling a low-carbon economy

Alcatel-Lucent enables businesses and consumers to reduce their respective environmental impact through the development of innovative applications and solutions.

Part 3 Reducing Alcatel-Lucent's carbon footprint

Alcatel-Lucent is committed to reduce its absolute carbon footprint by 50% by 2020 (2008 baseline). Since 2008, Alcatel-Lucent has reduced its entire carbon footprint by nearly 12.6%.

Part 4 Leveraging Alcatel-Lucent eco-innovation and playing a proactive role with key stakeholders

Alcatel-Lucent, through its Bell Labs research arm, is committed to leading the eco-innovation challenge and actively participates in open, collaborative partnerships and forums where leaders join together to address broad sustainability strategies and initiatives.

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7.1.2 Governance for Sustainability

The Group's two highest level Corporate Responsibility governing bodies, the Corporate Responsibility Council and the Corporate Responsibility Network, monitor performance and track progress on environmental issues as part of their broad CR responsibilities (see page 06).

Alcatel-Lucent's 56 Green Team members and the Office of Sustainability oversee operational sustainability issues linked to the environment and climate change. Green Team leaders ensure that carbon footprint information is reported reliably and on time, and that local action plans are properly implemented. Carbon footprint is calculated twice a year.

The Environment, Health & Safety (EHS) Office is responsible for the development of policies and compliance assurance programs to meet legal, customer and company requirements. The EHS Office provides technical support for the implementation of EHS programs to local EHS representatives. An EHS Management Systems approach is utilized to ensure compliance, continual improvement and achieving industry best practices levels of performance.

56


Green Team leaders for major Alcatel-Lucent facilities worldwide.

The Bell Labs CTO Teams address environmental initiatives and goals linked to products, services and solutions. Team members partner with product and research teams to address issues ranging from environmental design processes and strategies to tactical project and program execution. The team cascades and monitors progress against targets for:

- Individual products, such as product energy-efficiency roadmaps.
- Research, such as low-energy networks and substances.
- Programs, such as materials management.

Global e-Sustainability Initiative

As a long-term contributing partner to the Global e-Sustainability Initiative (GeSI) Climate Change Work Group, Alcatel-Lucent uses the findings of GeSI's landmark research to develop and promote ways to reduce carbon emissions. The findings suggest that green ICT solutions could help reduce global carbon emissions by about 15% (7.8 GtCO₂e) by 2020 – five times the ICT sector's own footprint.

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7.1.3 Management of Environment, Health & Safety

The Alcatel-Lucent Environment Health and Safety Management System (EHSMS) facilitates the use of a common EHS management model as we implement EHS Policy across the organization. Our EHS Policy was revised to improve alignment with OHSAS 18001:2007 and support Alcatel-Lucent’s commitment to sustainability. **Read our EHS Policy.**

The Alcatel-Lucent EHSMS is designed to identify risks, maintain compliance and promote EHS excellence. It provides an efficient and effective way to manage EHS issues associated with products, services and activities while cost-effectively pursuing continuous EHS performance improvements. Decisions regarding third party certification are made at the local level, based on risk, the nature of hazards, customer requirements and competitive advantage.

Our EHSMS continues to meet the needs of customers, who increasingly insist upon EHS systems certified by third parties. The Group continues to drive these same requirements through its supply chain to minimize the overall impact of its operations. People throughout the Group are kept up-to-date on EHS news and issues via Engage, the Alcatel-Lucent internal collaborative social media platform. EHS on Engage shares what we do to protect the environment and the health and safety of employees, contractors, customers and the communities where we do business.

OHSAS 18001 certifications

Health and safety management systems were expanded in 2010 as Alcatel-Lucent Shanghai Bell Co. Ltd. and Alcatel-Lucent Italia obtained certification to Occupational Health and Safety Management Systems (OHSAS) 18001:2007. In addition the KPN GB Services Group in Belgium achieved certification to VCA (VeiligheidsChecklist voor Aannemers), a health and safety recognition for contractors.

EHS Compliance Audit Program

Alcatel-Lucent is committed to an ongoing program of EHS compliance audits and risk assessments. The EHS Compliance Audit Program, which identifies and reports risks resulting in the implementation of controls and improvements, applies a risk-based sampling methodology to identify sites to be audited each year. Audit candidate sites include manufacturing/systems integration centers, R&D centers, administrative locations, field installations and managed services locations. The EHS audit process includes a review of local regulations, Group requirements and good management practices.

The program includes mechanisms for continuous improvement. For example, audit recommendations resulted in changes at our submarine cable operation in Calais, France including the use of harnesses and upgrading old cable tanks to enhance safety.

 [Read more](#)

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PART 1 7.2 DEVELOPING ECO-SUSTAINABLE NETWORKS

7.2.1 End-to-end Approach


Eco-sustainability requires a holistic approach to improve energy efficiency and manage the environmental impact of a network solution throughout its life-cycle – from design to operations to end-of-life. This holistic approach takes into consideration how all network elements work together and the influence they have on one another and how they contribute to environmental sustainability.

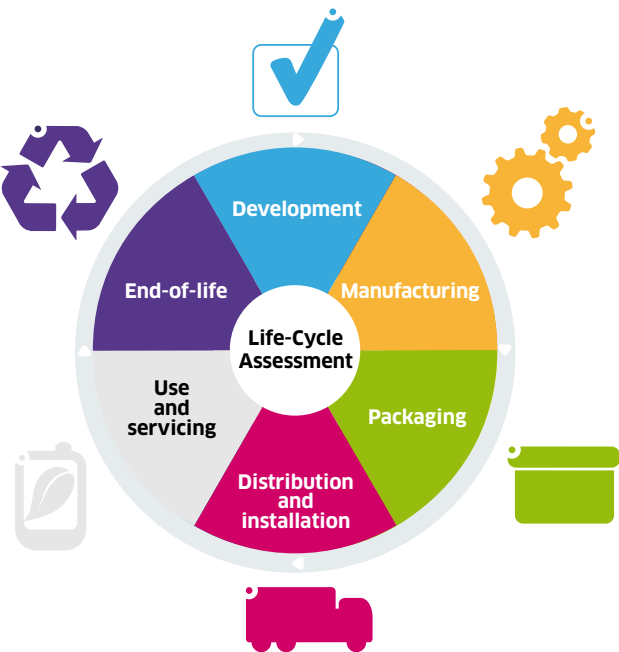
Our end-to-end approach is also reflected in the Alcatel-Lucent High Leverage Network™ (HLN) architecture, an approach that enables transformation to create radically more efficient networks, while addressing the changing demands of a connected world. It can reduce total cost of ownership by employing fewer devices to do more with less, offering an eco-sustainable choice for service providers.

Environmental Life-cycle Assessment

We minimize the environmental impact of our products based on a life-cycle approach that assesses all stages – manufacturing, use and end-of-life. Using this approach, we evaluate eventual impact during the early product concept stages and seek continuous improvements in design, material selection and such operating characteristics as energy efficiency. Environmental impacts are further minimized through the rigorous use of best practices that incorporate key product impact issues, such as:


- Product lifetime (value extension)
- Occupy less space and generate less heat
- Provide more functionality per kilowatt used
- Run on alternate energy when/where applicable
- Electromagnetic environment safety
- Acoustic noise reduction
- Contain materials with low environmental impact
- End-of-life disassembly/treatment
- Eco-efficient product packaging / transport

 Read more



Simplified Life-Cycle Assessment (LCA) Estimator

Alcatel-Lucent has developed, and is leading industry consortia effort, on a simplified LCA framework that more efficiently evaluates eco-impact information for ICT products than previous approaches. The framework combines simplified processes to more easily derive environmental information for Information and Communications Technology (ICT) equipment and assets with a level of precision suited to industry needs.

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7.2.2 Reducing the Impact of our Products and Solutions on the Environment

7.2.2.1 Managing Materials

Alcatel-Lucent places paramount importance on managing the environmental aspects of materials used in its products and supply chain. We take responsibility beyond regulatory compliance, assessing eco-impacts early on in raw materials processing through to product end-of-life. The Group maintains a robust material/substance content management process to aggressively limit the impact of hazardous materials and waste on human health and the environment.

Supply chain requirements for control and tracking of material content are specified in **Supplier Requirements: Substance Restrictions**. These requirements identify specific materials that are banned, restricted and to be avoided in products or packaging provided to Alcatel-Lucent. Suppliers are required to track material content information for Alcatel-Lucent in line with the **Joint Industry Material Composition Declaration Guide for Electronic Products**.

In light of suspected environmental and human health risks, Alcatel-Lucent voluntarily restricts its use of certain substances such as glycol ethers, beryllium oxide and sulfur hexafluoride. Within this scope, Alcatel-Lucent is vigorously pursuing the elimination of polyvinyl chloride (PVC) from its products globally. We are committed to investing in studies to replace PVC with alternatives that are technically and economically viable. Alcatel-Lucent works with suppliers, industry standards technical committees and academia to fully evaluate the life cycle eco-impacts of substituting these substances while evaluating the impact on the supply chain and the integrity of our products. Our target is to validate the viability of alternatives for PVC globally by the end of 2011.

2015

Eliminate PVC in all our products by 2015*.

* Subject to the availability of technically, environmentally and economically sound alternatives.

Alcatel-Lucent also continues to expand its use of lead-free solders. Our research program, in collaboration with industry partners, has helped advance global knowledge of lead-free technology to enable a more reliable, rapid and complete transition to lead-free assembly. The company's Enterprise voice portfolio was converted to lead-free in 2006. The following year, the first network infrastructure equipment products were designed lead-free. Since 2010, all new designs for network infrastructure equipment are lead-free by default.

7.2.2.2 Safety within the Electromagnetic Environment

Alcatel-Lucent closely follows health and regulatory issues related to wireless communications generally and to the electromagnetic environment in particular. We are firmly committed to ensuring that our product portfolio complies with international standards and regulations related to human exposure. Our position regarding the electromagnetic environment is based on the opinion of expert committees mandated by national and international authorities to assess the advancement of scientific knowledge. We support worldwide research efforts and dialogue to promote the dissemination of scientific information. We actively contribute to the international standardization bodies that develop exposure assessment standards.

 Read more

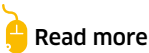
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7.2.2.3 Packaging, Distribution and Installation

Packaging

The Alcatel-Lucent global eco-sustainable packaging system aims to reduce both the direct and indirect environmental impact of packaging by defining and implementing a single, standardized approach worldwide. One way our logistics specialists are reducing the impact of packaging is by replacing wooden packing crates with mostly corrugated cardboard with a high recycled content. At our European distribution center, use of wood-based packaging as a secondary packaging container decreased by more than 58% in 2010, eliminating more than 9,500 wood-based containers.

Our efforts to replace bubble wrap with paper materials is another example. In 2010, more than 5,200 rolls of bubble wrap were eliminated as part of a bubble wrap replacement program launched in North America.



OPTIMIZED PACKAGING FOR VERIZON



A redesign of packaging for our high volume Fiber-to-the-User Optical Network Terminals (FTTU ONTs) helped Verizon reduce storage and freight costs while reducing environmental impact. The new packaging designs resulted in material cost

reductions and provided improvements in pallet load and truckload quantities over existing designs, all of which help reduce environmental impact.



Transportation

Transporting freight via air is more carbon intensive than other modes of transport. In 2009, we reduced the carbon footprint of our logistics when we shifted 10% of our freight from air to surface transit, especially ocean shipping. However, the shift away from air freight also prompted an unanticipated increase in inventories, as equipment spent more time in transit and more material was warehoused to remain responsive to customer needs, causing an increase in the size of our carbon footprint.

Now, to avoid excessive inventories and reduce the environmental impact of logistics, Alcatel-Lucent is investing in a regional campus manufacturing model, with products made closer to customers. For example, more than 90% of the Group's Optical Networking Terminals (ONTs), which had been manufactured in Asia, were destined for installation in North America. By transferring production to a subcontractor in Nogales, Mexico, we avoid the need for air freight shipment and provide customers with expedited order fulfillment. Expansion of this regional manufacturing model over the coming year will lead to improvements in our product logistics carbon footprint.

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7. ENVIRONMENT • 7.2 DEVELOPING ECO-SUSTAINABLE NETWORKS

7.2.2.4 Energy Efficient Use

Life cycle assessments repeatedly show that the usage phase of a typical network product accounts for some 80-to-90% of the total environmental impact over the product's entire life cycle. The bulk of this impact is associated with the energy used to operate the product over its long lifetime. Reducing energy use is therefore a primary objective in Alcatel-Lucent's eco-sustainability strategy for its products. It is noteworthy that we met our objective of improving the functional energy efficiency of key products by at least 20% by 2010 compared with 2008. Many products significantly exceeded this target value. Here are a few examples of this achievement. ✓

• Wireless Access

The Alcatel-Lucent 9234 distributed base station for CDMA cellular networks improves energy efficiency by 32%. Selected by Sprint in the U.S. for its Network Vision Project, the 9234 distributed CDMA base station also helps operators meet physical site constraints and site acquisition challenges.

• Fixed Access

The latest release (4.2) of our ISAM FX (7302) platform improved its functional energy efficiency by 30%. It enables network service providers in over 100 countries to add highcapacity gigabit passive optical network (GPON) capabilities to their existing equipment. That means Alcatel-Lucent customers can provide fiber optic service to subscribers using equipment already installed.

• IP

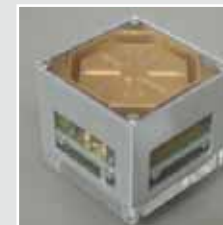
Release 8 of the Alcatel-Lucent 7750 Service Router offers energy savings of up to 23% thanks to silicon optimization along with gains in thermal management and power efficiency in line cards.

50%

lightRadio™ helps reduce the energy consumption of mobile networks by up to 50%.

lightRadio™

Alcatel-Lucent's breakthrough lightRadio™ product line for mobile and broadband infrastructure equipment offers a way to satisfy the needs of mobile data users and network operators everywhere, including under-served rural areas. At the same time, the innovative lightRadio™ design radically shrinks and




simplifies current base stations and massive cell site towers, helping **reduce the energy consumption of mobile networks by up to 50%** over current radio access network equipment.

The lightRadio™ portfolio will represent a new architecture for mobile networks. In the initial deployments of lightRadio™, the base station, typically located at the base of each cell site tower, is broken into its component elements and distributed into both the antenna and throughout a cloud-like network. Additionally, today's clutter of antennas serving 2G, 3G, and LTE systems are combined and shrunk into a single powerful, Bell Labs-pioneered multi frequency, multi standard product called the Wideband Active Array Antenna that can be mounted on poles, sides of buildings or anywhere else there is power and a broadband connection.

The lightRadio™ architecture can significantly **reduce the environmental impact of mobile networks** by reducing their energy consumption by as much as one-half. According to Bell Labs research, mobile network base stations are globally responsible for the emission of roughly 18 million metric tons of CO₂ per year.

The technology also holds the potential to greatly **expand access to wireless and broadband services** in regions that are not currently served. By reducing the cell site to just the antenna and leveraging future technical advances, lightRadio™ technology has the potential to create broadband coverage virtually anywhere power (electricity, sun, wind) is available. Commercial products within the lightRadio™ portfolio will become available starting in 2012.

 Read more

 Watch the video

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● **Optical Transport**

The energy consumption per bit of information transported for our optical platforms was reduced in 2010 thanks to such product design improvements as increased board port density, extended optical performance, new components and thermal management. For example, our 1830 Photonic Service Switch, used by more than 70 customers worldwide including 360networks, BT and Softbank, enables to decrease power consumption by 69% compared to previous solutions. The product also incorporates new component technologies that greatly reduce the required space.

Main breakthrough: 100G with 75% less power consumption

In 2010 Alcatel-Lucent started to deploy next-generation, single carrier coherent technology to transmit a single carrier 100 gigabit per second (100G) on a wavelength. This reduces the power consumption per bandwidth (W/Gbps) of the equipment by 75% compared to slower speed transmission.

500
alternative energy-powered base stations deployed in 2010.

● **Alternative Energy**

Our Alternative Energy Program helps service providers quickly and cost-efficiently deploy wireless networks even to areas not served by reliable electrical power. In such situations, powering wireless base stations with solar, wind and other alternative energy sources removes the need for traditional diesel generators. By drastically reducing operating expenses and carbon footprint, it is possible to bring all of the social and economic benefits of telecom services to even the most remote areas.

In 2010, we reached the milestone of having deployed more than 500 alternative energy-powered base stations, with a breadth of solutions able to address all climatic and deployment contexts. We further expanded our value proposition, including network energy management capabilities, offering service providers the ability to monitor and control, from a single central location, the energy consumption of their entire network.

 **Watch the video**

The European Commission recognized Alcatel-Lucent's Alternative Energy Program with its Sustainable Energy Europe Award 2010. The five categories in the EU Commission's competition attracted a total of 272 entries, with 26 selected as finalists. Alcatel-Lucent won in the Market Transformation-Voluntary Commitments category.

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7.2.2.5 Take-back, Remanufacturing and Recycling

Alcatel-Lucent offers global product take-back, remanufacturing and recycling services for **any type of telecom products, regardless of vendor.**

Members of our global network of approved recycling vendors collect and recycle products that have reached their end of life. Customers are provided with an online request form to arrange equipment pick-up. Where possible, Alcatel-Lucent participates in public recovery systems.

In 2010, the Group managed 4,464 metric tons of electronic waste. Of this amount, 336 metric tons of equipment and components was remanufactured and/or resold. Approved recycling partners were utilized to recycle 4,050 metric tons. All told, **greater than 98% was recycled or re-sold; less than 2% was disposed via secure landfill.** The Group, which increased the number of product types remanufactured by 36% in 2009, further expanded remanufacturing by an additional 21% in 2010.


 [Read more](#)

98%

In 2010, among 4,464 metric tons of electronic waste, greater than 98% was recycled or re-sold.

7.2.2.6 Summing it Up: Product Eco-declarations

We support transparency. Since 2009, eco-declarations are included for all Alcatel-Lucent products, across all product groups and divisions. They conform to the ECMA-370 standard issued by the European Association for Standardization Information and Communication Systems (ECMA International) and also the International Electrotechnical Commission (IEC) 62430 standard for Environmentally Conscious Design for Electrical and Electronic Products.

In 2010, we began including carbon footprint information, i.e., greenhouse gas emissions, in the product eco-declaration for all new product families. This information is derived using Alcatel-Lucent's LCA Estimator. 

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7. ENVIRONMENT

PART 2 7.3 ENABLING A LOW-CARBON ECONOMY

7.3.1 ICT as an Enabler

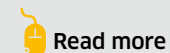
Information and communications technology (ICT) providers have a unique opportunity to play an exceptional role in the battle against climate change. Although the ICT sector as a whole is directly responsible for only about 2% of total greenhouse gas (GHG) emissions, companies such as Alcatel-Lucent can play a major role by enabling customers to reduce their emissions in the remaining 98%. The ICT sector can cut greenhouse gas (GHG) emissions by as much as 15 percent by 2020 – five times the sector's own footprint, according to the GeSI and Climate Group report "Smart 2020."

In particular, smart applications and solutions can reduce the environmental impact of a variety of economic sectors:

- Energy (power utilities): smart grid and smart metering.
- Transportation and logistics: intelligent transport systems.
- Healthcare: remote patient care and monitoring.
- Smart communities: smart cities, state and local authorities, public safety.

Evaluating the carbon-reducing potential of ICT

In an important step toward cutting GHG emissions, in September 2010, Alcatel-Lucent and several other ICT companies working through the Global e-Sustainability Initiative (GeSI) funded the development of a methodology for evaluating the carbon-reducing potential of enabling ICT initiatives. This practical tool aims to provide businesses, policy makers and the ICT industry with a common yardstick for assessing carbon emissions savings arising from ICT-based solutions. Alcatel-Lucent will use this new ICT evaluation methodology to measure the carbon reduction benefits of its communication solutions.



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7. ENVIRONMENT • 7.3 ENABLING A LOW-CARBON ECONOMY

7.3.2 Smart Grids

Electricity generation and distribution account for an estimated one quarter of total worldwide greenhouse gas emissions. As part of its efforts to enable customers to reduce their carbon emissions, Alcatel-Lucent is combining its expertise in utility communications with its experience in telecoms applications to create solutions aimed at the evolving smart grid and smart metering markets. For instance, the Group's solutions enable utilities to:

- **Increase Operational Efficiency**

Our technologies enable collecting, aggregating and correlating metering data in strategic areas of the grid. This creates the understanding necessary for power utilities to reduce electricity wastage. For instance with our Advanced Metering Infrastructure solution, utilities can:

- monitor distribution network transformers and streamline the grid by reducing the number of transformers to reduce power losses,
- address electricity theft and losses. Only 35% of the total energy generated worldwide is turned into useful electricity. India, for example, loses nearly one-third of its electricity through transmission and distribution losses. Electricity generation currently accounts for 57% of India's total GHG emissions. These losses could be reduced by 30% through better grid monitoring and management.

- **Enable End-User Engagement**

The Group's solutions enable utilities to monitor real-time usage, to inform and incite consumers to be more energy aware. Alcatel-Lucent smart grid/smart metering applications enable utilities to launch flexible tariff patterns. These provide a financial incentive to consumers (and enterprise customers) to reduce usage during high-cost, peak production periods.

- **Integrate Renewable Energy Sources**

Integrating renewable energies into the energy supply chain constitutes a greater technical challenge because production tends to be lower and more irregular than traditional electricity generation (except for hydro generation). Our mission critical communication solutions enable utilities to connect and thoroughly supervise renewable energy sources to balance them with traditional production methods.

Alcatel-Lucent already is successfully delivering smart grid solutions:

- **United States**

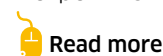
Oklahoma Gas & Electric (OG&E), with Alcatel-Lucent's help, will deploy smart grid technology across its entire service area to make better use of its existing infrastructure, reduce operating costs and help its customers use their power more wisely. It will also help OG&E maintain reasonable electricity rates, continue highly reliable delivery of electricity and significantly delay the building of another fossil fuel power plant.

- **Canada**

Alcatel-Lucent is helping AltaLink, Canada's only fully independent electric transmission provider, offer customers electric power when they need it, at the most economical price and highest possible reliability.

- **Germany**

An agreement between Alcatel-Lucent and Vodafone is bringing innovative solutions to electricity, gas and water suppliers. The first smart metering managed service is being implemented by Stadtwerke Pasewalk, a municipal utility in Mecklenburg-Vorpommern.



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Smart Grid Case Study

Alcatel-Lucent smart meters and a smart meter management system enable the Electric Power Board (EPB) of Chattanooga, Tennessee, one of the largest U.S. publicly owned electric power companies, to use power more efficiently and to introduce flexible rates based on changing conditions. EPB serves more than 170,000 customers.

In contrast to traditional electrical grids, which carry power in only one direction – outward to customers – the EPB smart grid uses fiber-optic cabling to enable information to flow back and forth between customers and the utility. That creates opportunities to make the grid and energy usage more efficient.

For example, the two-way flow of information means that EPB can measure each customer's energy consumption in real time and communicate that information back to the customer. The result is that customers can see how much they're spending on power at any given moment and change their consumption habits accordingly. Energy savings can also be achieved without human intervention. If customers choose, EPB can turn off power to certain devices when not in use, or turn on appliances when power is less expensive.

EPB is aiming to complete its smart grid – and have smart meters in all homes and businesses throughout its service area – during 2011. Once the system is fully operational, electronic meter-reading will help EPB further reduce its carbon footprint by eliminating manual reading of meters. And because it is more reliable than conventional grids, the smart grid is expected to help EPB cut down on physical service interventions linked to power outages. The company ultimately plans to leverage and analyze meter data to enable load sharing and load management, boosting the grid's efficiency.

170,000

customers served by Electric Power Board's smart grid.

The fiber optic network that provides the infrastructure for the smart grid project also is being used to deliver high-speed, high-capacity cable TV, phone and Internet services. The combination of advanced telecommunications services with the innovative, energy-savings smart grid project contributes to economic development in the Chattanooga area. EPB's fiber-optic network has been a factor in the area's efforts to recruit new businesses and retain existing ones. In the future, the network is expected to provide the infrastructure needed for e-services that will help reduce carbon emissions, such as tele- and video-conferencing, e-learning and e-healthcare services.

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7. ENVIRONMENT • 7.3 ENABLING A LOW-CARBON ECONOMY

7.3.3 Smart Transportation and Logistics

In the transport sector, the second leading source of global GHG emissions after energy, ICT solutions could save 1.52 GtCO₂e by 2020.

Alcatel-Lucent's Teleport Traffic Sensing Solution is an open, accurate and flexible system that helps reduce vehicle carbon emissions by monitoring and measuring traffic flow. Based on an intelligent, patent-pending algorithm from Bell Labs that suggests alternate traffic routes, Teleport is a cost-effective traffic monitoring solution for commuters and traffic authorities alike. Teleport uses Bluetooth® radio technology in cell phones and cost-effective sensors along the roadside that can be powered by alternative energy sources, to elicit data, including travel times between points. This enables urban planning committees, civil bodies and consumers to plan ahead and/or react quickly to real-time traffic patterns and situations. It also makes it possible to predict traffic behaviors in situations such as extreme weather conditions, road construction or special events (e.g. sporting events).

7.3.4 Dematerialization

Innovative Alcatel-Lucent solutions enable customers to reduce their carbon footprints by using feature-rich multimedia communications to reduce the need for physical travel. Our solutions range from e-health, e-government and e-education to teleconferencing and tele-working applications. Alcatel-Lucent solutions offer significant environmental, economic and social benefits by reducing the need for physical goods and travel. Here are a few examples.

Eco-benefits from the ngConnect Program

The ngConnect Program, conceived and founded in 2009 by Alcatel-Lucent, is a collaborative effort committed to the development and rapid deployment of the next generation of broadband services. It brings together infrastructure, device, application and content companies from around the world to create an end-to-end ecosystem with all the resources and expertise required to rapidly deliver next generation services and applications to service providers, enterprises and consumers. ngConnect fosters innovative application and device concepts by bringing together innovative companies not generally linked.

Its more than 50 members consist of a wide range of companies, collaborating in everything from research to sales and marketing. Many of the organization's innovative ideas enable significant carbon reductions.

● e-Healthcare Solutions

The ngConnect Program solution concept involves using ultra broadband networks and new connected devices to expand patient self-monitoring and physician collaboration. Such e-healthcare solutions, by eliminating travel, help reduce carbon emissions. Another ngConnect solution concept is to dematerialize medical records, allowing access to information and tools from any device, in any location.

● Service Concepts

The Global Bazaar retail concept reduces travel through an interactive virtual storefront. The project shows how small producers and manufacturers from around the world can sell their products and extend their global reach through a shared digital retail kiosk in a mall, train station, entertainment venue or other setting.



 Watch the video

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7. ENVIRONMENT

PART 3 7.4 REDUCING OUR CARBON FOOTPRINT

7.4.1 Carbon Emissions Tracking and Reporting

Alcatel-Lucent committed to reduce its own carbon footprint by 50% of 2008 levels by 2020. The goal encompasses direct carbon emissions from our own operations (Scope 1 and 2) as well as indirect (Scope 3) emissions.

In 2010, we continued our progress toward this goal by reducing Scope 1 and 2 emissions by 8%. At the same time, we included a greater range of Scope 3 emissions than in past years in calculating our absolute carbon footprint (see page 56). Integrating Scope 3 emissions into the calculation shows that, in 2010, we reduced our absolute carbon footprint by 1.7% year-over-year [or over 21,000 tons of CO₂e - the equivalent of taking 3,900 passenger vehicles off the road]. It is noteworthy that we achieved this during a year when our business grew by over 5%.

Since 2008, we have reduced our absolute carbon footprint by nearly 12.6% [or over 176,000 tons of CO₂e, equivalent to removing over 32,000 passenger vehicles from the road].

As explained throughout this report, we have been successful in reducing our direct and indirect carbon emissions thanks to strong senior management commitment and a wide range of initiatives involving our entire workforce and the full range of our activity, from facility operations and logistics to IT and business travel.

As we advance towards our 2020 goal, we are implementing a three-stage strategy:

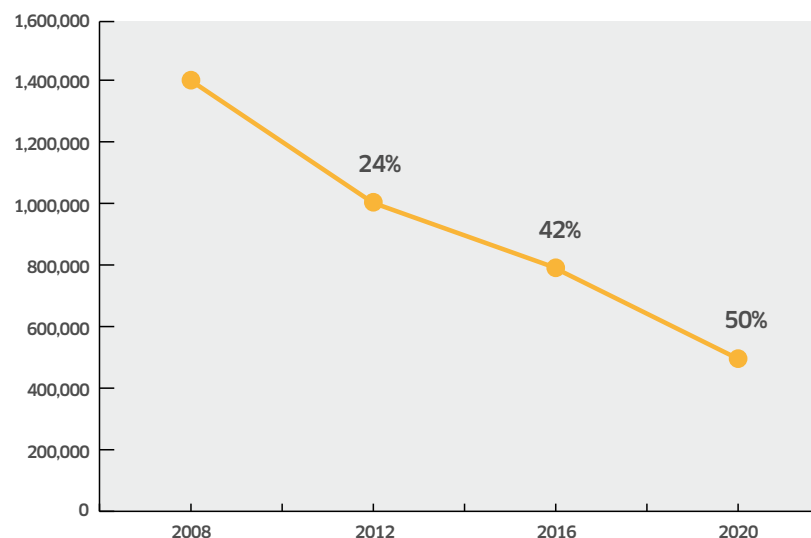
1. Reducing carbon emissions directly or indirectly related to our business operations, through such means as cutting electricity usage, reducing energy consumed by supply chain and product transport and logistics and reducing business travel.

2. Engaging with suppliers through audits to ensure that they follow the EICC Supplier Code of Conduct and helping suppliers reduce carbon emissions when needed.

3. Use of renewable energy sources, credits and offsets if necessary.

ALCATEL-LUCENT THREE-PHASE PLAN TO REDUCE ITS CARBON FOOTPRINT BY 50% BY 2020

(in tons of CO₂)



1. GET OUR HOUSE IN ORDER

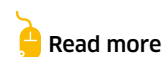
Improve onsite energy efficiency
Reduce the use of air shipments
Consolidate facilities
Consolidate IT servers
Reduce business travel

2. ASK MORE FROM SUPPLIERS

Improve onsite energy efficiency
Reduce the use of air shipments
Consolidate facilities
Encourage partner involvement

3. USE RENEWABLES FOR THE REST

Use renewable energy
Use renewable energy credits



Read more

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7. ENVIRONMENT • 7.4 REDUCING OUR CARBON FOOTPRINT

Scope 1, 2 and 3 Emissions

Simply tracking emissions for our own use is not in the spirit and intent of a transparent climate change program. We work closely with, and report annually to, the Carbon Disclosure Project (www.cdproject.net). We report emissions from all sources including facilities, fleet operations, mobile sources of combustion and all other Scope 1 and 2 sources of emissions that result directly from our business operations. Alcatel-Lucent also reports Scope 3 emissions from outsourced activities such as leased vehicles and vessels, product logistics and company business travel (see page 96). The Group follows the Greenhouse Gas Protocol (www.ghgprotocol.org) to determine what elements to measure and report on. Each year, as the ability to collect and report information improves, we add additional indicators. For example, in 2009 we added emissions from product logistics to our carbon footprint baseline. In 2010 we added three new components to our carbon footprint:

1. Emissions from Contract Manufacturers

We work with three major contract manufacturers to assemble many of our products. We work closely with these manufacturers to ensure that they have efficiency programs in place and strive to reduce their carbon intensity per million euro of product produced.

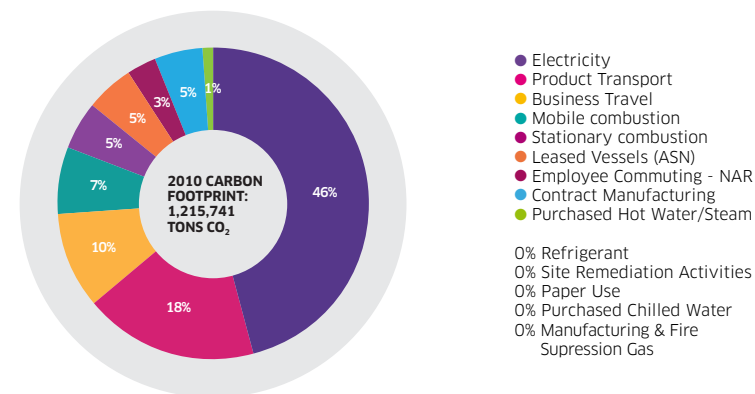
2. Emissions from Employee Commuting

In accordance with the GHG Protocol, we added emissions from employee commuting. For 2010 our figures cover only North America because that is where we have the best information-gathering ability. We will increase the scope of our coverage over time.

3. Emissions from Purchased Paper

We reduced paper usage by more than 22% over the past three years. However, 2010 is the first year that we are reporting on the impact of paper usage on our carbon footprint. Using more recycled content paper is one major way we will reduce our carbon footprint in this category. Overall, we are **committed to reduce paper usage by 20%, vs a 2010 baseline, by 2013.**

We continue to collect additional data about associated emissions that affect our carbon footprint baseline and work not only internally, but with our key partners and suppliers.



Water Usage

Water is essential to us all. While Alcatel-Lucent does not use a lot of water in its business processes, we still measure our usage and seek to reduce it where ever possible. We have managed to reduce our water consumption by nearly 20% since 2007. We are **committed to reducing our water usage another 20% by 2013** compared to our 2010 baseline.

Ernst & Young Statement

Based on the U.S. Environmental Protection Agency (EPA) principles, the reporting of Alcatel-Lucent's carbon footprint was implemented thanks to the assignment of dedicated staff, software and reporting protocol, enabling robust and reliable reporting and calculation processes. Explicit reduction targets were set, using year 2008 as a baseline. Over the last three years, the reporting scope has been gradually widened to include new types of emissions and make calculation more comprehensive. The 2008 baseline has consequently been updated to integrate these evolutions in scope and methodology. The calculation scope could still be extended since several types of emissions related to Alcatel-Lucent activities (such as emissions from road transport contractors) are not yet taken into account.

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7. ENVIRONMENT • 7.4 REDUCING OUR CARBON FOOTPRINT

7.4.2 Best Practices: Local Initiatives

Green Teams

For major Alcatel-Lucent facilities worldwide, a total of 56 Green Team leaders ensure that carbon footprint data is provided on a regular and reliable basis, and that local action plans are implemented to reduce environmental impact. The Green Teams, organized into three regions, work with experts from the Office of Sustainability who provide structure, direction and access to best practices and facilitate knowledge sharing.

In addition to reporting energy usage data, Green Team members identify opportunities to reduce energy consumption and emissions. These include simple, straightforward behavioral changes and short-term payback initiatives such as lighting changes as well as longer term measures. In 2010, the Green Teams undertook the “5 & 5 Challenge” where they were tasked with implementing five projects in our five largest facilities:

- Energy-efficient lighting
- Occupancy sensors
- Time of day lighting and HVAC adjustments
- Variable speed drives on air conditioning units
- Renewable energy projects where possible

These projects saved over 1 million euros in energy costs in 2010. Building on these exemplary results and the lessons learned, we will expand the program in 2011 and beyond.

Sites

Alcatel-Lucent has put a top priority on reducing greenhouse gas emissions at our 677 sites worldwide. Sites account for more than two-thirds of our Scope 1 and Scope 2 emissions. Emissions from sites have been reduced by an impressive 18% since 2008 under the leadership of our dedicated sites leaders and regional Green Teams.

DEMATERIALIZING BUSINESS TRAVEL

Responsible for nearly 10% of the Alcatel-Lucent carbon footprint, business travel offers the Group a double opportunity: we can reduce our own carbon emissions and demonstrate the advantages of our advanced multimedia communications solutions. Thanks to such alternatives as video conferencing, Alcatel-Lucent reduced business travel since 2008. At the same time, video conferencing for internal meetings increased by 40%, a sign of the profound evolution in corporate culture as Alcatel-Lucent employees embrace eco-sustainability.

France: Telecommuting

In France, 27 percent of our employees work from home at least one day a week. The result is annual economies totaling more than 2,600 tons of CO₂e, the equivalent of removing nearly 500 passenger cars from the road for a year. On a global basis, further economies are achieved through flexible office space, which optimizes use of real estate resources. Because employees often travel or work from home or from customer sites, the Group aims to provide about 75 desks per 100 employees. In 2010, the implementation of flexible office space enabled us to close over 300,000 square meters of space used for offices. This not only reflects the habits of a modern workforce, but reduces our need for office space, cuts our carbon footprint and supports our telecommuting efforts.

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7. ENVIRONMENT • 7.4 REDUCING OUR CARBON FOOTPRINT

Electricity

Electricity accounts for about half of the Alcatel-Lucent carbon footprint. In 2010, the Group managed to reduce its electricity consumption by 6% compared to the previous year [equivalent to removing more than 7,000 cars from the road for one year].

Local initiatives:

Canada: Lighting savings

In addition to replacing 1,450 lamps with high-efficiency alternatives in 2010, another 1,000 lamps were removed from our 10-story office building in Ottawa, Canada to eliminate unnecessary over-lighting. To reduce water usage, the facilities team in Ottawa reduced watering zones from 26 to 3, and let large sections of grass go back to nature, saving tens of thousands of liters of water annually. In addition, 2010 marked the 10-year anniversary of the elimination of pesticide and herbicide usage. Eco-friendly initiatives continued inside the building with the use of 100% recycled paper and recycling of all paper towels (which diverts over 13,000 bags of trash from landfill annually). Even the cafeteria is green, with cutlery made from Styrofoam-free renewable resources.

U.S.: Climate Corps

Alcatel-Lucent joined forces with the Environmental Defense Fund in 2010 and became a sponsor of their Climate Corps program. Climate Corps matches trained students from leading business schools with companies to develop practical, actionable energy efficiency plans. Alcatel-Lucent hosted an EDF Climate Corps fellow at our Bell Labs and Americas region headquarters in Murray Hill, New Jersey. Working with local facility managers, the fellow helped identify over \$400,000 in annual energy savings (the equivalent of nearly 2,000 tons of CO₂e).

France: Powering Down

A project launched in late 2010 aims to reduce energy consumption at our R&D labs in France by encouraging users to switch off unused electrical equipment during working hours, as well as overnight and on weekends. The goal is to reduce emissions by 600 tons of CO₂e, the equivalent of 1,388 barrels of oil, by the end of 2011.

Alcatel-Lucent teams at the Group's facility in Eu, France implemented a series of sustainability initiatives that reduced energy and water consumption and eliminated landfill waste. Reduced lighting, automatic shut-off systems in vacant areas and replacement of boilers contributed to a 12% reduction in energy usage in 2010 compared to 2009. Water conservation efforts included installation of low-consumption faucets and replacing exterior greenery that required regular watering. All of the waste at the site is sorted for reuse.

Mexico: Relighting

In Mexico City, a relighting project replaced more than 1,500 fixtures in 2010, which reduced lighting energy usage by more than 50%. In addition, dozens of occupancy sensors were installed to automatically switch off lights in unoccupied areas. These two initiatives combined will save over 260 MWh of energy per year, the equivalent of planting over 5,000 trees.

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7. ENVIRONMENT • 7.4 REDUCING OUR CARBON FOOTPRINT

7.4.3 Encouraging our Employees to be Eco-aware



An ongoing eco-attitude awareness campaign - Let's Be Eco-Friendly - highlights ways employees can reduce environmental impact. The campaign encourages employees to adopt eco-friendly gestures at work, such as carpooling, e-meetings, water savings, waste sorting, green printing, monitoring of devices and lights and others. The high point of the Let's Be Eco-Friendly campaign, the Eco-Friendly Video Challenge, ended in January 2010 and resulted in 23 different amateur videos, each highlighting team initiatives from facilities in Australia, Canada, China, France, Italy, Kazakhstan and the U.S. Based on employee voting and final selection by CR Steering Committee members, the video 'Ottawa Campus Eco-Friendly Initiatives' was selected as the winner.



In April, an awards ceremony was held to congratulate the Ottawa facilities staff and present them with the award: a USD \$10,000 grant to the Nature Conservancy of Canada.

To highlight employee commitment to environmental issues and to support of the Let's Be Eco-Friendly campaign, Alcatel-Lucent contributed to the planting of thousands of trees in 2010, working with the Green Belt Movement planting project in Mount Kenya and the Planète Urgence restoration effort for the Indonesian Mangrove. The campaign sparked numerous initiatives at Group sites worldwide. For example, a worldwide Print-Free Day was declared on Earth Day to encourage employees to review their habits and reduce printing.

Local initiatives:

Calabasas, California

2010 Earth Day observances, spread over an entire week, included a recycled battery counting contest, a raffle, projection of a Green Initiatives video, and a demonstration of energy-saving power strips.

Shanghai, China

Employees responded to the WWF Earth Hour by switching off lights for one hour during the evening of March 27 and encouraging everyone to reduce their carbon footprint. Alcatel Shanghai Bell was recognized as an "EXPO Green Commuting Citizen" by the Shanghai EXPO Bureau after the company encouraged employees to adopt green commuting.

Ottawa, Canada

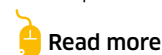
Employees celebrated Earth Day by replacing plastic cafeteria utensils with compostable sugar cane husk utensils. In addition to the one-day event, more than a dozen new carpooling spots were added to the parking lot, where lights began turning off Friday-Sunday nights.

Murray Hill, New Jersey

An Earth Day booth in the cafeteria enabled employees to take part in numerous activities, including donating old running shoes for recycling into playground mats, using power strips to save energy and obtaining reusable travel mugs and shopping bags. The Earth Day commemoration also included several video and movie projections and information about energy usage of home appliances.

Alpharetta, Georgia

A recycling truck parked at the main entrance as part of the site's week-long Earth Day commemorations. Employees were able to deposit old computers, monitors, keyboards, radios and other personal items for recycling. Battery disposal bins were installed and information was provided about eco-friendly gardening. The Alpharetta facility also earned an Energy Star certification in 2010 - the first building in our portfolio to earn such an honor.



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PART 4 7.5 INNOVATION & ENGAGEMENT

7.5.1 Innovation for the Environment

Through our research we have come to the conclusion that there is tremendous potential to improve the way communications networks use power and consume energy. To realize that potential, researchers from across Alcatel-Lucent are taking a fresh look at the building blocks of communications networks and finding novel ways to reduce overall demand for power while maintaining performance and improving functionality.

Alcatel-Lucent Bell Labs has established a broad thematic research focus on green technologies encompassing:

- Conducting fundamental research on energy efficient networks.
- Introducing innovations that will accelerate sustainable network deployment in the market.
- Incorporating renewable energy solutions into the product portfolio.
- Enabling emissions reductions in other industrial sectors.

Our research portfolio addresses all aspects of energy efficient networking: wireless and fixed access, routing and switching, optical transport, new protocols and coding schemes, applications and components.

Achievements

Examples of Alcatel-Lucent innovations that make communication and networks more energy efficient include:

- **Wireless Access:** Architectures that utilize modular hardware (e.g. base-stations on a chip), virtualization and cloud-computing. The lightRadio™ solution (see page 48) is one such enabler for energy efficient modular base-stations that could be used to extend the network in regions where grid-electricity is not readily available. Active antenna arrays conserve wireless base station energy and significantly reduce power losses by eliminating radio frequency (RF) feeder cables. They accomplish this by integrating signal processing, signal generation and the receiver directly into the antenna at the top of a cell site tower. Switching off array segments when cell traffic is low results in a further reduction in the demand for power.

- **Fixed Access:** We have created dynamic and rate-adaptive optical links between the central office and the home/enterprise that can dramatically reduce customer premise equipment energy consumption by transmitting only user-useful data.

- **Routing and Switching:** Improving the energy efficiency of packet processing and the interconnect fabric, the predominant source of energy consumption within a router/switch. The proposed building blocks are a multi-chip router amenable to energy-follows-load performance for packet processing, photonic interconnects between the elements, and intelligent computation and processing that enable more precise load balancing.

- **Applications:** Capabilities and architectures that support immersive network communication, a visionary application that enables people in different locations to communicate and collaborate as if they were in the same space. Immersive communication provides a low-carbon alternative to physical meetings.

- **Thermal Management:** We have invented new techniques for cooling network components more efficiently. We apply thermal interface materials to more rapidly conduct heat, develop vapor chambers to better distribute heat and devise novel heat sink designs to more efficiently dissipate heat. Recognizing that nearly half of the energy consumed by data centers is used to cool servers, we have focused development efforts on this area. One result of these efforts is the Alcatel-Lucent Modular Cooling Solution. The Modular Cooling Solution is an improvement over conventional systems by removing heat directly from the equipment cabinets at the point where it is generated by electronic circuitry.

 [Read more](#)

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7.5.2 Engaging for Success

Alcatel-Lucent believes that the eco-sustainability challenge is too broad for any single organization to meet on its own. As a consequence, **the Group has made open innovation a strategic priority**, assuming active and/or leading roles in numerous collaborative initiatives, from research consortia and partnerships to standards bodies and industry groups. We are convinced that open collaboration will enable us, collectively, to move towards the global, end-to-end network approach needed to fully address all facets of the eco-sustainability challenge.

Our launch of the GreenTouch™ consortium, our commitment to the Global eSustainability Initiative (GeSI), and our engagement in World Economic Forum efforts to combat climate change are examples of how Alcatel-Lucent translates its drive towards eco-sustainability into concrete collaborative initiatives.

Alcatel-Lucent supports efforts to promote low carbon ICT solutions at every level, from local and regional initiatives to national and international efforts.

Principal Global Commitments:

- World Economic Forum Task Force on Low-Carbon Prosperity (see page 31).
- United Nations Global Compact Caring for Climate Initiative.
- Global eSustainability Initiative (GeSI) (see page 32).
- Green Imperative Manifesto from the Business for Environment Global Summit (B4E).
- Alliance for Telecommunications Industry Solutions (ATIS) – Alcatel-Lucent contributes to standards development for ICT energy efficiency (NIPP-TEE) and to the ad hoc committee studying environmental initiatives (EGG).
- International Telecommunications Union – As an active member, Alcatel-Lucent contributes in particular to the ITU-T Focus Group on ICT and Climate Change.
- INEMI – Alcatel-Lucent is a member of the board along with chairing and/or actively participating in a number of environmentally focused work groups.
- GSMA – Alcatel-Lucent actively takes part in the GSM association's collaborative efforts involving cellular industry commitments and policy recommendations.

Greenhouse Gas Protocol Initiative Guidelines

Alcatel-Lucent Bell Labs announced in February 2011 that it would contribute research to a collaborative effort that aims to develop guidelines on measuring carbon emissions from ICT products and services. The Greenhouse Gas Protocol Initiative is a joint project by the World Resources Institute (WRI) and the Global eSustainability Initiative (GeSI). The guidelines, due to be published before the end of 2011, will provide a common framework for measuring the footprint of the ICT sector's products and services, enabling customers to better assess the environmental impact of their ICT purchases. Alcatel-Lucent will share responsibility with British Telecom for developing guidelines for the shared network services section of the handbook. The fruit of this work will be a common measurement and reporting format that allows customers, governments and other key stakeholders to evaluate the carbon impact of ICT solutions against one another on a consistent basis. This is important because moving to a low-carbon economy requires picking solutions that offer both the lowest overall carbon impact and the ability to offset the most carbon.



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7. ENVIRONMENT • 7.5 INNOVATION & ENGAGEMENT

7.5.2.1 Senior Management Engagement

Alcatel-Lucent CEO Ben Verwaayen has long been one of Europe's leading advocates of the low-carbon economy as a fundamental driver of innovation and growth among business and government leaders and stakeholders around the world. In addition to his active participation in numerous WEF events, he is Chairman of the Confederation of British Industry (CBI) Climate Change Board. Since joining Alcatel-Lucent in 2008, Ben has reinforced the Group's commitment to fight climate change and protect the environment by insisting upon:

- Development of low-carbon communications technology solutions.
- Reduction of the Group's own carbon footprint.
- Participation by Group executives and specialists in key discussions worldwide geared to combating climate change.

In 2010, Ben Verwaayen enthusiastically encouraged the formation of GreenTouch™, the global consortium that aims to make networks 1,000 times more energy efficient (see next page). GreenTouch™ has been recognized by stakeholders worldwide, including the World Economic Forum, as an industrial best practice for today's global sustainability challenge.

More recently, Alcatel-Lucent strengthened its commitment to sustainability by the launch of a revolutionary green technology solution:

lightRadio™, a breakthrough in mobile and broadband infrastructure technology that streamlines and radically simplifies mobile networks while shrinking their carbon footprint by more than 50 percent. This revolutionary approach to mobile networks, publicly announced in February 2011, will also help to address the digital divide and rural inclusion, another major global challenge, by enabling the expansion of broadband wireless connections virtually anywhere there is power – electricity, wind or solar.

Ben and Alcatel-Lucent have signed onto major commitments to the low carbon economy:

- World Economic Forum letter to G20 heads of state on the importance of public/private collaboration to tackle climate change.
- Business for Environment Global Summit (B4E) The Green Imperative Manifesto.
- Copenhagen Communiqué on Climate Change.



“One of the most important challenges facing the world at this moment is to transform our economies from physical economies to digital economies, to be inclusive for the rural world and to tackle climate change.”

Ben Verwaayen
Alcatel-Lucent Chief Executive Officer

 [Watch the video](#)

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7.5.2.2 GreenTouch™ Research Consortium

The GreenTouch™ Consortium is a global research initiative dedicated to achieving a dramatic improvement in the energy efficiency of information and communications technology (ICT) networks. By 2015, GreenTouch™ aims to deliver the architecture, specifications and roadmap – and demonstrate key components – needed to increase network energy efficiency by a factor of 1,000 from current levels.

Organized by Alcatel-Lucent Bell Labs, GreenTouch™ was launched in January 2010. In less than one year of operation, it created technology workgroups, generated a pipeline of more than 20 research projects and doubled its membership to 38, attracting the participation of leading scientists representing industry and academic organizations from around the world.

Recognized by the World Economic Forum (WEF) as an industry-led best practice toward sustainability, GreenTouch™ unveiled the first technology to come out of its research efforts at an event in London in February 2011. Scientists from the consortium's mobile network research group demonstrated a large scale wireless antenna system proof of concept with the potential to achieve a dramatic reduction in energy consumption (see page 31).

The consortium has identified four areas of focus where members believe they can achieve the greatest energy efficiencies: wireless, routing and switching, wireline access and core network. In support of

these efforts, the consortium convenes meetings on a regular basis to facilitate the exchange of information and align member initiatives in both research and operations. GreenTouch's 2011 goals include establishing a common reference architecture and developing a detailed research roadmap and key metrics to 2020. The consortium also plans to organize an international forum to foster cooperation and the exchange of ideas on energy research topics.

The GreenTouch™ Energy-efficient Antenna System

Providing service to users of mobile networks today is typically accomplished by broadcasting signals over a wide area. This transmission method uses a lot of energy, much of it wasted. Pervasive use of this method in spite of its inherent inefficiency has persisted due to service providers' focus on increasing the capacity of mobile networks rather than decreasing energy consumption, a natural outcome of accommodating the exponential growth in the use of mobile networks in recent years.

The potential for improvement in the energy efficiency of wireless networks attracted the attention of the GreenTouch™ research program and led to the creation of a workgroup to address it. The goal was to target the transmission of information in a more focused way towards an individual user (either line-of-sight transmission or reflection off nearby objects) without sacrificing performance.

The objective is to achieve much more efficient power usage – just enough power to provide adequate service – than what is

possible with the broadcast transmission method in wide use currently. The large scale antenna system solution that resulted from this research and was successfully demonstrated in February 2011 reduces power consumption by increasing the number of antennas and using intelligent computation and processing to combine them in a new way. The demonstration made use of 16 antennas, a number that is about four times greater than the number of antennas used in the most advanced configurations deployed today. The large scale antenna system is a proof-of-concept that points a way forward towards future implementations that will ultimately involve hundreds of antennas and correspondingly a reduction in power consumption that is hundreds of times greater than what is achievable today.

 [Read more](#)  [Watch the video](#)

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7. ENVIRONMENT • 7.5 INNOVATION & ENGAGEMENT

7.5.2.3 Partnerships

University Partnerships

Irish CSET

The Irish Centre for Science, Engineering & Technology (CSET) is a partnership between Alcatel-Lucent Bell Labs Ireland & UK research cluster and the Centre for Telecommunications Value Chain Research (CTVR). Its research goals include new energy-saving heat dissipation techniques such as heat dissipation through vapor chambers and conversion of waste heat into electricity. Supported by Science Foundation Ireland, CTVR is a collaborative research center involving seven Irish universities.

Melbourne Lab

Alcatel-Lucent Bell Labs, the University of Melbourne and the Victorian State Government jointly established a research center in Melbourne, Australia devoted to advancing research in energy-efficient networks and technologies. The Centre for Energy-Efficient Telecommunications (CEET) combines Bell Labs' extensive experience in collaborative research and the University of Melbourne's world-class research in telecommunications network infrastructure.

GERI in Korea

Alcatel-Lucent Bell Labs is working with the Gachon Energy Research Institute (GERI) of Korea's Kyungwon University to develop innovative businesses models for the next-generation smart power grid (Smart Grid). The intent of the joint research program, called Grid 2.0, is to fundamentally enhance the efficiency, reliability, security, and intelligence of electric power grids by exploiting the convergence between electric power systems and information and communications technologies.



[Read more](#)

European Partnerships

In response to a call from the EU Commission in January 2010, Alcatel-Lucent expressed its commitment to the EU's post-2010 agenda and linked with the EU Commission Departments on the Information Society, Transportation and Energy, Climate and Enterprise.

The Group actively supports the ICT4EE Forum, a multi-sector initiative. Launched in February 2010, four associations (Digital Europe, GeSI, Japanese Business Council Europe and TechAmerica Europe) created the ICT for Energy Efficiency (ICT4EE) Forum to respond to an EU Commission call for the sector to achieve energy efficiency. Alcatel-Lucent has been supporting the forum's work in all three of its working groups.

Alcatel-Lucent is working with DigitalEurope to promote applications in smart grid, smart metering and smart buildings as a way to lower greenhouse gas (GHG) emissions.

Alcatel-Lucent Bell Labs plays a leading role in EARTH, a European consortium of 15 leading telecommunications service providers, component and infrastructure vendors and academic institutions whose goal is to reduce the energy consumption of advanced wireless communications networks by 50% before the end of 2012 while making broadband wireless service available to a greater number of people in Europe.

Broadband Code of Conduct

Alcatel-Lucent was among the 21 companies that signed the **EU Broadband Code of Conduct** in September 2010. This event, in which EU Commissioner Neelie Kroes participated, was sponsored by the Global eSustainability Initiative (GeSI). The signatories, who include both equipment suppliers and users, commit to manufacturing lower energy-consumption equipment in energy-efficient data centers. This commitment will lead to savings of up to approximately 25 TWh per year in connection with the provision of broadband equipment and also to significant reductions in the energy consumed by data centers.

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7.5.3 Awards and Recognition


Best Green LTE Product or Initiative in North America

Awarded to Alcatel-Lucent by Informa Telecoms and Media in November 2010, the Best Green LTE Product award recognizes work that makes Long Term Evolution (LTE) cellular technology more environmentally friendly in North America.

 [Read more](#)


Green IT Award (Japan) for Alcatel-Lucent Modular Cooling solution

Awarded by Japan's Green IT Promotion Council/Green IT Award, Alcatel-Lucent won the Jury's Special Award 2010 in the *IT power-saving* category for the Alcatel-Lucent Modular Cooling Solution (MCS), a power-saving cooling solution for data centers.

 [Read more](#)

Green Digital Growth Prize (France) & Sustainable Energy Europe Award 2010 (European Commission) for the Alcatel-Lucent Alternative Energy Program

The Alternative Energy lab and pilot site, opened in 2009 near Paris, is the world's first and only alternative energy laboratory and pilot site dedicated to telecommunications.

 [Read more](#)

Environmental Protection Agency (U.S.)

Alcatel-Lucent was recognized in 2009 for completing a corporation-wide inventory of greenhouse gas emissions, setting aggressive long-term reduction goals, and reporting progress annually to the EPA. Alcatel-Lucent participated in the EPA's National Partnership for Environmental Priorities (NPEP) for recycling lead-acid batteries removed from our customers' telecommunications networks. Alcatel-Lucent recycled 1,269 metric tons of batteries from 2008 through 2010 resulting in the recovery of 888 metric tons of lead.

Chief Learning Officer (CLO) Learning In Practice award 2010

The Alcatel-Lucent University "Going Green: from Paper to PDF Course Materials" program was awarded a special certificate of merit by Chief Learning Officer magazine's Learning In Practice Awards to recognize the team's outstanding work in the Innovation category. In 2010, 30% of all Alcatel-Lucent University classes were replaced paper-based courseware with electronic PDF student materials.

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OUR PEOPLE



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8. OUR PEOPLE

8.1 VALUING OUR PEOPLE

Our human resources policies and practices aim to find innovative ways to ensure that the ongoing transformation of Alcatel-Lucent tracks with the changes affecting our clients and markets and the world at large. Because we serve global markets and customers who do business on a global scale, our approach to human resources management and development is likewise global. At the same time, present in 130 countries, Alcatel-Lucent nurtures a vast web of local partnerships and relationships – with customers of course, but also with such stakeholders as suppliers and subcontractors, local communities and educational institutions.

As part of our commitment to fulfill corporate responsibilities on the local level, we encourage our employees to contribute to their communities by volunteering programs organized through the Alcatel-Lucent Foundation. To learn more, please see page 82.

The diversity of our workforce, our client base and the communities where we do business supports our ongoing efforts to develop innovative approaches to a wide range of business and technological challenges. We believe that innovation, which depends on breaking down boundaries and making new connections, is strongly linked to diversity.



**Transformation is a big motto of our company.
Transformation is about our people,
and accompanying them in their evolution.**

Pierre Barnabé

Executive Vice President, Corporate Human Resources and Transformation

Watch the video

79,000 +
Employees
in 130 countries.

100 +
Nationalities are represented
among our employees at all
levels of the organization.

As we endeavor to remove boundaries within the context of our quest for constant innovation in all areas, we are making increasing use of the tools developed within our own information and communication technology (ICT) sector. For example, we are using social networking to encourage more open collaboration across the organization. We have created a global internal jobs market, to expand the job and career possibilities open to all employees. Social networking tools, such as Engage in Alcatel Lucent, are helping us nurture the development of skills throughout the Group by identifying needs, highlighting talents and supporting learning.

Innovative social networking tools are also one of the ways we nourish the rich, ongoing dialogue between employees and management that we believe are critical to our business success. These kinds of exchanges enable everyone to comprehend and embrace the Group's strategic goals and to understand how each can contribute to their realization.

Ernst & Young Statement

Alcatel-Lucent has developed a process to encourage mobility within the company. Employees regarded as high potentials, identified thanks to the commitment of managers and human resources professionals, are to change position and move to another level of responsibility within 3 years. Even though Alcatel-Lucent has not yet reached its objective set for 2011 of 80% of high potentials having changed position within 3 years, this objective remains achievable since the program is being gradually implemented.

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8. OUR PEOPLE

8.2 ALCATEL-LUCENT VALUES

8.2.1 Corporate Values

Customers First: We exist to serve our customers. Our success will be determined by how well we perform for our customers.

Innovation: We are intuitive, curious, inventive, practical and bold, which allows us to create new ideas for our customers, our business and employees. These ideas come from anywhere throughout our global operations.

Teamwork: Success requires teamwork. We are collaborative and respect the contributions of each person to the team's success.

Respect: We are a global company with many cultures. We respect and embrace people and perspectives from all over the world.

Accountability: We do what we say we will do. We own a collective responsibility towards customers, colleagues, communities and shareholders.

8.2.2 Global Human Rights Policy

It is the policy of Alcatel-Lucent to protect and enhance the human dignity of everyone who works for the Group and anyone who has dealings with it. We conduct business in many countries and believe that our products, services and jobs improve the quality of life in each of these countries. Alcatel-Lucent supports and respects, within its sphere of influence, the principles of human rights defined in the United Nations Universal Declaration of Human Rights, the International Labor Organization's fundamental conventions and the Global Compact.

Specifically:

- We comply with all country and local laws in the areas in which we operate.
- We adhere to a set of principles, defined by the Alcatel-Lucent Statement of Business Principles, that guide our corporate integrity and business practices.
- We prohibit discrimination against any employee or job applicant on the basis of age; disability; race; sex; color; religion; creed; national origin; citizenship; sexual orientation; gender identity, characteristics or expression; marital status; covered veteran status; or any other protected class and will treat everyone with dignity and with full respect for their private lives.
- We ensure that employment with Alcatel-Lucent is by freedom of choice.
- We uphold freedom of association and the right of any individual to be fairly represented.
- We offer employees remuneration packages that meet or exceed the legally required minimum.
- We comply with maximum hours of daily labor set by local laws and comply with overtime pay requirements.
- We support the effective elimination of all forms of compulsory labor and child labor and will make this a criterion in the selection and management of our suppliers and contractors.
- We prohibit actions that create an intimidating, hostile work environment including corporal punishment, harassment, verbal, written, physical or psychological abuse, threats or intimidation as these are inconsistent with a respect for human dignity.
- We prohibit actions that threaten or insinuate that an employee's or applicant's submission to or rejection of sexual advances will influence any personnel decision regarding that employee's or applicant's employment, wages, advancement, job assignment, or any other condition of employment or career development.
- We prohibit retaliation against or other adverse actions against those who report, in good faith, suspected violation of the law or policy. Any employee who believes that they have been subject to retaliation should report the issue immediately.

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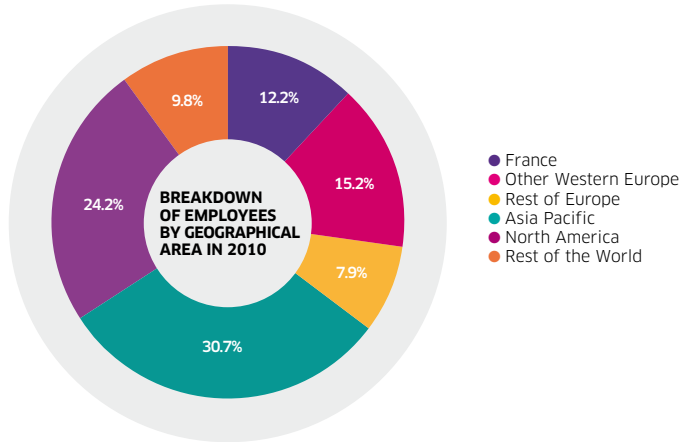
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8. OUR PEOPLE

8.3 EMPLOYEE BREAKDOWN

At the end of 2010, our total employee headcount was 79,796. Our balanced global presence reflects our constant aim to drive



8.4 EMPLOYEE DIALOGUE

8.4.1 Collective Bargaining

More than 68% of Alcatel-Lucent employees are covered by collective bargaining labor agreements. Discussions concerning organizational changes are managed on a regional or country basis; all workforce reductions are carried out with great care for the individuals involved and in full compliance with local rules and regulations. Numerous consultations took place in 2010.

European Committee

Alcatel-Lucent is committed to fostering an open dialogue with employees on important decisions directly affecting them. **The Alcatel-Lucent European Committee (ECID) is a dialogue body where senior management and European employee representatives can share views.** The committee is composed of 30 members, of whom five make up a liaising committee, including representatives from Belgium, France, Germany, Italy and Spain.

innovation everywhere our technical environment is changing and to remain close to customers.

Breakdown of Employees by Geographical Area	in 2010
France	9,751
Other Western Europe	12,169
Rest of Europe	6,297
Asia Pacific	24,464
North America	19,285
Rest of the World	7,830

France is also in charge of the secretariat of the committee. The European committee meets at least twice a year depending on Alcatel-Lucent's news. In 2010, the European committee met in March and October; an intermediate meeting with the liaising committee took place in July. The ECID was renewed for two years in 2009, when new members from Romania were added.

In France, a Group-level committee representing unionized employees (*Comité de Groupe France*) has been operating since 1981. Composed of 30 trade union representatives, the committee meets at least twice a year (generally in June and December), depending on events. Like the European Committee, the membership in the French Committee was renewed for two years in 2009. During the final quarter of 2010, all Alcatel-Lucent companies and subsidiaries in France held elections to worker councils and the French Group Committee was renewed at this occasion based on the results of these elections.

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8. OUR PEOPLE • 8.4 EMPLOYEE DIALOGUE

8.4.2 Internal Communication and Dialogue

We strongly believe that our business success depends on building the strongest possible commitment from our workforce. This kind of commitment requires a profound, ongoing exchange between employees and management to ensure broad dedication to the Group's strategic goals and a shared understanding of how each employee can contribute to those objectives.

We are currently updating our approach to performance management to reinforce the role of people managers and nurture on ongoing dialog between managers and employees. The goal is to ensure that all Group managers have the skills, tools and information needed to drive a less formal but continuous and structured exchange with employees at all levels of the organization.

Employee satisfaction survey

All employees are invited to participate in a simple, 13-question, web-based survey which addresses levels of engagement in specific areas linked to change. ✓

In total, 46,761 employees (57.5%), representing all business-lines, regions, and central functions, participated in 2010, compared to 48% in 2009. There was significant improvement in all areas measured, which include understanding of our strategy and how each individual contributes to it, the level of employee commitment, and progress towards simplifying and streamlining our processes.

52,000

employees collaborate in real time through a social networking platform.

46,761

employees, i.e. 57.5% participated in the 2010 employee satisfaction survey.

To support dialogue and communication, we have deployed the latest generation of communications tools throughout the Group.

- Our Web 2.0 service platform is accessible in all countries where we are present. More than half of the Group population actively uses its social media functions to discuss, blog and comment.
- Launched in March 2010, Engage is a social networking platform that enables employees to collaborate in real time by sharing insights, links and documents. As part of the launch process, informational Cafe Engage sessions are being held in locations around the world.
- A series of 'Power Hours' and other informative regional webcasts support interdisciplinary education and provide an opportunity for employees to virtually meet people across the organization.

In addition to Group-level and regional initiatives, local HR and communications specialists sponsor a range of activities. In Brazil for example, ALU-TV was launched in 2010 to provide local and corporate news 'at a glance' on TV monitors placed throughout facilities.

8.5 EMPLOYEE HEALTH AND SAFETY

Alcatel-Lucent employees face relatively limited risks related to health and safety at work. Nevertheless, the telecommunications industry involves some hazards that require special attention, including, but not limited to, working at heights, near high voltage equipment, or in the vicinity of transportation systems and routes and in areas of potential exposure to electromagnetic fields.

The Group works with customers and industry groups to appropriately identify risks and implement management systems to effectively minimize the risks to its employees, customers and residents of communities where operations are located.

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8. OUR PEOPLE

8.6 DIVERSITY & EQUAL OPPORTUNITY

Alcatel-Lucent actively promotes gender diversity and equal opportunity for men and women. The Group aims to offer equal access to job opportunities and job training as well as equal pay for equal work.

A major milestone was reached in France in 2010 with the signature of a three-year gender equality agreement. The agreement calls for promoting women candidates for all job openings, especially in management, progressive elimination of salary disparities, hiring more women engineers and measures to improve work/life balance including maternity leave.

In North America, our anti-harassment & non-discrimination policies are posted at all Alcatel-Lucent facilities. Anti-harassment and non-discrimination training is required of all new hires during on-boarding process and for all employees every two years. The Ethics Point reporting tool provides all employees and contractors with the opportunity to report suspected harassment, discrimination and retaliation. All reports are investigated in a timely manner by HR Investigators, with the assistance of the legal team and HR Management as needed, followed by timely appropriate action.

In the U.S., Alcatel-Lucent has an Affirmative Action plan for women, minorities, veterans, and persons with disabilities. In Canada, Alcatel-Lucent has an Employee Equity Plan for women, visible minorities, aboriginals, and persons with disabilities.

Women's Leadership Network

The Women's Leadership Network is one of seven Alcatel-Lucent Employee Business Partners, voluntary groups of employees who come together in support of common goals and interests. With active chapters worldwide, the Women's Leadership Network seeks to provide an avenue for all women in Alcatel-Lucent to demonstrate, share and grow their leadership abilities, to provide an environment for women to mentor and be mentored, and to serve as a positive presence within the business and throughout the communities in which we work.

8.6.1 Multi-cultural Company

With more than 79,000 employees in 130 countries representing more than 100 nationalities, we have employees of all ages, from all walks of life and from very diverse backgrounds. This is a great source of our strength and we firmly believe that it allows each of us to develop


new ways of looking at issues and to contribute innovative ideas and creativity. In today's global environment we believe more than ever that it is crucial to understand the cultures, customs and needs of employees, customers and regional markets. As a global enterprise, we seek to ensure that our employee body reflects the diversity of our business environment. Our Statement of Business Principles and our Human Rights policies clearly confirm our engagement to recognize and respect the diversity of people and ideas, and to ensure equal opportunities.

In 2010, we focused on integrating members of the so-called Y-Generation (individuals born between the late 1970's and the mid-1990's) through partnership with schools and universities and targeted recruiting plans. We launched a Generation Diversity Project in the Benelux countries and other local programs in the France, Germany and the U.S.: all aim to better understand the specific work habits and expectations of various populations and communities.

Local initiatives:


America's Top Corporations

The Women's Business Enterprise National Council named Alcatel-Lucent to its annual listing of America's Top Corporations for Women's Business Enterprises in 2010 for the fourth consecutive year. This is the only national award in the U.S. honoring corporations for world-class programs that create level playing fields for women's business enterprises to compete for corporate contracts.

 [Read more](#)

Equality Recognized in Spain

In December 2010, Alcatel-Lucent was among 36 Spanish companies awarded with the national distinction of "Company Equality" (*Igualdad en la empresa*) by the Spanish Ministry of Health, Social Policy and Equality.

 [Read more](#)

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8.6.2 Non-discrimination, Equal Opportunity

Collaboration and partnerships with schools and universities helps us better integrate members of minority groups. In the U.S. in 2010, Alcatel-Lucent participated in 64 events, including career fairs, regional conferences, and student interaction events such as information sessions, Alcatel-Lucent site tours and networking events. Members of our University Relations team participate in such higher education groups as the National Society of Black Engineers, Society of Women Engineers, Society of Hispanic Professional Engineers, American Indian Science & Engineering Society, Institute of Electrical & Electronics Engineers, Eta Kappa Nu, and Historical Black Colleges & Universities.

Gender Equality Project India

Alcatel-Lucent is among seven multinational companies that helped the **Gender Equality Project** launch its ground-breaking global certification and assessment methodology for gender equality in the workplace in January 2011. The Group got involved early in 2010 when it decided to work with the Project to test and streamline the assessment methodology as part of a pilot program. As the target legal entity for the pilot, we chose India, recognized as a challenging market both from an industry and global perspective on gender equality. The assessment methodology is designed to provide a clear picture of a company's progress on gender equality as measured in terms of equal pay for equivalent work, recruitment and promotion, training and mentoring, work-life balance and the company culture. Alcatel-Lucent also took part in best practice workshops with the GEP in late 2010 and early 2011.

 [Read more](#)

As part of Alcatel-Lucent's commitment to diversity, our human resources teams in North America support employee business partner groups such as EQUAL (Gay, Lesbian, Bisexual, & Transgendered); ABLE (African Americans); IDEAL (Individuals Dedicated to Enabling Accessibility in Life); 4A (Asian Pacific Association for Advancement); HISPA (Hispanic Association of Alcatel-Lucent); LUNA (United Native Americans of Alcatel-Lucent); WLN (Women's Leadership Network).



Strongly committed to advancing equality between men and women, Ben Verwaayen joined 38 other CEOs on June 21, 2010 to sign the CEO Statement of Support for the Women's Empowerment Principles - Equality Means Business. This worldwide initiative was launched on March 8, 2010 at the U.N. by the U.N. Development Fund for Women (UNIFEM) and the U.N. Global Compact.

As a sign of our commitment to gender equality, CEO Ben Verwaayen participated in the public launch of the Gender Equality Standard at Davos 2011 with other multinational companies. Ben has also been invited to serve on the WEF Gender Parity Group for 2011-2012. The WEF Gender Parity Group is a multi-stakeholder community of highly influential and committed leaders - 50% women and 50% men - from business, politics, academia, media and civil society. It aims to identify the most successful interventions for closing gender gaps and develop a framework for gender parity that can be widely replicated. It meets once a year, on the occasion of the WEF Annual Meeting at Davos.

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8. OUR PEOPLE • 8.6 DIVERSITY & EQUAL OPPORTUNITY

8.6.3 Accessible Workplace

Alcatel-Lucent is committed to foster the professional integration of disabled people into its workforce. The Group has defined and implemented a general, proactive company policy, which aims at fighting all forms of discrimination and at increasing diversity across Alcatel-Lucent.

8.6.4 Seniors

Alcatel-Lucent seeks to support its employees through planned career evolutions that increasingly involve multiple disciplines and skill sets. This is achieved through a combination of long-term follow up, mid-career interviews and dedicated development and training programs. Mentoring programs help us leverage in-house know-how, experience and best practices.

Mentoring is one of the cornerstones of the *Générations & Talents* initiative launched by Alcatel-Lucent France in early 2011. Developed in partnership with France's national unemployment agency for managers (APEC), the program seeks to promote diversity across generations within the Group and support employees as they build lifelong career paths. In addition to mentoring, *Générations & Talents* involves mid-career interviews during which employees may, if they wish, review their options and prepare their future.

Local initiatives:

In France, as part of an agreement with trade unions, the Group has committed to recruit at least 80 disabled employees by the end of 2011 as part of the *Mission Handicap* program. Beyond the recruitments, *Mission Handicap* requires Alcatel-Lucent to ensure that disabled employees benefit from easier workplace accessibility, workstation adjustments, telecommuting, dedicated equipment and accommodation facilities. Originally created in 2008, the *Mission Handicap* agreement has been renewed through the end of 2011.

In 2010, the Group created a non-profit association in France, called *@talentegal* (at equal talent), to help disabled students follow post-graduate studies in engineering or other fields and gain employment at Alcatel-Lucent. Students participating in the *@talentegal* program benefit from an internship or other work experience at an Alcatel-Lucent location and specific training provided by the Group and its partners.

In France, Alcatel-Lucent has also established partnerships with groups that support the disabled, such as Brailenet and the *Fondation Garches*. Thanks to our partnership with JobinLive, Alcatel-Lucent also took part in the launch of Handivisio, a program involving installation of video-recruitment terminals to help disabled students create and broadcast video resumes.

In the U.S., reasonable accommodations are provided for persons with disabilities. Managers are encouraged to, and in most situations do, make accommodations to employees wherever possible. Accommodation requests that cannot be satisfied by managers are referred to the Accommodation Review Board to ensure that reasonable requests are not denied.

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8. OUR PEOPLE

8.7 HUMAN CAPITAL DEVELOPMENT

1.4 M

Employee learning hours delivered in 2010 (vs 1.2 M in 2009).

77,322 ✓

Unique employees trained in 2010 (vs 65,098 in 2009).

The Human Resources Learning & Accreditation organization is the Group's premier learning organization, providing customers and employees with targeted learning services. In 2010, the organization delivered an average 17.5 hours of training per employee, compared to 15.5 hours the previous year. About 38% of training was delivered via e-learning.

In 2010 the Learning & Accreditation organization launched a profound transformation effort. The goal is to more closely align training and learning know-how and capabilities to current and future customer needs. This transformation aims to approach learning as a business, focused on growth, thereby increasing perceived added value while reducing SG&A costs. The approach also seeks to more closely align learning priorities to customer and internal needs while balancing customer proximity with globalization to enhance productivity, operational efficiency and resource sharing.

8.7.1 Global Framework

As part of the transformation program, we have launched **People@Alcatel-Lucent, a Group-wide professional accreditation and development program focused on building competencies and skills**. Led by our Alcatel-Lucent University, People@Alcatel-Lucent focuses on ensuring 16 key job roles in the areas of services, pre-sales & sales and R&D. Implementing this job-oriented approach, People@Alcatel-Lucent reinforces the links between training and workforce planning. Over time, the People@Alcatel-Lucent framework is designed to encompass all of the Group's learning initiatives.

Green Learning Solution

Alcatel-Lucent University's Going Green initiative includes an ecology-friendly non-print policy. The idea is to reduce consumption of paper in classrooms by providing students with course materials as electronic PDF files. By the end of 2010, 30% of all classroom materials were provided in electronic format.

8.7.2 e-Learning

More than one-third (38%) of internal training and education is carried out on-line. **The Group's Always-On Learning Portal, an interactive, self-service employee resource, helps our people easily find the learning they are seeking.** The portal streamlines identification of learning solutions by job or area of interest: skills development, Certification and Accreditation, professional, managerial and leadership development and business transformation.

In addition, the Learning 2.0 channel on the Alcatel-Lucent Video Sharing Service provides informal learning in the form of interactive presentations. Using a variety of media, such as videos, interactive flash and recorded demos developed as non-traditional learning, the Learning 2.0 channel is open to all employees.

Engage, Alcatel-Lucent social networking platform, is used extensively by the university as an open forum for learning consultancy, customer learning, development, delivery and communications. The platform helps encourage creative exchange of innovative ideas and learning approaches as well as best practices.

38%

Of internal training and education is carried out on-line.

18

Training centers worldwide.

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8. OUR PEOPLE

8.8 TALENT DEVELOPMENT

8.8.1 Mobility

Alcatel-Lucent initiated a profound transformation of its internal mobility programs with **the launch of our Internal Job Opportunity Network in early 2011**. To match internal job offers and demand, the network creates an open market where all employees are free to post their professional information, experience and desired evolution and all job vacancies are listed.

8.8.2 Remunerations

In addition to providing competitive remuneration packages in each country, our compensation policy strives to be clear, straightforward and cost effective for the Group. Compensation levels are tied to both individual and Group performance. All employees are paid fairly, regardless of gender, ethnic origin or disability. Particular emphasis is placed on securing the future profile of our workforce, rewarding the development of highly sought-after skills and nurturing long-term employee/employer relationships.

High Potentials

Our ReNewAL program, launched in late 2010 is designed to embody a comprehensive approach to talent identification, development, and utilization. To build a strong leadership pipeline, ReNewAL focuses on diversifying the talent pool, enhancing structured learning offerings, and increasing talent agility and mobility across the organization. The program provides methodology and planning covering the entire scope of skills development, from early identification to succession plans.

80%

Have by end 2011 80% of our high potential population changing position over three years.

140

tutors in France and 60 in the U.S. in the *Passeport Avenir* program.

8.8.3 Personal Development

Our **360° Feedback Program is a personal development initiative** to help leaders and managers identify key strengths and development needs, and to build a development plan with the support of a certified coach. The idea is to develop self-awareness by providing leaders with visibility into how they are perceived by colleagues. The program, which is not a performance assessment, aims to spread a development culture within the organization by promoting the Alcatel-Lucent Leadership Profile and corporate values.

8.8.4 Mentoring

For the fifth consecutive year, Alcatel-Lucent is taking part in the *Passeport Avenir* program, a public/private partnership dedicated to helping young people from troubled urban areas in France. Formerly known as **Cercle Passeport Télécoms**, the program involves 12 ICT companies and French government bodies. **Passeport Avenir** uses sponsorships and mentoring to help young people enter top-rate French business and engineering schools and universities.

During the 2010-2011 academic year, Alcatel-Lucent is mobilizing more than 200 volunteers: 140 tutors in France and 60 in the U.S. Each tutor supervises one or two students through mentoring and knowledge sharing. In addition, the Alcatel-Lucent Foundation encourages all student participants to improve their English through conversation lessons with U.S. mentors.

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8. OUR PEOPLE

8.9 TALENT ATTRACTION AND RETENTION

8.9.1 Workforce Planning

Alcatel-Lucent initiated a profound transformation of its workforce planning practices in December 2010. The idea is to ensure that we have the right number of people with the right skills in the right places at the right time. The new approach is designed to help us better anticipate the distribution and evolution of the Group's human capital over time and to enhance training and people development plans as a consequence. The new program is based on identifying the Group's macro-populations and their evolution: R&D, Sales & Marketing, Supply Chain & Logistics, Service & Solution Delivery and Business Support.

The workforce planning project should result in the creation of a process which, when implemented, will have a major impact on customers and shareholders by increasing productivity, reducing labor costs and shortening time-to-market. The first step in the workforce planning transformation, developing worldwide workforce planning population shifts scenarios, is scheduled for completion by the end of Q1/2011. Implementation of the entire process should be complete by the end of 2011.

8.9.2 Performance Management

The Group's performance management tools and processes were being updated during the first quarter of 2011. This initiative aims to achieve the same objectives as a series of recent sweeping human resource policy and practice upgrades:

- Refocus on people
- Restore employee/manager dialog
- Invest in people training and long-term development

The new performance management system, called OurTalent, focuses on creating a continuous dialogue to help managers ensure that members of their teams are engaged, motivated and achieving success. OurTalent also aims to enable employees to own their career development and to understand how they contribute to the business strategy now and in the future.

8.9.3 Employee Recognition

The Group CEO Excellence Award: Recognizing Change program is a global initiative designed to support transformation and recognize an exceptional contribution to the Group's transformation effort. It is awarded once annually to an employee or team, selected by the Management Committee. The contribution must be one that can be replicated elsewhere in the Group. In addition to recognition within the Group, the winner(s) selects a charitable organization to receive a donation.

Numerous regional and local recognition programs also exist. These range from simple e-thank you cards to spot recognition, including fixed amount cash awards, for particular achievements based on supervisor's nomination. At Alcatel-Lucent Australia, for example, winners of the "Night Out" award for outstanding work receive a AUD 200 credit. Individual employees or teams selected for "Shine" awards receive a gift credit for a local merchant.

AIESEC

Alcatel-Lucent's global partnership with AIESEC, the world's largest international student run organization is a pipeline of young leadership talent. Over the past seven years, we have provided internship opportunities to more than 300 AIESEC members from 50 different cultures. In 2010 alone, Alcatel-Lucent offered global internships to 63 graduates, who worked in a variety of departments including Communications, Human Resources, Marketing, Finance, Optics, Submarine Networks and Technology Introduction and Support. By investing in the development of AIESEC interns, we connect with young people who are internationally minded, high achievers, and bring cultural diversity and new perspectives to the business.

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8. OUR PEOPLE

8.10 WORK/LIFE BALANCE

Telecommuting

The Group's support of home-working helps contribute to a better work/life balance for employees. Home-working also improves productivity by reducing commuting time and costs and helps reduce real estate costs, operating expenses and environmental impact. Home-working policies adapted to local legislation have been implemented in Belgium, Brazil, Canada, France, Germany, Italy, Spain, U.K. and U.S. (see table for details).

Categories of Teleworkers in Alcatel-Lucent

- | | |
|---------------------------------|--|
| 1. Home workers | 6. Casual Telecommuting workers |
| 2. Mobile Home-Office workers | 7. Emergency Related Telecommuting workers |
| 3. Flex Home-Office workers | |
| 4. Virtual Office workers | |
| 5. Formal Telecommuting workers | |

COUNTRY	CATEGORIES OF TELEWORKERS	% TELEWORKERS
Belgium	1	80%
United Kingdom	1	20%
Germany	1	70%
France	1	27%
Italy	1	9%
Spain	1, 2, 3, 4, 5, 6, 7	85%
United States	4, (5, 6)	10%
Canada	4, (5, 6)	2%
Brazil	4	N/S

Local initiative:

In France, a Concierge Service kiosk helps employees handle daily chores and issues. Accessible from both home and office, the service enables employees to save time and eliminate hassle by arranging such services as laundry, dry cleaning, auto cleaning and repairs and shopping.

Telecommuting is a part of everyday life in many Alcatel-Lucent offices in Australia, New-Zealand, Belgium, Germany, Italy, Norway, Spain, the U.K. and North America.

In France, 27% of the workforce benefits from home-based telecommuting. For a closer look at the telecommuting program in France, please see page 57.

Services for employees

As part of its effort to create the best conditions for our employees, the Group provides services at the workplace to alleviate day-to-day constraints linked to professional activities. This translates into a multiplication of Group-organized or Group-financed services to employees. In the U.S. and Canada, Alcatel-Lucent provides a resource and referral service to employees through a single vendor which offered four web-based training sessions in 2010. Attracting more than 200 attendees to each session, the topics included walking for health, building a personal and professional network, parenting and relaxation techniques. In France, the Group finances and manages pre-school and daycare services for employees.

8.11 MANAGEMENT OF REORGANIZATION AND RESTRUCTURING

During 2010, Alcatel-Lucent France initiated an ambitious program of repositioning and redistributing industrial activities. The goal of the so-called Site Identity Project is to reinforce our R&D and industrial capabilities. Alcatel-Lucent French also launched a voluntary workforce reduction plan in 2010. To help

ensure the success of both of these initiatives, about 10 works council and 15 negotiating sessions were held over the course of the year. A meeting between senior management and union leaders was held in November to review 2010 reorganizations and restructuring moves.

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PHILANTHROPY

ALCATEL-LUCENT FOUNDATION



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9. PHILANTHROPY

9.1 GIVING MORE ACCESS TO EDUCATION



The Alcatel-Lucent Foundation leads the Group's charitable activities – managing education programs as well as employee volunteerism on a global scale.

The Foundation's purpose is to support the Alcatel-Lucent commitment to social responsibility by serving and enhancing the communities where employees and customers live and work. In 2010, the Foundation supported 45 programs in 23 countries, benefiting more than 40,000 young people. Under Foundation aegis, some 7,500 Alcatel-Lucent employees donated about 46,000 hours of their time to contribute to more than 200 goodwill projects in 40 countries. ✓

Alcatel-Lucent
Foundation



Watch the video

Alcatel-Lucent Foundation Mission Statement:

"Provide youth, with a special focus on girls and young women, in targeted underserved communities, with access to education and life skills programs that will help prepare them to seek employment, higher education, and the opportunity to contribute as citizens and community leaders."

To carry out its mission, the Foundation supports programs to:

- Keep underserved youth in school and push them toward higher education.
- Help underserved youth return to school.
- Provide underserved youth with life skills training.
- Provide street youth with basic education.

46,000 ✓

Hours donated by Alcatel-Lucent employees to volunteer projects in 2010.

9.2 GOVERNANCE AND ORGANIZATION

Funded by Alcatel-Lucent, the Foundation is a non-governmental, non-profit private organization that is legally independent and governed by its own Board of Trustees. The Board includes senior executives from Alcatel-Lucent and external organizations. In 2010, particular attention was paid to strengthening the Foundation's program analysis and evaluation tools. In addition, following clarification of the Foundation's mission and operating principles in 2009, initiatives were undertaken to build understanding of the Foundation's identity and image among employees through the company intranet as well as such media as Engage, Facebook, Twitter and YouTube.



Read more

Board of Trustees

The six member Alcatel-Lucent Foundation board includes four Group and two external trustees.

Alcatel-Lucent trustees:

Victor Agnellini (Chairman), Steven Sherman (Treasurer), Olivia Qiu, and Alan Mottram. Béatrice Tassot, the Executive Director of the Foundation, serves as board secretary but is not a trustee.

External trustees:

William Reese (CEO of the International Youth Foundation) and Ann Van Dusen (Professor at Georgetown and Johns Hopkins universities, former CEO of Save the Children).

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9.3 GRASS ROOTS PROGRAM SELECTION

Projects subject to support by the Alcatel-Lucent Foundation were regularly reviewed by the Board of Trustees during the year. The Foundation focuses on programs in countries where the Group operates. All projects were submitted by employees and had to be supported by country senior management. To win Foundation support, projects had to be aligned with the Foundation mission and benefit local communities. Project budgets had to be clearly defined; results and impact should be measurable. Each project had also to include an employee volunteerism component.

The objective of the grass roots programs is to work hand in hand with our local country teams, who propose initiatives for Foundation support. In 2010, the Alcatel-Lucent Foundation Board approved 13 new projects, increasing to 45 the total number of projects supported by the Foundation worldwide. Here are some of them; to see the other programs, please visit our website.

 [Read more](#)

Canada: iSisters

Support from the Alcatel-Lucent Foundation helps iSisters, a Canadian charitable organization, connect women in need with technology through mentoring. By providing access to technology and mentoring programs to underprivileged women, iSisters enhances their career opportunities. iSisters' primary programs include:

- Immigrant Women Services and Employment Support Program for immigrant women who are survivors of violence.
- Tungasuvvingat Inuit Community Centre, Employment Support for Inuit women.
- Youville Centre's Program to help young single mothers provide a brighter future for themselves and their children.

 [Read more](#)

40,000

Young people benefited from Alcatel-Lucent Foundation programs in 2010.


China: Save the Children

The Alcatel-Lucent Foundation provides support for a Save the Children program that aims to empower impoverished disabled children and youths aged 16-to-25 to gain equal human rights and opportunities, and to contribute to eliminating the root causes of their poverty.

The program involves:

- Training and other capacity-building activities for organizational and individual development.
- Improving the range and quality of service provision by Rights Into Action groups (RIAs) in community-based rehabilitation and psycho-social approaches.
- Developing effective joint planning between non-government groups and local authorities.
- Establishment of organizations, including RIAs and parents groups, and documenting a "model" approach for replication
- Tackling exclusion and discrimination through awareness-raising and radio broadcasts.
- Beneficiary-led research and advocacy for better implementation of law, policy and international human rights instruments.

The program directly benefits some 6,570 poor and marginalized disabled young people and at least 2,500 parents, government officials and community volunteers. It will indirectly help up to two million disabled youths by leading to changes in government policy and legislation in the four project locations (Beijing, Sichuan, Anhui and Xinjiang).

 [Read more](#)

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Women's Act

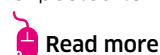
The Foundation for Poland's two-year 'Women's Act' project targets 16-to-22 year-old women. The project aims to build and develop pro-active and entrepreneurial attitudes, encourage women to take responsibility for their own lives and help them understand their rights as women, citizens and participants in the labor market. The program includes training to develop skills and help young women to build self-esteem and understand their rights. It also offers scholarships to enable participants to attain vocational and educational goals. Self-help clubs provide a space where young women can exchange views on professional and private issues while professional workshops enable participating non-profit organizations to improve their skills and understanding. Over the course of the two-year program, Women's Act will provide 288 hours of training for 40-to-50 young women. The goal is for at least 80% of the participants to find jobs, start their own business or continue higher education.



[Read more](#)

Support for the Startup

The Gdansk Foundation of Social Innovation two-year 'Support for the Startup' program provides support for 15-to-18 girls from the orphanages run by the foundation. Participants receive specialized courses and training to help them master English. They also attend motivation workshops and receive psychological support and advice on life choices from skilled counselors. The program is expected to work with eight teens in Gdansk through 2012.



[Read more](#)

Poland: Support for Disadvantaged Young Women

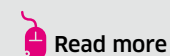
Through grants to the Foundation for Poland and the Gdansk Foundation of Social Innovation, the Alcatel-Lucent Foundation began supporting a pair of initiatives to help young Polish women from disadvantaged backgrounds in 2010. Alcatel-Lucent employees in Poland are serving as volunteer mentors and tutors for both programs.



Morocco: SOS Children's Villages

Alcatel-Lucent Foundation funding helps SOS Children's Village serve children and mothers in a village south of Casablanca. The SOS Children's Village program enables children aged 4-to-12 to attend an SOS school and also provides school bags and supplies, school fees and lunch. While the children are at school, their mothers benefit from such services as health and nutrition awareness programs, literacy training when needed, legal assistance, vocational training and, when possible, help in finding work.

In addition to contributing funds for the program, Alcatel-Lucent employees participated in a 'solidarity day' at the school in December, 2010 by taking part in games and educational activities with the pupils.



[Read more](#)

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9. PHILANTHROPY

9.4 EMPLOYEE VOLUNTEERING

The Alcatel-Lucent Foundation emphasizes the commitments of Alcatel-Lucent to social responsibility by supporting and encouraging volunteer activities performed by teams of employees in communities where they live and work. In 2010, more than 7,500 employees donated about 46,000 hours of their time to more than 200 projects in 40 countries. Here are some of them, only representing a small part of the numerous volunteering projects initiated by employees worldwide in 2010.



[Read more](#)



Keeping Chinese Children in School

Alcatel-Lucent employees in China have made a two-year commitment to support The Young Seedling Program (program supported by the Foundation), an effort to keep children in school. In particular, company people are working with the non-profit Qingdao General Charity Institution to support special education programs for disadvantaged deaf and dumb children aged 7-to-13 in Qingdao province. Sixty-six Alcatel-Lucent employees will provide a total of 660 hours of teaching, 3,168 hours of one-on-one guidance and 1,056 hours of school visits to company facilities.



[Read more](#)



Housing for Cambodian Families

One employee's desire to help the unfortunate led to a pair of house building projects in Cambodia. With support from the Alcatel-Lucent Foundation and working in partnership with the Tabitha Foundation and Outlook Financial Services, some 20 employees of Alcatel-Lucent Australia contributed their time, know-how and funding to build a total of 17 homes.



[Watch the video](#)

200 +

Projects in 40 countries
in 2010.



Support for India's Youth

In India, Alcatel-Lucent employees from New Delhi, Mumbai, Bangalore and Chennai have created the Empower Club, where they volunteer time and expertise to several programs to give back to their communities, including five programs supported by the Foundation. Foundation grants cover a range of initiatives, some focusing on providing basic necessities such as food, clothing and healthcare and others arranging for primary and secondary education as well as vocational and life skills training. The Foundation has committed to provide a total of US\$205,000 over two years.



[Read more](#)



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9. PHILANTHROPY • 9.4 EMPLOYEE VOLUNTEERING



Valued Citizen Initiative in South Africa

In September 2010, more than two dozen Alcatel-Lucent employees volunteered their time to support pupils at a pair of schools near Johannesburg. At Forte High School, during the course of a visit by Alcatel-Lucent CEO Ben Verwaayen, our people contributed to workshops on such topics as self-leadership and self-management. Earlier in the year, our employees joined with teachers and pupils to transform the SG Mafaesa High School school library into a creative stimulation center.



Egyptian Generosity


Employees in Egypt donated hundreds of school supplies to support the efforts of the Association of Upper Egypt for Education and Development (AUEED), which works with rural communities and families affected by poverty and disability to ensure that children get a chance in life. Our people provided not only notepads, pencils, coloring crayons, backpacks, rulers and books. Many also donated printers and scanners. In addition, 120 Alcatel-Lucent employees in Egypt donated blood during a two-day drive hosted in the Group's premises.

 [Read more](#)



Role Models in the USA

Alcatel-Lucent employees donated their time to serve as role models for the annual Junior Achievement business education day at South Street School in Newark, New Jersey. The Group volunteers joined teachers and children to share experiences and good times with an eye toward preparing the kids for future global economic challenges.

 [Watch the video](#)



7,500

Alcatel-Lucent employees in 40 countries volunteered for more than 200 projects in 2010.



Toys for Mexican Children

About 214 employees of Alcatel-Lucent Mexico donated toys in 2010 for the company's "270 Meters of Toys, 270 Meters of Smiles" program. The toys were distributed to children suffering from cerebral palsy at Casa Hogar San Luis Gonzaga and to poor children at two primary schools in San Martín Tepetlixpan, in the state of Mexico.

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9. PHILANTHROPY

9.5 DISASTER RELIEF

The Alcatel-Lucent Foundation instituted five disaster relief matching gift programs in the wake of natural catastrophes in 2010. In each case, the Foundation matched individual donations from employees. The total funds donated to the five disaster relief efforts came to US\$450,000 in 2010. A specialized third party administered the programs, making it easy for employees worldwide to donate to charitable organizations designated by the Foundation and for the Foundation to measure the efficiency of the program internally.

2010

US\$450,000 to support victims of five natural catastrophes in 2010.

January: Haiti Earthquake

In addition to the Alcatel-Lucent Foundation disaster relief matching gift program, Alcatel-Lucent provided technical assistance and equipment to enable several of the country's telecom operators to restore fixed and cellular communications services.

February: Chile Earthquake

The Alcatel-Lucent Foundation Board of Trustees approved a new relief matching gift program to aid the victims of the 8.8-magnitude earthquake that struck Chile on February 27.

April: Brazil Floods

A disaster relief matching gift program enabled employees and the Foundation to provide financial support for victims of the severe flooding and mudslides that claimed hundreds of victims and destroyed thousands of homes in Rio de Janeiro.

May-June: China Floods

Floodwaters and mudslides affected large portions of southern China during May and June. Donations to the Alcatel-Lucent Foundation disaster relief matching gift program provided aid to the many victims.

July: Pakistan Floods

An estimated 20 million people were directly affected by the devastating floods that inundated one-fifth of Pakistan's territory. Donations from the Alcatel-Lucent Foundation disaster relief matching gift program totaled more than \$100,000.

In February 2011, the Alcatel-Lucent Foundation also opened matching gift programs to facilitate donations to provide relief assistance to the residents of Australia and Brazil after the devastating floods and to New Zealanders to help them cope with the February 2011 earthquake.

9.6 CORPORATE CHARITABLE CONTRIBUTIONS

The Alcatel-Lucent Global Charitable Contributions policy empowers the Group's regional offices to donate funds to worthwhile causes, often in alliance with customers and suppliers. The policy requires close tracking and auditing of all donations by the Alcatel-Lucent

Foundation. Since December 2010, all requests for corporate contributions have been processed through the EZ Visit Tool, a computerized platform used to manage requested submissions, required documentation and legal approval.

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SUPPLY CHAIN



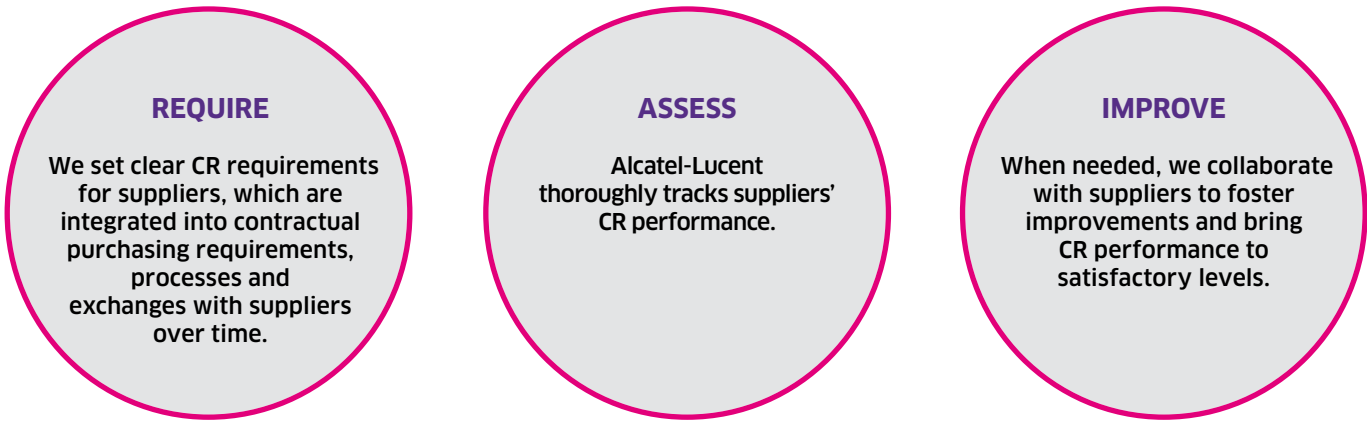
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10. SUPPLY CHAIN

10.1 COMPREHENSIVE APPROACH TO RESPONSIBLE SUPPLY CHAIN

Alcatel-Lucent is fully committed to promoting Corporate Responsibility (CR) in its Supply Chain, and in particular within its supplier base. Suppliers include any third party that provides us with components, products, software, support or services.

The Alcatel-Lucent comprehensive approach to responsible purchasing relies on three pillars:



2010 HIGHLIGHTS

- Alcatel-Lucent is about to achieve its goal, set in 2008, to assess the CR practices of all key* and preferred** suppliers, related either to direct or indirect spend (second tier suppliers). By February 2011, 97% of relevant key and preferred suppliers had been given a CR rating. ✓
- We implemented an improvement program to manage all suppliers with unsatisfactory CR ratings.
- Following the successful conclusion of a pilot project to improve the environmental impact of products and services purchased for internal use, we began expanding the program to cover the full range of CR issues, targeted to particular product and service categories.
- The Group adopted the United Nations Global Compact 10 Principles and the Electronic Industry Citizenship Coalition (EICC) Code of Conduct as major frames of reference for its suppliers. The EICC Code of Conduct outlines CR requirements related to labor, health & safety, environment, ethics and their respective management systems.

* Key suppliers are defined as major, strategic ones.
** Preferred suppliers consist of preferred suppliers for a given purchasing family, who are considered first for new projects.

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10. SUPPLY CHAIN

10.2 REQUIREMENTS IMPOSED ON SUPPLIERS AND SUB-CONTRACTORS

10.2.1 EICC Code of Conduct

Alcatel-Lucent adopted the Electronic Industry Citizenship Coalition (EICC) Code of Conduct as a major frame of reference for its suppliers in early 2011. The EICC, which includes more than 40 global ICT companies and their suppliers, promotes an industry code of conduct for global electronics supply chains to improve work and environmental conditions. The EICC Code of Conduct covers five critical areas of CR performance: labor, health & safety, environment, ethics and their respective management systems.

All Alcatel-Lucent suppliers who are to sign a business agreement with the company are required through contractual templates to commit to the code and cascade its requirements through their own supply chain. ✓

Complementarily, Alcatel-Lucent also explicitly requests compliance with the ten principles of the UN Global Compact whenever a new supplier account is created or purchase order issued.

10.2.2 International Standards

Alcatel-Lucent encourages suppliers to meet certified international standards, such as ISO 14001 for environment, OHSAS 18001 for health & safety and SA8000 for workers' rights. We track supplier compliance to these standards as part of our risk analysis and supplier assessment processes and strongly encourage our suppliers to implement or enhance their CR approach based on these standards.

10.2.3 Targeted Purchasing Program

Expanding a pilot project launched at the end of 2009, Alcatel-Lucent began defining the main CR requirements for a range of targeted items or services purchased for internal use in 2010. The targeted purchasing program defines CR requirements and targets for these specific products or services in terms of their impact on the environment, health & safety, labor rights and business ethics. The program requires identifying best practices and setting standards together with suppliers. It can require, for example, that purchased equipment comply with environmental labels.

Over the course of 2010, the Targeted Purchasing Program focused on non-production and services areas. We started investigating potential ways to improve purchasing decisions in the specification of products and services, supplier identification, supplier selection and operational CR performance. This was achieved primarily by gaining better understanding of specific CR issues through exchanges with suppliers and identifying best practices. Significant variations in supplier maturity on environmental topics were highlighted, as well as the crucial role of the Group's internal customers in integrating CR requirements.

For facility management services in 2010, objectives and action plans were set for reduction of energy consumption, environment-friendly paper use, reduction of chemicals usage, improvement of recycling of plastics and aluminium, and others. Discussions with suppliers helped raise market awareness and contributed to industry-wide reflections on CR issues. In Germany for instance, the national buyers association debated on environmental criteria that could be applied for logistics services.

70%

By end 2011, Alcatel-Lucent intends to have specific Corporate Responsibility requirements in 70% of its procurement sectors, for the purchase of own use services/products.

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10.2.4 Supply Chain & Environment

The Group is committed to ensure that its suppliers and contractors provide environmentally responsible performance and behavior for the materials and services that they provide to us. Alcatel-Lucent systematically monitors critical environmental impact performance metrics and indicators for its manufacturing subcontractors. Measurements cover energy efficiency, reduced materials usage, efficient distribution and transport of materials and green packaging. The Group asks its major suppliers to likewise report on their emissions that are in support of Alcatel-Lucent activities which will then become part of our Scope 3 emissions. Alcatel-Lucent is also working with suppliers and business partners to continuously improve emissions reporting.

Environmental criteria are a critical element in our selection and management of suppliers. Recent procurement initiatives have helped Alcatel-Lucent lower costs while reducing environmental impact:

- By updating our leased vehicle catalogue, Alcatel-Lucent managed to reduce the average CO₂ emissions of its fleet by 10.8% over the past five years, in addition to reducing cost.
- Thanks to employee awareness campaigns such as Let's Be eco-Friendly (see page 59), Alcatel-Lucent employees drastically cut down on printing. Total paper consumption decreased 22.7% between 2007 and 2010, with about half of the paper purchased from either recycled or environmentally certified (FSC – PEFC) sources.
- Although Alcatel-Lucent does not use huge amounts of water in our industrial processes, our annual consumption does amount to 2.7 billion litres – enough to supply a mid-sized city with drinking water for one year. Since 2007 the Group has reduced its water consumption by 21%. At the start of 2011, we committed to an additional 20% reduction over the next 3 years.

10.2.5 Responsible Supply Chain

10.2.5.1 Conflict Minerals

Working with the Global eSustainability Initiative (GeSI), industry peers and other non-governmental and governmental bodies, Alcatel-Lucent endeavors to combat human rights abuses associated with so-called conflict minerals. Used, for

example, to produce tantalum and tin, these minerals are mined in areas prone to conflict, such as the Democratic Republic of Congo (DRC) and the broader Great Lakes region of central Africa. Minerals originating in conflict regions can end up in electronics components for telecom products. Alcatel-Lucent aligns with the GeSI Statement on the Mining of Metals and is committed to developing and implementing measures within our procurement processes, supplier requirements and contractual agreements to further assure responsible sourcing of materials.



10.2.5.2 Supplier Diversity

The Alcatel-Lucent Supplier Diversity Program aims to increase business relationships with diverse suppliers and to drive inclusion throughout the supply chain. Alcatel-Lucent engages with diverse suppliers solely on merit.

In 2010, the Group awarded 17% of the local spend (with predefined exclusions) within the U.S. for materials and/or services to certified minorities, women, veterans and service-disabled veterans, and to small businesses. Selection decisions were based solely on quality, cost and demonstrated performance ability. The Alcatel-Lucent Diversity Program responds to customer expectations and complies with U.S. legislation (Small Business Act, Public Law 95-507, Federal Acquisition Regulations).

Women's Business Enterprise Council

Alcatel-Lucent was named one of America's Top Corporations for Women Business Enterprises by the Women's Business Enterprise Council for the third consecutive year in 2010. The award recognizes corporations with world-class programs that create level playing fields for women's business enterprises to compete for corporate contracts. Alcatel-Lucent was also cited as one of America's 10 Best Corporations for Veteran-Owned Businesses for 2010 by the U.S. National Veterans Business Organization (NaVOBA) for the third year in a row.

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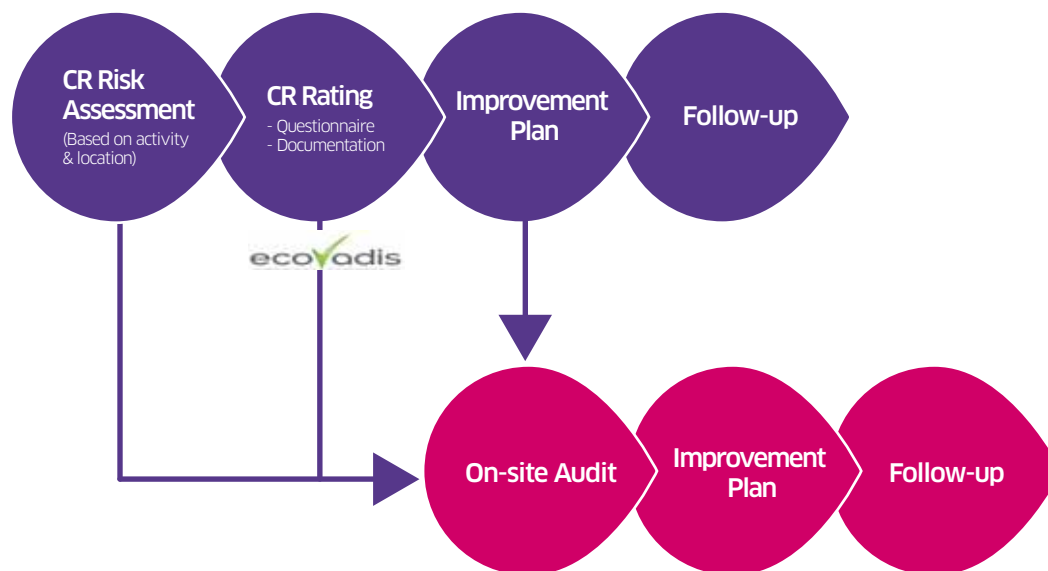
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10. SUPPLY CHAIN

10.3 ASSESSING CR PERFORMANCE

Alcatel-Lucent has applied a fully integrated assessment approach to consistently evaluate suppliers' ethical, social and environmental practices. The approach consists of supplier assessments that include risk analysis, CR management systems ratings and on-site CR evaluations.

10.3.1 Supplier Risk Assessments



Risk assessments are performed to evaluate the business risks of new suppliers. These include CR criteria that measure the level of risk based on the supplier's type of activity, location and other factors. If the overall risk

level is excessive, the supplier will either be rejected or actions such as CR rating are launched to ensure the supplier's practices meet Alcatel-Lucent requirements.

10.3.2 EcoVadis CR Ratings

Alcatel-Lucent CR assessments are performed by EcoVadis, a company specialized in sustainable supply management solutions. The EcoVadis rating system focuses on suppliers' social, ethical, environmental and health & safety practices, as well as management of suppliers' own supply chains.

Each supplier's EcoVadis rating is determined by a team of CR experts, who combine supplier questionnaire responses and supporting documentation with independently obtained, public, third-party information, as well as risk factors mapped per industrial sector/country. The EcoVadis rating system is based on internationally recognized standards such as GRI G3/UN Global Compact.

By providing expert, third-party evaluations, EcoVadis CR ratings provide Alcatel-Lucent with a clear, external, objective point of reference. Because assessment results can be shared with all EcoVadis platform member companies upon request, suppliers can decide to make a single CR assessment available to many customers and thereby capitalize on their CR rating.

In 2010, Alcatel-Lucent worked with EcoVadis and EcoVadis platform members to enhance assessment tools and methodology, notably by proposing to add new questionnaires to address specific activities in greater depth. We also participated in developing a more targeted risk assessment tool to help identify key issues and appropriate actions with suppliers based on such specific factors as location, size and activity. This tool has been deployed and shared with EcoVadis platform members.

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10. SUPPLY CHAIN • 10.3 ASSESSING CR PERFORMANCE

10.3.3 CR Assessments

10.3.3.1 Supplier Assessments and Audit Findings

	2008	2009	2010
Number of suppliers assessed	124	278	188
Number of suppliers re-assessed	54	67	41
Percentage of spend (*) covered	66	66	71
Number of quality audits (including CR)	70	46	57

(*) Calculated from Alcatel-Lucent data warehouse, includes all purchasing sectors.

10.3.3.2 CR Assessment of Key and Preferred Suppliers

Alcatel-Lucent is about to achieve its goal, set in 2008, of assessing all 'key' and 'preferred' suppliers by the end of 2010. Key suppliers are defined as major, strategic ones. Preferred suppliers consist of preferred sources for a given purchasing family, who are considered first for new projects.

Alcatel-Lucent assessed 260 of its 274 key and preferred suppliers. Of the 14 remaining:

- Five suppliers were considered as not relevant to be assessed by EcoVadis (very small free, open source software suppliers).

- Nine suppliers did not answer or did not provide sufficient answers to establish a scoring (see the 'Non-response from Suppliers' section).

	2010
Number of CR ratings launched for key and preferred suppliers	269
Percentage of relevant key and preferred suppliers rated on CR	97%



HIGHLIGHT

In 2010 the percentage of spend assessed on CR jumped from 66 to 71% compared with 2009. This is because purchasing activities have been focused more on key and preferred suppliers which at the same time nearly all went under EcoVadis assessment. The proportion of spending with satisfactory suppliers remained stable at 79%.

10.3.4 CR Audits

10.3.4.1 Third-party CR Audits

Suppliers subject to auditing are selected by both internal auditors and the Alcatel-Lucent purchasing organization. The CR purchasing team is responsible for systematic follow-up of all audit findings, working directly with suppliers to achieve acceptable results.

Until now, on-site CR audits of supplier facilities have been carried out by accredited internal auditors, trained on CR issues. In light of increased market understanding and acceptance of CR audits, we have decided to engage an expert company, SGS SA, to improve the thoroughness and number of audits performed, enabling us to focus internal resources on assessment and audit follow-ups.

The world's leading inspection, verification, testing and certification company, SGS will begin conducting CR audits on behalf of Alcatel-Lucent in 2011. SGS is qualified to carry out social audits for major international initiatives such as SA 8000. The audit referential will be based on the EcoVadis platform structure to ensure consistency between SGS audits and EcoVadis CR ratings.



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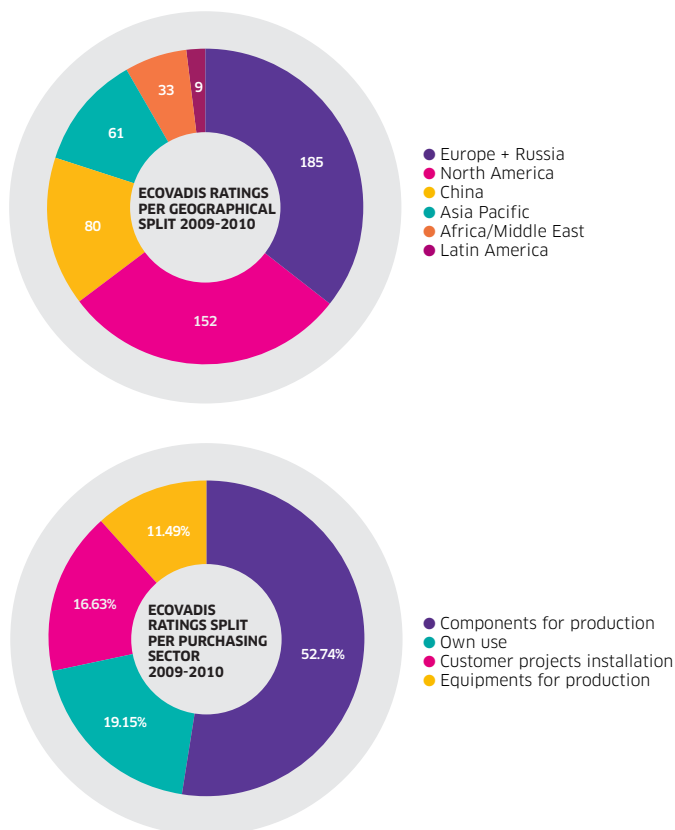
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10.3.4 CR Audits

Supplier CR Ratings Analysis

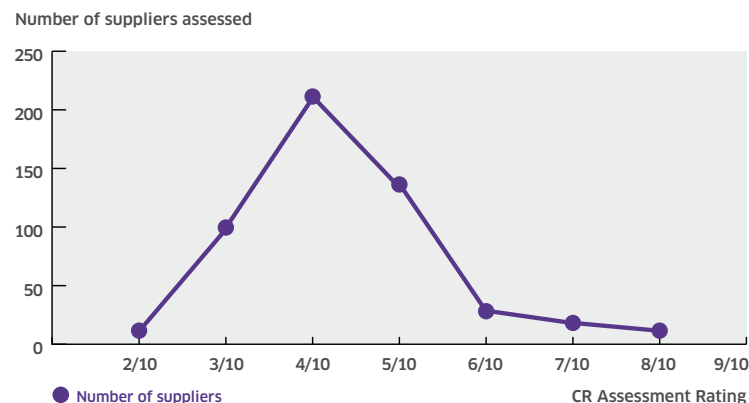


Alcatel-Lucent policy covers all suppliers types including purchase for own use.

53% of suppliers assessed are CR satisfactory, compared with 59% in the previous year. ✓

Key reason is the high number of suppliers assessments performed and the increasing focus on minor suppliers which made the CR ratings average decrease. This triggered the robust improvement plan program set up to ensure we meet our goal to have 80% of active suppliers assessed on CR satisfactory by 2012 (see below), with an intermediate target of 63% satisfactory by end 2011.

EcoVadis Ratings Results 2009-2010



10.3.5 Non-response from Suppliers

Alcatel-Lucent endeavors to ensure that all suppliers respond to requests for CR-related information by maintaining ongoing communication between buyers and suppliers. The Group has the highest supplier response rate of all EcoVadis platform users. Nevertheless, 8.8% of our suppliers failed to respond to requests for information or did not provide enough elements to be properly rated.

Of 44 initial non-responses to CR information requests in 2010, 13 suppliers finally did respond after they were sensitized to CR Issues. Seven non-responders were abandoned after it became clear that they had no direct commercial relationship with the Group (tier 2 suppliers) or no prospects for further business.

One follow-up was dropped after the supplier showed an excellent CR profile. As of this writing, Alcatel-Lucent was continuing to work on resolving the cases that remain open.

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10. SUPPLY CHAIN

10.4 SUPPLIER IMPROVEMENT PLANS

Alcatel-Lucent seeks to improve CR results across its supply chain by working cooperatively with suppliers. If/when supplier CR ratings are unsatisfactory, we require suppliers to draft and implement a remedial plan to address weaknesses identified during assessment. ✓

More than 200 improvement plan requests have been made to date. If a supplier does not have the understanding or capability necessary to develop such a plan, we offer to help by providing advice and appropriate support services. The Group also provides suppliers with a 'CR toolkit' developed internally and tailored to the ICT sector. This toolkit includes explanations of weaknesses identified during the assessment, examples of best practices as well as external frames of references. It also provides access to resources such as CR training offered by industry associations such as GeSI.

HIGHLIGHT

Alcatel-Lucent has decided to go beyond a simple 'compliance' approach to a more ambitious one aiming at strengthening the CR management systems of its suppliers. This is the most efficient way to develop a sustainable CR performance as it addresses 'root causes' for non compliances and sets the ground for further improvements.

On this respect, the 'require' and 'assess' pillars of the Alcatel-Lucent approach consistently support the 'improve' one:

- The EICC code of conduct largely highlights the key role of management systems in CR.
- The EcoVadis methodology is based on assessing these management systems and identifying their weaknesses; short and longer term improvements are triggered by the correction of these weaknesses.

10.4.1 CR Training for the Alcatel-Lucent Purchasing Community

Over the last two years, more than 150 buyers have been trained to Alcatel-Lucent CR assessment processes, including EcoVadis methodologies. Trainings were conducted with small

groups (20 participants maximum), in person or through audio conference, so that attendees could ask questions and raise concerns. The training sessions enable participants to fully understand the corporate CR approach and to manage related issues more proactively and efficiently with their suppliers.

10.4.2 CR Training for Suppliers

Alcatel-Lucent provides training on CR issues to suppliers during its annual supplier convention in the form of a CR workshop. The importance of CR policies and practices was emphasized during the most recent Alcatel-Lucent Supplier Convention in Shanghai in January 2010. This workshop will be repeated at future supplier events.

In addition, in November 2010, nine Alcatel-Lucent suppliers were among the participants at a pilot health and safety management training program organized by the Global eSustainability Initiative (GeSI) and the Electronic Industry Citizenship Coalition (EICC). In their feedback documents, all nine said they would make changes at their companies as a result of the training session.

Ernst & Young Statement

Alcatel-Lucent has been assessing the sustainable development credentials of its main suppliers since 2005. For the past two years, assessments have been performed by an independent organization monitoring the CR performance of suppliers with a scorecard providing detailed ratings, and a list of strengths and weaknesses. Alcatel-Lucent is committed to supporting those suppliers with unsatisfactory scorings by jointly drafting and implementing an improvement plan addressing weaknesses. The purchasing indicators audited by Ernst&Young for year 2010 cover both quantitative (number of suppliers being assessed) and qualitative (percentage of suppliers assessed as satisfactory) information.

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10. SUPPLY CHAIN • 10.4 SUPPLIER IMPROVEMENT PLANS

10.4.3 Supplier Partnerships

Alcatel-Lucent endeavors to work in partnership with its suppliers, to assist them in implementing improvement plans and to share best practices. The Group encourages close collaboration among various supply chain stakeholders, especially through programs with suppliers on order forecasts, delivery expectations and integrated operations planning. We also work with manufacturing subcontractors to help them establish similar programs with their own suppliers.

Dialogue with suppliers is critical for Alcatel-Lucent. Weekly calls are conducted with tier I suppliers to closely coordinate potential changes, overall trends and expectations. Key Suppliers regularly participate in supplier business reviews during which on-going performance is managed across the following criteria: quality, delivery performance, pricing positioning, innovation, contract compliance, corporate social responsibility, compliance, delivery flexibility, vendor-managed inventory, diversity spend, business continuity management and end-user satisfaction.

Supplier Rating System

The Supplier Rating System enables us to effectively measure, analyze, and improve overall supplier performance according to ISO9001:V2008 & TL9000 standards. Used as a primary reference for preparing feedback to suppliers during business reviews, the Supplier Rating System contains all findings about a supplier, positive and negative. The system further enables Alcatel-Lucent to sustain a relationship with the supplier based on facts and feedback from the direct users of the supplier products or services. These facts and feedback feed into detailed improvement plans and active engagement/partnering between Alcatel-Lucent and the supplier for implementation. By tracking end-user satisfaction, for example, the Supplier Rating System makes it easier to efficiently resolve issues that affect our customers. In 2009, the number of supplier attributable customer impacting issues were reduced by 30% compared to 2008, and were reduced again by another 10% in 2010, that is to say an overall 40% reduction over the last two years.

Supplier Survey

In 2010, Alcatel-Lucent surveyed 100 of its product suppliers on their relationship with Alcatel-Lucent, in particular with regards to growth and innovation, sustainability, commercial issues and operational topics.

In qualifying the relationship generally, 85% of suppliers said there was close alignment, describing Alcatel-Lucent as a “customer of choice”; 75% noted a compatible culture between the companies.

Suppliers were generally satisfied with the Group’s communication of its sustainability strategy; 83% described their collaboration with Alcatel-Lucent as equal to or better than other companies.

In suggesting areas for improvement, suppliers proposed faster decision-making, increased information sharing and more openness to supplier ideas, innovation and expertise.

After analyzing the survey results, the members of the Alcatel-Lucent procurement team decided to roll out a structured strategic partnership program, focused on those suppliers who deliver the most value to the Group.

The strategic partnership program, which targets selected preferred* suppliers, aims to establish long-term commitments covering both the supplier and Alcatel-Lucent. The idea is to drive the partnership with a tailored supplier-facing team and a dedicated process. It is designed to reinforce cooperation through open, frequent communication and balanced relationship scorecards.

*Preferred suppliers consist of preferred suppliers for a given purchasing family, who are considered first for new projects.

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10. SUPPLY CHAIN

10.5 COLLABORATIVE INITIATIVES

Alcatel-Lucent works regularly with other EcoVadis platform users through several workshops to exchange best practices and trends, tackle methodology issues, define CR tools and enhance the efficiency of CR rating processes. Our supplier ratings can be made available to any member of the EcoVadis platform upon supplier agreement.

Alcatel-Lucent participates in several CR-oriented partnerships. The company is part of the GeSI Supply Chain working group, which is developing responses for such CR issues as conflict minerals and supply chain education.

In 2010, in collaboration with EcoVadis and the French Observatory on Social and Environmental Responsibility (ORSE), Alcatel-Lucent contributed to an analysis of the responsible purchasing policies of 125 leading global firms.

10.5.1 SME Relationships

In June 2010, Alcatel-Lucent signed the French *Charte de la Médiation du Crédit et de la CDAF*, which provides guidelines for relationships between large corporations and small and medium-sized enterprises (SME). The charter, a continuation of France's *Pacte SME* program, seeks to improve business relationship with SMEs by defining ten responsible purchasing practices to balance relationships, develop trust, promote total cost of ownership considerations, integrate environmental factors and install the practices permanently in purchasing policies.

10.5.2 Supply Chain Sustainability

The Alcatel-Lucent sustainable supply chain program won recognition in a joint UN/Business for Social Responsibility (BSR) study published in June 2010, "Supply Chain Sustainability: a Practical Guide for Continuous Improvement". The Group's approach was cited as an example of how an enterprise could move from simple monitoring to transparency of sustainability management systems and performance. In particular, the Alcatel-Lucent supplier assessment approach was said to "go beyond traditional auditing methods and to develop a more positive approach" that "could be broadly used [to] provide a critical analysis of the performance of a supplier's CR management systems."

NGO COOPERATION

An April 2010 inquiry about an Alcatel-Lucent supplier's supplier has led to an ongoing relationship between China's Institute of Public and Environmental Affairs (IPE) and users of the EcoVadis platform. IPE is a coalition of Chinese NGOs that promote a global green supply chain by encouraging large corporations to concentrate on the environmental performance of their suppliers. It turned out that Alcatel-Lucent was no longer doing business with the supplier in question, said to be guilty of environmental violations. However, the discussions between IPE and Alcatel-Lucent led to integration of environmental data collected by IPE into the EcoVadis database, available to all EcoVadis members.



SOCIAL INDICATORS

Alcatel-Lucent 2010
Corporate Responsibility Report

2010/2009 Evolutions

For 2010, data on all the social indicators have been collected and consolidated at a Corporate level since the HR information systems have been fully converged, except for health and safety data that are issued from our CR reporting tool. Regarding the health and safety data, the survey covered 67 countries, representing 100% of the total headcount.

Definitions and Methodology

All indicators are based on Alcatel-Lucent data.

The perimeter of 2010 social reporting, specified for each indicator, is measured in terms of total percentage of Alcatel-Lucent employees covered by the indicator. The available figures provided are consolidated at a corporate level either:

- through the corporate financial information systems (headcount including gender headcount),
- through the corporate HR information systems (training and mobility),
- through the CR reporting tool (health and safety).

The person responsible for reporting in each HR domain works with a specialized network of correspondents located throughout the world.

(1) For 2010, the number of disabled employees concerns only five French legal entities (Compagnie Financière Alcatel-Lucent, Alcatel-Lucent France, Alcatel-Lucent Entreprise, Alcatel-Lucent Submarine Networks France and Alcanet International SAS).

(2) In 2010 Alcatel-Lucent has changed its performance management processes and IT systems, former indicators have not been followed, new indicators are put in place for 2011.

SOCIAL INDICATORS

	2008	2009	2010	2010 perimeter
1. Headcount				
Total headcount as of Dec 31 <input checked="" type="checkbox"/>	77,717	78,373	79,796	100%
Number of recruits	7,725	6,773	8,661	100%
Headcount reduction due to businesses transferred or sold	-	(699)	(1,153)	100%
Headcount increase due to the full consolidation of previously non-fully consolidated companies	-	1,468	53	100%
Headcount increase due to acquisitions and in sourcing	4,141	4,219	3,687	100%
Headcount reduction due to outsourcing and transfers	(277)	(1,956)	(666)	100%
Headcount reduction due to redundancies	(4,063)	(4,246)	(2,660)	100%
Headcount reduction due to normal departures (retirements, end of temporary work contracts, resignations, deaths)	(6,219)	(4,903)	(6,499)	100%
2. Headcount/Diversity				
Percentage of women/headcount <input checked="" type="checkbox"/>	23.44%	22.35%	20.60%	100%
Percentage of women - Asia Pacific	27.20%	20.73%	28.15%	100%
Percentage of women - Europe, South America, Middle-East, Africa and India	20.88%	22.34%	17.01%	100%
Percentage of women - North America	25.71%	24.19%	23.60%	100%
Percentage of women amongst the Leadership Pipeline	19%	19.05%	19.37%	100%
Number of disabled employees	182	190	210 ⁽¹⁾	France
3. Training				
Training budget (as a percentage of payroll)	1.00%	1.10%	1.00%	100%
Total hours of training per employee	17	17	17,8	100%
Percentage of training time via e-learning technologies	33%	40%	38%	100%
4. Mobility				
Number of expatriates world wide	766	623	498	100%
Expatriates by host region Europe	262	170	151	100%
Expatriates by host region North America	45	55	31	100%
Expatriates by host region South America	19	12	12	100%
Expatriates by host region Middle East, Africa and India	180	198	147	100%
Expatriates by host region Asia Pacific	260	188	157	100%
5. Health and Safety				
Number of days of absence due to work-related accidents per employee <input checked="" type="checkbox"/>	0.09	0.09	0.07	100%
Rate of frequency (number of accidents per year, per 1 million hours worked)	1.72	1.61	1.48	100%
6. Performance Management				
Percentage of managers and professionals who had an annual performance review	85%	85%	NA ⁽²⁾	-
Percentage of managers and professionals who had learning and development activities agreed upon	50%	54%	NA ⁽²⁾	-

ENVIRONMENTAL INDICATORS

Alcatel-Lucent 2010
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Definitions and Methodology

The 2010 energy and water consumption reporting perimeter includes all Alcatel-Lucent sites, owned or leased as of December 2010.

- For the 2010 assessment, 276 facilities representing a total of 84% of Alcatel-Lucent employees and 83% of gross building area were surveyed.
- From this scope of reporting, the number of facilities having effectively reported resulted in the following corresponding percentage of total Alcatel-Lucent employees:
 - For energy consumption and CO₂ emissions: 276 sites accounting for 84% of total Alcatel-Lucent employees;
 - For water consumption: 130 sites accounting for 69% of total Alcatel-Lucent employees;
 - For non-hazardous waste production: 263 sites accounting for 79% of total Alcatel-Lucent employees;
 - For hazardous waste production: 272 facilities accounting for 80% of total Alcatel-Lucent employees.
- To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied based on calculated ratios per employee.
- Reported waste does not include WEEE (Waste Electrical & Electronic Equipment).

2009/2010 Evolutions


The scope of the 2010 CR Campaign was increased from that which was employed in 2009. For the 2010 CR Campaign, all facilities, regardless of building area or employee headcount, which were able to obtain energy usage information, were required to participate within this web-based survey. As a result, significantly more actual facility operational data was obtained, thereby requiring less estimation to obtain 100% company-wide assessment.

Due, in part, to consolidation of facilities to more efficiently utilize our resources, implementation of energy efficiency projects, as well as the deployment of employee energy efficiency awareness programs, we have achieved an actual reduction of total CO₂ emissions of 8%, from 2009 levels. This consists of a reduction of 6% of electricity usage, and 17% of fossil fuel usage rate from their 2009 values. Company-wide water usage also showed a decline in 2010 from 2009 results.

In 2007, we conducted a world-wide assessment of total CO₂ emissions associated with facility operations. Based on those results, the following goal was established - "by the end of 2010, reach a 10% reduction in total CO₂ emissions from facilities from the 2007 CR reported baseline". Based on results from this 2010 CR Campaign we have exceeded that goal, achieving a 17% reduction in total CO₂ emissions.

From the time that the 2007 CR goal was initially established we dramatically enhanced our Climate Change Program, resulting in a comprehensive world-wide carbon footprint assessment conducted in 2008. An outcome of that assessment was the commitment of a more rigorous Climate Change goal as documented within our 2008 CR Report: "Alcatel-Lucent will reduce its carbon footprint (absolute) by 50% by the year 2020 [from our 2008

EHS INDICATORS 2010

	Units	2008	2009	2010	2010 perimeter
Carbon Footprint Assessment-Facility Operations Only^(5,8)					
Indirect emissions of CO ₂ , linked to consumed electricity	t CO ₂ ⁽¹⁾	603,568	559,019	522,920	100%
Indirect emissions of CO ₂ e, linked to consumed electricity	kt CO ₂ e ⁽³⁾	628	598	559	100%
Indirect emissions of CO ₂ per employee	t CO ₂ ⁽¹⁾	7.8	7	7	100%
Indirect emissions of CO ₂ e per employee	t CO ₂ e ⁽⁴⁾	8	8	7	100%
Direct emissions of CO ₂ , linked to consumed fossil energy	t CO ₂ ⁽¹⁾	99,197	70,983	56,941	100%
Direct emissions of CO ₂ e, linked to consumed fossil energy	kt CO ₂ e ⁽³⁾	105	87	73	100%
Direct emissions of CO ₂ per employee	t CO ₂ ⁽¹⁾	1.3	1	1	100%
Direct emissions of CO ₂ e per employee	t CO ₂ e ⁽⁴⁾	1	1	1	100%
Total emissions of CO ₂ ⁽²⁾ 	t CO ₂ ⁽¹⁾	702,764	630,001	579,861	100%
Total emissions of CO ₂ e	kt CO ₂ e ^(3, 5)	751	702	647	100%
Total emissions of CO ₂ per employee ⁽²⁾	t CO ₂ ⁽¹⁾	9	8	8	100%
Total emissions of CO ₂ e per employee	T CO ₂ e ^(4, 5)	10	9	8	100%
Carbon Footprint Assessment-Worldwide Operations⁽⁸⁾					
Scope 1					
Stationary source fuel combustion	t CO ₂ e ⁽⁴⁾	92,783	73,709	61,005	100%
Mobile source fuel combustion	t CO ₂ e ⁽⁴⁾	93,695	89,554	84,289	100%
Facility and mobile source refrigerant losses	t CO ₂ e ⁽⁴⁾	1,631	5,778	5,075	100%
Direct emission of GHG from manufacturing/R&D/product development	t CO ₂ e ⁽⁴⁾	7,730	1,272	81	100%
Fire suppression system losses	t CO ₂ e ⁽⁴⁾	186	8	0	100%
Scope 2					
Electricity usage	t CO ₂ e ⁽⁴⁾	627,828	598,214	558,644	100%
Purchase of hot water/steam	t CO ₂ e ⁽⁴⁾	9,643	10,596	10,183	100%
Purchase of chilled water	t CO ₂ e ⁽⁴⁾	263	735	678	100%
Scope 3					
Business travel	t CO ₂ e ⁽⁴⁾	117,720	105,025	114,519	100%
Contracted marine services	t CO ₂ e ⁽⁴⁾	65,351	63,443	58,019	100%
Contracted manufacturing services ⁽⁶⁾	t CO ₂ e ⁽⁴⁾	36,324	36,352	64,069	100%
Product transport ⁽⁷⁾	t CO ₂ e ⁽⁴⁾	286,140	201,043	214,982	100%
Environmental remediation activities	t CO ₂ e ⁽⁴⁾	3,831	7,434	4,428	100%
Employee commuting (North American Region only ⁽⁹⁾)	t CO ₂ e ⁽⁴⁾	47,117	42,576	38,512	100%
Paper use ⁽¹⁰⁾	t CO ₂ e ⁽⁴⁾	1,555	1,359	1,257	100%

continued ▼

baseline)". As a result, we are retiring our 2007 goal since it was attained and will report progress annually against our 2008 goal of 50% reduction by 2020. In following our global approach to sustainability, we are evaluating everything that contributes to reducing our carbon footprint, both directly and indirectly. We report GHG emissions from facilities, fleet operations, mobile sources of combustion and all other Scope 1 and 2 sources that result directly from our business operations. We also report Scope 3 emissions and strive to continuously improve our emission reporting activities by working with suppliers and business partners. In 2010 we added the following indicators to our CR Report and Carbon Footprint: Contract Manufacturing Services, Environmental Remediation Activities, Employee Commuting and Paper Use. We also added emissions for each category back to our 2008 baseline. A comprehensive approach to incorporate GHG emission measurement, management and reporting has enabled us to focus on the greatest opportunities to reduce emissions within our full value chain. This involves the quantification of emissions for the six major GHGs (CO₂, CH₄, N₂O, HFC, PFC, SF₆). As a result of this dramatically enhanced program, we are now replacing the current "Consumed Energy and CO₂ Emissions" CR indicators with Scope 1 and Scope 2 emissions data associated with Alcatel-Lucent facilities as CO₂e, which will document our path to achieving the 2020 carbon footprint goal. For consistency purposes we are reporting both CO₂ and CO₂e in this report, but in future reports we will only report on the industry and GHG Protocol standard of CO₂e emissions. In addition, we have provided facility CO₂e emissions back to the 2008 baseline of our revised emissions reduction target.

2010 Achievements

In 2010 Alcatel-Lucent reduced its carbon footprint from all sources by 1.7% or over 21,000 tonnes of CO₂e. This achievement was accomplished in a year where Alcatel-Lucent overall business increased. This means that Alcatel-Lucent has become nearly 7% more efficient in terms of carbon footprint per unit of revenue. Also, we have reduced our carbon footprint by 12.6% since 2008, or over 176,000 tonnes of CO₂e, which is the same as removing over 32,000 passenger vehicles from the road. This is excellent progress as we continue our journey to reducing our carbon footprint by 50% by 2020.

(1) t CO₂: CO₂ metric tons.

(2) Emissions of CO₂ associated with purchased hot and chilled water are not included

(3) kt CO₂e: Kilo metric tons of CO₂ equivalency (includes the following GHGs: CO₂, CH₄, N₂O, SF₆, HFC, and PFC).

(4) t CO₂e: Metric tons of CO₂ equivalency (includes the following GHGs: CO₂, CH₄, N₂O, SF₆, HFC, and PFC).

(5) CO₂e values include Scope 1 and Scope 2 emissions for facility operations only.

(6) CO₂e values include 100% of the emissions, based on intensity and throughput, of our three

largest contract manufacturers, less emissions avoided from sales of refurbished equipment.

(7) Product transport includes 100% of emissions from air and sea transport only.

(8) Emission factors based on initial values issued by IPCC and kept constant for data consistency.

(9) Commuting information for US and Canada only - CO₂e value includes 100% of data from those two countries.

(10) Paper use includes 100% of paper used in operations purchased under corporate contract; does not include externally printed marketing collateral.

(11) Recycled: not released in a landfill or not burned without energy recovery.

(12) While we continue to maintain a commitment to 3rd party certified Environmental management systems, the percent of global headcount under ISO 14001 certification has been negatively impacted by our evolving business model (i.e., outsourced manufacturing, managed service agreements, etc.)

(13) Associated with new products released during the cited year.

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EHS INDICATORS 2010

	Units	2008	2009	2010	2010 perimeter
Grand Total	t CO ₂ e ⁽⁴⁾	1,391,796	1,237,098	1,215,741	100%
Consumed Energy					
Consumed electricity	GWh	1,306	1,197	1,125	100%
Consumed electricity by employee	MWh	16.8	15	15	100%
Consumed fossil energy	GWh	528	373	308	100%
Consumed fossil energy by employee	MWh	6.8	5	4	100%
Total consumed energy, including hot and chilled water	GWh	1,972	1,634	1,491	100%
Total consumed energy by employee	MWh	23.6	20	19	100%
Water and Wastes					
Consumed water	m ³	3,048,624	2,754,507	2,744,454	100%
Consumed water per employee	m ³	39	35	36	100%
Production of hazardous waste	t	1,689	1,517	2,230	100%
Production of hazardous waste per employee	kg	22	19	28	100%
Percentage of hazardous waste recycled ⁽¹¹⁾	%	80	79	80	100%
Production of non-hazardous waste	t	24,684	29,932	19,767	100%
Production of non-hazardous waste per employee	kg	318	382	248	100%
Percentage of non-hazardous waste recycled ⁽¹¹⁾	%	76	58	68	100%
Other Emissions					
Solvents	No significant quantities, indicator not relevant and not consolidated				
Halogenated hydrocarbon	No significant quantities, indicator not relevant and not consolidated				
Discharge into water (heavy metals)	No significant quantities, indicator not relevant and not consolidated				
Ozone-depleting substances	No significant quantities, indicator not relevant and not consolidated				
NO _x , SO _x and other criteria air contaminants	Sources emitting those air contaminants are installed and operated in conformance with applicable regulatory requirements				
Miscellaneous					
Alcatel-Lucent headcount, ISO 14001 certified ⁽¹²⁾	%	42	39	29	100%
New products covered by ecodeclarations ⁽¹³⁾	%	96	100	100	100%

GRI INDEX

Alcatel-Lucent 2010
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The Global Reporting Initiative (GRI) is a network-based organization that pioneered the world's most widely used sustainability reporting framework. GRI is committed to the Framework's continuous improvement and application worldwide. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance. Alcatel-Lucent has prepared this 2010 Corporate Responsibility report using the GRI (G3)

guidelines. Following GRI review, it has received a GRI Application Level Check Statement B+. The GRI Application Level Check assesses to what extent the GRI Guidelines have been applied in the reporting. The '+' sign shows that this report was externally assured. It has been subject to an independent review process by Ernst & Young. The full scope of their review and conclusions can be found in their Independent Verification Statement on page 105.

GRI INDICATOR	DESCRIPTION	ALCATEL-LUCENT RESPONSE Location in the report (CRR = Corporate Responsibility Report)	PAGE
STANDARD DISCLOSURES PART I: Profile Disclosures			
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization.	CRR 1. Message from Ben Verwaayen/7.5.2.1 Senior Management Engagement.	P4/ P62
1.2	Description of key impacts, risks, and opportunities.	CRR 2. Our commitment to Corporate Responsibility.	P5
2. Organizational Profile			
2.1	Name of the organization.	CRR 3. Presentation of Alcatel-Lucent.	P10
2.2	Primary brands, products, and/or services.	CRR 3. Presentation of Alcatel-Lucent.	P10
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	20F - 4. Information About The Group.	P17
2.4	Location of organization's headquarters.	CRR 3. Presentation of Alcatel-Lucent.	P10
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	CRR 3. Presentation of Alcatel-Lucent.	P10
2.6	Nature of ownership and legal form.	20F - Stock Exchange and Shareholding.	P131
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	CRR 3. Presentation of Alcatel-Lucent/20F - 5. Description Of The Group's Activities.	CRR P10/ 20F P27
2.8	Scale of the reporting organization.	CRR 3. Presentation of Alcatel-Lucent.	P10
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	No significant change during the reporting period.	
2.10	Awards received in the reporting period.	CRR 2.1 Corporate Responsibility Management - 2011 Sustainability Yearbook/5.8 International Initiatives - Best practice: UN Human Rights and Business Dilemma Forum/6.6 Innovation Management - Recognition - Innovation awards/7.5.3 Awards and Recognition/8.6 Diversity & Equal Opportunity - America's top corporations.	P6/ P27/P34/ P66/P71
3. Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	CRR About This Report.	P3
3.2	Date of most recent previous report (if any).	CRR About This Report.	P3
3.3	Reporting cycle (annual, biennial, etc.).	CRR About This Report.	P3
3.4	Contact point for questions regarding the report or its contents.	CRR About This Report.	P3
3.5	Process for defining report content.	CRR About This Report.	P3
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	CRR About This Report.	P3
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	CRR About This Report.	P3
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	CRR About This Report.	P3

GRI INDICATOR	DESCRIPTION	ALCATEL-LUCENT RESPONSE		PAGE
		Location in the report (CRR = Corporate Responsibility Report)		
STANDARD DISCLOSURES PART I: Profile Disclosures				
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	CRR About This Report.		P3
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	CRR About This Report/11. Social Indicators - Definitions and Methodology/11. Environmental Indicators - Definitions and Methodology - 2009/2010 Evolution.		P3/ P95/P96
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	CRR 11. Environmental Indicators - Definitions and Methodology - 2009/2010 Evolution.		P96
3.12	Table identifying the location of the Standard Disclosures in the report.	CRR 12. GRI Index.		P98
3.13	Policy and current practice with regard to seeking external assurance for the report.	CRR 13. Independent Verification Statement.		P105
4. Governance, Commitments, and Engagement				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	CRR 4.2 Board Of Directors Governance System/20F - 7. Corporate Governance.		CRR P13/ 20F P75
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	CRR 4.2.1 Operating Rules.		P13
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	20F - 7. Corporate Governance.		P75
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	CRR 6.12 Investor Relations.		P40
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	CRR 4.5 Senior Management Remuneration.		P16
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	CRR 4.2.5 Conflicts of Interest.		P14
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	CRR 4.2.4 Directors' Charter and Ethics.		P14
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	CRR 5.3 Compliance - Code of Conduct/4.2.3 Selection Criteria and Independence.		P22/P13
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	CRR 4.2.6 Board Duties/4.6 Risks & Crisis Management.		P14/P17
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	20F - 7.3 Powers of the Board of Directors/7.5 Compensation/7.6 Interest of employees and senior management in Alcatel-Lucent's capital.		P91/ P97/P105
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	20F - 3. Risk Factors.		P9
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	CRR 4.1 Corporate Governance/6. Stakeholders.		P13/P28
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	CRR 5.8 International Initiatives/6. Stakeholders - 6.1 - 6.2 - 6.3 - 6.4 - 6.7/7.5.2 Engaging For Success.		P27/ P28/P61
4.14	List of stakeholder groups engaged by the organization.	CRR 6.1 Responsibility to Stakeholders.		P29
4.15	Basis for identification and selection of stakeholders with whom to engage.	CRR 6.1 Responsibility to Stakeholders.		P29
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	6.2 United Nations Global Compact/6.3 World Economic Forum/6.4 Global eSustainability Initiative/6.5 Customer Relationship/6.7 Environmental Innovation/6.8 Social Innovation/6.9 Digital Inclusion/6.10 Public Affairs/6.11 Employee Dialogue/6.12 Investor Relations.		P30-33/ P35-40
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	CRR 6.1 Responsibility to Stakeholders.		P29

GRI INDICATOR	DESCRIPTION	ALCATEL-LUCENT RESPONSE Location in the report (CRR = Corporate Responsibility Report)	PAGE
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)			
DMA EC	Economy		
	Economic performance	20F - 6. Operating and Financial Review and Prospects.	P41
	Market presence	20F - 5. Description Of The Group's Activities.	P27
	Indirect economic impacts	CRR 6.9 Digital Inclusion.	P37
DMA EN	Environment		
	Materials	CRR 7.2.2.1 Managing Materials.	P46
	Energy	CRR 7.2.2.4 Energy Efficient Use.	P48
	Water	CRR 7.4.1 - Scope 1, 2 and 3 emissions - Water usage.	P56
	Emissions, effluents and waste	CRR 7.3 Part 2: Enabling a Low-carbon Economy / 7.4 Part 3: Reducing our Carbon Footprint.	P51/P55
	Products and services	CRR 7.2.2.3 Packaging, Distribution and Installation - Packaging.	P47
	Compliance	CRR 7.1.3 Management of Environment, Health & Safety - EHS Compliance Audit Program.	P44
	Transport	CRR 7.2.2.3 Packaging, Distribution and Installation - Transportation.	P47
	Overall	CRR 7.1.1 Our Approach towards Eco-Sustainability.	P42
DMA LA	Labor		
	Employment	CRR 8.9 Talent Attraction and Retention.	P76
	Labor/management relations	CRR 6.11 Employee Dialogue / 8.4 Employee Dialogue.	P39/P69
	Occupational health and safety	CRR 8.5 Employee Health and Safety.	P70
	Training and education	CRR 8.7 Human Capital Development / 5.7 Education and Training.	P74/P26
	Diversity and equal opportunity	CRR 8.6 Diversity & Equal Opportunity.	P71
DMA HR	Human Rights		
	Investment and procurement practices	CRR 10. Supply Chain/10.4.1 CR Training for the Alcatel-Lucent Purchasing Community/10.4.2 CR Training for Suppliers.	P85/P92
	Non-discrimination	CRR 8.2.2 Global Human Rights Policy.	P68
	Freedom of association and collective bargaining	CRR 8.2.2 Global Human Rights Policy.	P68
	Child labor	CRR 8.2.2 Global Human Rights Policy.	P68
	Forced and compulsory labor	CRR 8.2.2 Global Human Rights Policy.	P68
	Security practices	CRR 8.5 Employee Health and Safety.	P70
	Indigenous rights	CRR 8.2.2 Global Human Rights Policy.	P68
DMA SO	Society		
	Community	CRR 9. Philanthropy, Alcatel-Lucent Fondation.	P78
	Corruption	CRR 5.1 Ethics & Compliance - Zero Tolerance/5.2 Anti Corruption Program/5.3 Compliance - Zero Tolerance Policy/5.7 Education and Training - Anti-corruption Training.	P20/P21/ P22/P26
	Public policy	CRR 6.10 Public Affairs / 7.5.2.1 Senior Management Engagement.	P38/P62
	Anti-competitive behavior	20F - 6.10 Legal Matters.	P69
	Compliance	CRR 5.3 Compliance.	P22

GRI INDICATOR	DESCRIPTION	ALCATEL-LUCENT RESPONSE	PAGE
Location in the report (CRR = Corporate Responsibility Report)			
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)			
DMA PR	Product Responsibility		
	Customer health and safety	CRR 7.1.3 Management of Environment, Health & Safety/7.2.2.6 Summing it Up: Product Eco-declarations	P44/P50
	Product and service labelling	CRR 7.2.2.6 Summing it Up: Product Eco-declarations	P50
	Customer privacy	CRR 5.4 Privacy Protection	P23
	Compliance	CRR 5.5 Compliance Governance Structure/5.6 Compliance Risk Assessment, Enhancement And Mitigation	P24/P25
STANDARD DISCLOSURES PART III: Performance Indicators			
Economic			
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	20F - 12 Consolidated Financial Elements	P163
EC3	Coverage of the organization's defined benefit plan obligations.	20F - 12 Consolidated Financial Elements	P163
EC4	Significant financial assistance received from government.	20F - 12 Consolidated Financial Elements	P163
Environmental			
Energy			
EN3	Direct energy consumption by primary energy source.	CRR 11. Environmental Indicators	P96
EN4	Indirect energy consumption by primary source.	CRR 11. Environmental Indicators	P96
EN5	Energy saved due to conservation and efficiency improvements.	CRR 11. Environmental Indicators	P96
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	CRR 7.2.2.4 Energy Efficient Use	P48
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	CRR 11. Environmental Indicators/7.4 Part 3: Reducing our Carbon Footprint/7.4.2 Best Practices: Local Initiatives	P96/ P55/P57
Water			
EN8	Total water withdrawal by source.	CRR 11. Environmental Indicators	P96
EN10	Percentage and total volume of water recycled and reused.	CRR 7.4.1 Scope 1, 2 and 3 Emissions	P56
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	CRR 11. Environmental Indicators	P96
EN17	Other relevant indirect greenhouse gas emissions by weight.	CRR 11. Environmental Indicators	P96
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	CRR 11. Environmental Indicators/7.4 Part 3: Reducing our Carbon Footprint	P96/P55
EN19	Emissions of ozone-depleting substances by weight.	CRR 11. Environmental Indicators - Definitions and Methodology	P97
EN20	NOx, SOx, and other significant air emissions by type and weight.	CRR 11. Environmental Indicators - Definitions and Methodology	P97
EN22	Total weight of waste by type and disposal method.	CRR 11. Environmental Indicators	P96
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	CRR 11. Environmental Indicators	P96

GRI INDICATOR	DESCRIPTION	ALCATEL-LUCENT RESPONSE Location in the report (CRR = Corporate Responsibility Report)	PAGE
STANDARD DISCLOSURES PART III: Performance Indicators			
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	CRR 7.2.2 Reducing the Impact of our Products & Solutions on the Environment	P46
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	CRR 7.2.2.5 Take-back, Remanufacturing and Recycling	P50
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	CRR 11. Environmental Indicators/7.4.1 Scope 1, 2 and 3 Emissions	P96/P56
Labor Practices and Decent Work			
Employment			
LA1	Total workforce by employment type, employment contract, and region.	CRR 11. Social Indicators/8.3 Employee Breakdown	P95/P69
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	CRR 8.4.1 Collective Bargaining	P69
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	CRR 11. Social Indicators/20F Additional Information - 4. Social And Environmental data	CRR P95/ 20F Add Info P47
Training and education			
LA10	Average hours of training per year per employee by employee category.	CRR 11. Social Indicators/20F Additional Information - 4. Social And Environmental data	CRR P95/ 20F Add Info P47
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. + 8.11 talent attraction, performance management, employee retention.	CRR 8.6.4 Seniors	P73
LA12	Percentage of employees receiving regular performance and career development reviews.	CRR 11. Social Indicators	P95
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	CRR 8.6 Diversity & Equal Opportunity/11. Social Indicators	P71/P95
Human Rights			
Diversity and equal opportunity			
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	CRR 10.3.3.1 Supplier Assessments and Audit Findings/10.3.3.2 CR Assessment of Key and Preferred Suppliers/10.3.4.1 Third-party CR Audits	P90
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	CRR 5.7 Education and training	P26
Society			
Corruption			
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	CRR 5.7 Education And Training	P26
SO4	Actions taken in response to incidents of corruption.	20F - 6.10 Legal Matters	P69

GRI INDICATOR	DESCRIPTION	ALCATEL-LUCENT RESPONSE		PAGE
		Location in the report (CRR = Corporate Responsibility Report)		
STANDARD DISCLOSURES PART III: Performance Indicators				
Public policy				
SO5	Public policy positions and participation in public policy development and lobbying.	CRR 6.10 Public Affairs / 6.4 Global E-Sustainability Initiative (Gesi)		P38/P32
Anti-competitive behavior				
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	20F - 6.10 Legal Matters		P69
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	20F - 6.10 Legal Matters		P69
Product Responsibility				
Customer health and safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	CRR 7.1.3 Management of Environment, Health & Safety		P44
Product and service labelling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	CRR 11. Environmental Indicators - 100% of our new products are covered by eco-declarations		P96
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	CRR 6.5 Customer Relationship		P33

The integrality of the Global Reporting Initiative (GRI) Index is available online  [Read more](#)

Ernst & Young Statement

We reviewed the GRI content index communicated to the GRI and verified that:

- the Index answered the required number and set of standard disclosures for the self-declared B+ Application Level;
- the way in which the reporting had been addressed was in-line with the self-declared B+ Application Level.

Based on the procedures performed, nothing came to our attention that causes us to believe that conditions set in the G3 guidelines to achieve B+ rating are not fully met.

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12. GLOBAL REPORTING INITIATIVE



Statement GRI Application Level Check

GRI hereby states that **Alcatel-Lucent** has presented its report "Alcatel-Lucent Corporate Responsibility Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 4 May 2011



Nelmar Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Alcatel-Lucent has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.
www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 7 April 2011. GRI explicitly excludes the statement being applied to any later changes to such material.


INDEPENDENT VERIFICATION STATEMENT

INDEPENDENT ASSURANCE REPORT ON A SELECTION OF CORPORATE RESPONSIBILITY (CR) INDICATORS AND STATEMENTS



**Alcatel-Lucent 2010
Corporate Responsibility Report**

Further to the request made by Alcatel-Lucent, we have performed a review on a selection of CR indicators and statements for the financial year ending December 31, 2010 in the CR report, including quantitative

indicators (hereafter referred to as "the Indicators") and qualitative statements (hereafter referred to as "the Statements"), both identified with the  symbol within this report.

QUANTITATIVE INFORMATION

ETHICS	Percentage of employees who completed Ethics and Integrity Overview Training
ENVIRONMENT/OPERATIONS	Absolute carbon footprint (scope 1, 2 and part of 3)
	CO ₂ emissions from facilities
	Total energy consumption and split between electricity and fossil energy
	Total water consumption
	Production of hazardous waste
ENVIRONMENT/PRODUCTS	Production of non-hazardous waste
	Target: Improve the functional energy efficiency of key products by at least 20% by 2010 compared with 2008
SOCIAL	Total headcount
	% of women/headcount
	Number of employees who followed training in 2010
	Percentage of high potential population changing position over three years
HEALTH & SAFETY	Number of days of absence due to work-related accidents per employee
RESPONSIBLE SUPPLY CHAIN	% of key and preferred suppliers' CR practices assessed
	% of active suppliers assessed on CR as satisfactory or above
COMMUNITY INVOLVEMENT	Number of volunteerism hours donated by Alcatel-Lucent's employees

QUALITATIVE INFORMATION

RESPONSIBLE SUPPLY CHAIN	All Alcatel-Lucent suppliers who are to sign a business agreement with the company are required through contractual templates to commit to the code and cascade its requirements through their own supply chain
	If/when supplier CR ratings are unsatisfactory, we require suppliers to draft and implement a remedial plan to address weaknesses identified during assessment
CR GOVERNANCE	CR operations throughout the Group are handled by the members of the Corporate Responsibility Network. Network members come from a dozen different entities, including the Alcatel-Lucent Foundation, Environment, Health and Safety, Bell Labs, Public Affairs, Human Resources, Office of Business Conduct, Corporate Communications, Risk and Crisis Management, Governance and Purchasing
SOCIAL	Company transformation survey: All employees are invited to participate in a simple, 13-question, web-based survey which addresses levels of engagement in specific areas linked to change
ENVIRONMENT/PRODUCTS	In 2010, we began including carbon footprint information, i.e., greenhouse gas emissions, in the product eco-declaration for all new product families. This information is derived using Alcatel-Lucent's LCA Estimator

Our review was conducted with the intention of providing limited assurance regarding the following:

1. The Indicators were prepared in accordance with the reporting criteria applicable in 2010⁽¹⁾ (the "Reporting Criteria"), consisting of Alcatel-Lucent instructions, procedures, and guidelines specific for each indicator.
2. The Statements have been presented in accordance with the principles of reliability, neutrality and clarity as defined by international standards⁽²⁾.

It is the responsibility of Alcatel-Lucent to prepare the Indicators and Statements, to provide an updated Reporting Criteria, and to compile the CR report.

It is our responsibility to express an opinion on these Indicators and Statements. Our review was conducted in accordance with the professional standards applicable in France and the International Standards on Assurance Engagement (ISAE 3000), published in December 2003. Our independence is defined by French legislation and regulations and the French Rules of Professional Conduct for Statutory Auditors. In addition, we performed the works required to verify that Alcatel-Lucent could apply to obtain a B+ grade regarding GRI G3 guidelines. Our conclusions are presented on page 103 of this report.

Nature and scope of our review

We performed the following review in order to express a conclusion:

- We assessed the Reporting Criteria, policies and principles, with respect to their relevance, completeness, neutrality, and reliability.
- We conducted consolidation works on social and corporate indicators at the group level.
- We verified environmental data on site⁽³⁾. We conducted interviews with people responsible for CR reporting and performed auditing tests, on a sample basis, before consolidation of the Indicators at group level. The coverage related to the selected sample of audited sites is presented for each indicator as follows:

(1) Alcatel-Lucent GHG Inventory Management Plan, 2010 CR protocol and appendix.
 (2) ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Standard.
 (3) On site audit (Bydgoszcz, Poland and Bangalore, India). On remote follow-up review of sites audited in 2009 (Vélizy - France and Murray Hill, USA)



Environmental indicators	Sample coverage
Electricity consumption	10.1%
Non renewable energy consumption	22.8%
Total energy consumption	12.7%
Total water consumption	10.1%
Total production of hazardous wastes	1.4%
Total production of non hazardous wastes	4.7%
CO ₂ emissions (scope 1 and 2)	11.3%

- At the group level, we conducted interviews with people responsible for Indicators in order to assess the application of the Reporting Criteria.
- At the group level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.
- We reviewed supporting evidence with respect to the Statements.
- We reviewed the presentation of the Indicators and the Statements in the CR Report and the associated notes on methodology.

In performing our work, we were assisted by our specialized sustainable development team, placed under the responsibility of Mr. Eric Duvaud, partner in charge of our Climate Change and Sustainability Service.

Limitations of our review

Our review was limited to the Statements and Indicators (all bulleted items) identified above and did not cover other disclosures in the CR Report. A higher level of assurance would have required more extensive work.

Information about the Reporting Criteria and the Statements preparation process

With regards to the Reporting Criteria and the Statements preparation policies and principles, we wish to make the following comments:

Relevance

Alcatel-Lucent's sustainability reporting is made up of a wide set of indicators allowing coverage of the sector's key CR issues. Concerning energy and impact on climate change, Alcatel-Lucent has improved the calculation of its corporate carbon footprint, in particular by using extrapolation methods which define for each site (production

site, offices...) the average consumption depending on surface area, and on the basis of a previous study on group sites' energy consumption. The indicator related to products energy efficiency⁽⁴⁾ targeted an objective for year 2010. It should be replaced next year by an indicator taking into account updated improvement objectives.

Completeness

The Indicators' reporting perimeter aims to cover all of Alcatel-Lucent's relevant activities. However, the total group perimeter is not covered this year for some indicators.

- For environmental indicators, the reporting process is implemented throughout the company's significant entities. For the non-reporting, an extrapolation of data is performed in order to cover 100% of the company's environmental impacts, sites. A description of the extrapolation method is provided on page 96. The reporting coverage of each environmental indicator is presented as follows:

Indicators	Reporting rate
Electricity consumption, fossil fuel consumption, total energy consumption and CO ₂ emissions (scope 1 and 2)	84%
Water consumption	69%
Hazardous waste production	80%
Non hazardous waste production	79%

- For other indicators, no extrapolation method is available and reporting coverage is below 95% in several cases:

Indicators	Reporting rate
Percentage of employees who completed Ethics and Integrity Overview Training	83%
Number of volunteerism hours donated by Alcatel-Lucent's employees	Not measured, lower than 100%

- For the carbon footprint indicator, Alcatel-Lucent decided to extend the scope of the reporting by including some of the scope 3 greenhouse gases emissions. However, the greenhouse gases emissions relating to the following items are not yet included: Entering materials; Contracted road transportation of goods, Waste; Life-ending; Fixed assets.

Reliability

Alcatel-Lucent's reporting process is supported by dedicated computer-based reporting tools. These tools, together with a quite structured internal control process (performed at site level by the validator and then at consolidation level by environmental and health and safety experts), allow for the company to improve data reliability. Nevertheless, internal controls at the site level should be better formalized and more systematically performed. In particular, controls expected by the validator should be described in the reporting guidelines and could be integrated directly in the computer-based tools. The reporting of the social and societal indicators is not yet documented through corporate guidelines defining indicators as well as calculation methodologies.

Neutrality and clarity

A pedagogical effort is made to reporting contributors through the format of the reporting guidelines. However, some definitions should be clarified and more examples provided in the CR protocol in order to make results more robust and replicable in the future.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

- the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria; and
- the Statements were not presented, in all material aspects, in accordance with the principles of reliability, neutrality and clarity as defined by international standards.

Paris-La Défense, France, Mai 5, 2011

The Statutory Auditors
ERNST & YOUNG et Autres

With the assistance of ERNST & YOUNG
Climate Change & Sustainability Services

Jean-Yves Jégourel

Eric Duvaud

(4) Improve the functional energy efficiency of key products by at least 20% by 2010 compared with 2008.

CORPORATE RESPONSIBILITY REPORT GLOSSARY

CR

Corporate Responsibility integrates the interests of stakeholders into the company's business policies and actions. Embracing two main concepts: accountability and transparency, CR focuses on the social, environmental, and financial activities of a company—the triple bottom line, with the goal being to positively impact society while achieving business success.

EHSMS

Environment, Health and Safety Management System is specific to a facility or operation but generally includes: analyses of associated environmental impacts, safety risks and legal requirements, development of EHS objectives and targets, establishing programs to meet these objectives and targets, monitoring and measuring, ensuring employees' EHS awareness and competence, reviewing progress and improving the EHSMS progress in achieving the objectives.

GeSI

The Global e-Sustainability Initiative is uniquely dedicated to information and communication technologies (ICT) sustainability through innovation. GeSI was born in 2001 to further sustainable development in the ICT sector. GeSI fosters global and open cooperation, informs the public of its members' voluntary actions to improve their sustainability performance, and promotes technologies that foster sustainable development.

GRI

The Global Reporting Initiative has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

HLN

High Leverage Network™: architecture which simultaneously scales and manages network capacity to meet increasing bandwidth demand whilst delivering differentiated, revenue-generating services.

ICT

Information and Communication Technology.

IEC 62430

Standard from International Electrotechnical Commission for Environmentally Conscious Design for Electrical and Electronic Products.

IEEE Photonics Society

IEEE is the world's largest professional association for the advancement of technology. The Photonics society within the IEEE focuses on lasers, optical devices, lightwave technology, etc.

ISO 14001

International environmental standard that identifies the elements of an Environmental Management System necessary for an organization to manage its impact on the environment effectively. Compliance with this standard can be certified by an accredited third party on a voluntary basis.

ISO9001:V2008

International quality management standard that meets regulatory and statutory standards, as well as customer requirements.

ITU

International Telecommunications Union: the leading United Nations agency for information and communication technology issues, and the global focal point for governments and the private sector in developing networks and services.

LCA

Life Cycle Analysis: methodology developed to assess a product's full environmental impact, from raw material to final disposal with the aim of increasing resource efficiency and decreasing liabilities. It can be used to study the environmental impact of either a product or the function the product is designed to perform.

OHSAS 18001

Occupational Health and Safety Assessment Series: international specification for identifying necessary elements for an organization to manage its occupational health and safety risks effectively. Compliance with this specification can be certified by an accredited third party on a voluntary basis.

SA8000

Social standard based on the principles of international workplace norms focused on improving working conditions around the world, contained within the ILO (International Labour Organization) conventions, the UN's Universal Declaration of Human Rights and the Convention on the Rights of the Child.

SAM

Sustainable Asset Management is an investment group focused exclusively on Sustainability Investing. Through its index activities, SAM has partnered with Dow Jones Indexes for the publication and licensing of the globally recognized Dow Jones Sustainability Indexes (DJSI) as well as customized sustainability benchmarks.

Sarbanes-Oxley

United States law enhancing accounting standards in public companies.

Smart Metering

Smart metering provides utility customers information on a real-time basis about their domestic energy consumption.

TL9000

Quality standard that provides value and benefits across all supply chain disciplines (buyers, suppliers, and service providers) by providing a consistent set of quality expectations that parallel rapid technology changes and customer expectations.

United Nations Global Compact

Strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption, benefitting economies and societies everywhere.

WEEE Directive

The purpose of Directive 2002/96/EC on Waste Electrical and Electronic Equipment (WEEE) is to prevent waste electrical and electronic equipment, and in addition, encourage the reuse, recycling and other forms of recovery of such wastes so as to reduce the disposal of waste. It also seeks to improve the environmental performance of all operators involved in the life cycle of electrical and electronic equipment.

ALCATEL-LUCENT

2010 CORPORATE RESPONSIBILITY REPORT

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