



# 2014 Sustainability Report

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# CEO message

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Networks are the foundation of our ultra-connected world. In addition to the explosive demands being placed on networks not just from video and data usage from citizens, businesses and governments, today we are also witnessing the rapidly growing network of things — automobiles, wearables, appliances, and homes. On top of the burgeoning network of things, we are also seeing the complete virtualization of the economy. As more and more of what businesses and organizations do takes place in the cloud, the importance of networks to support these activities not only increases but also becomes the basis of everything possible in the digital economy.

Since my arrival in 2013 as CEO, Alcatel-Lucent has been guided by our industrial strategy, *The Shift Plan*, which has repositioned the company to focus us on the technologies essential to the strategic growth of networks that help our customers unleash their value. As a leader in areas such as virtualization, small cells, and IP technologies, we have been positioned to drive innovation and growth.

One of the key areas in *The Shift Plan* that has deservedly received continuous focus is our commitment to what I call “responsible business innovation”. For me, it is an essential pillar of how we earn the trust of our customers, partners and key stakeholders. This includes continuing to lead the industry in eco-innovation, creating a highly skilled and diverse workforce able to meet our customers’ demands for reliable and quality service, enabling our networks to be more accessible in key regions around the world, driving integrity and the highest commitment to ethics across our organization, carrying our approach to sustainability as a mandatory requirement for our supply chain partners, and finally, contributing to the communities where we do business, particularly helping youth innovate through our volunteerism activities under the auspices of our Alcatel-Lucent Foundation.

The year 2014 has been a critical year in Alcatel-Lucent’s growth story. While we have refocused our business on networks and stabilized our financial position, we have, in parallel, spent time realigning our sustainability activities around the company’s positioning and ensuring that our approach continues to respond to the highest expectations of our customers and key stakeholders. We have done this through several important initiatives.

Firstly, our Management Committee has reviewed our sustainability program end to end and taken on individual commitments to drive responsible business innovation across our business and as part of our overall commitment to being a trusted partner to our customers. Additionally, I took on commitments such as signing the UN Global Compact’s Call to Action on Anti-Corruption to drive greater visibility to the importance of creating a commercial level playing field for the technology sector. I am committed to driving this point in my regular public interactions in order to lead positive change in our technology sector. Our Management Committee also reviewed Alcatel-Lucent Foundation activities and has supported our philanthropic efforts dedicated to helping youth innovate in a digital world.

Secondly, we created a Sustainability Advisory Panel composed of a number of the company’s material stakeholders and consulted them in the key areas we see as differentiators in our approach to responsible business innovation. Key topics we reviewed with our panel included our sustainability strategy, performance and approach to eco-innovation, business ethics and supply chain. We also conducted an important materiality analysis exercise with our Panel and our internal company experts.



As we approach completion of *The Shift Plan*, Alcatel-Lucent will focus on the key areas from our materiality assessment and the recommendations of our Sustainability Advisory Panel. This means a leadership focus on eco-sustainability, ethical business, supply chain, people and digital inclusion. It also means achieving our targets, driving greater action around key customer priority areas such as the energy efficiency of networks, data privacy, human rights freedom of expression and privacy, transparency in our supply chain and being more visible in our responsible business innovation approach.

We remain committed to judging the success of our efforts against the highest standards and globally recognized frameworks for sustainability — United Nations Global Compact Advanced Level principles, Dow Jones Sustainability Indices, Global Reporting Initiative G4, EcoVadis, our French Grenelle II legal commitments — and progressively applying the International Integrated Reporting Framework (IIRC) to show greater value in our output.

As CEO, I have been very proud of working for a company and employees who are dedicated to excellence. We have received ongoing recognition for our leading approach to responsible business innovation. Once again in 2014, Alcatel-Lucent was recognized as Technology Industry Group Leader for the Dow Jones Sustainability Indices, ranked Technology Hardware leader by Société Générale and top 30 “Best-in-Universe” ESG rated company, reconfirmed in the Ethibel Sustainability Index (ESI) Excellence Europe, classed in the top 1 % of companies worldwide by EcoVadis and top 100 for the UN Global Compact.

I have seen in my own company that with determination and a clear vision the necessary changes can be made to drive leadership positions. There is so much opportunity to be found in the changing telecommunications landscape. Responsible business innovation is a game-changing imperative for our industry that we will continue to drive with our customers, our partners and key stakeholders. Every success has its network.

**Michel Combes**

CEO Alcatel-Lucent

# 2014 responsible business innovation highlights – *The Shift Plan* in action:

## **Our achievements**

- For the third year in a row, Alcatel-Lucent was named Technology Hardware & Equipment Industry Group Leader in the Dow Jones Sustainability Indices with industry leadership in the economic, environmental and social dimensions of sustainability.
- Recognized top 1% of companies assessed by EcoVadis with Gold Recognition.
- Given the Industry Leader and Gold Class Sustainability Award for the Communications Equipment industry by RobecoSAM.
- Ranked Société Générale top 30 “Best-in-Universe” ESG rated company and Technology Hardware Leader for second consecutive year.
- UN Global Compact 100 member based on sustainability performance.
- Reconfirmed in Ethibel Sustainability Index (ESI) Excellence Europe, Vigeo Euronext European 120 and Vigeo Euronext Eurozone 120.
- Created the Alcatel-Lucent Sustainability Advisory Panel composed of eight material stakeholders to review our strategy, understand risks and opportunities and conduct materiality analysis in line with *The Shift Plan*.
- Prepared our report according to GRI G4 Core principles and conducted a gap analysis according to the IIRC framework.

## **Eco-innovation**

- Launched GWATT (Global ‘What if’ Analyzer of NeTwork Energy ConsumpTion) a Bell Labs application for modeling ICT network energy consumption. Since its launch in mid-2014, over 9,000 users have accessed the application and nearly 1,000 have used it to forecast the effect of future traffic projection on energy consumption.
- Approximately 10% of Bell Labs patents involved energy-related and green innovations; over 50 Bell Labs scientists, researchers and engineers are working on energy research projects, collaborating with 50+ companies, research institutes and universities within the GreenTouch Consortium and on bilateral bases.
- Bell Labs-led GreenTouch consortium continued research activities to improve network energy efficiency by a factor of 1,000 compared to 2010 levels by mid 2015. In November 2014, the Consortium demonstrated two new innovations for wireline access networks. The collective impact of these technologies is expected to reduce overall energy consumption in access networks by 46%.
- 5,825 metric tons (96%) of electronic waste was recycled or resold, 2% was treated by incineration and 2% was disposed of by means of secure landfill.
- 40% reduction in the carbon footprint of our worldwide operations since 2008; on track to meet 50% reduction goal by 2020.
- Approximately 22% of our electrical power now comes from renewable sources. In Belgium, Austria and Switzerland, 92% of the electricity we purchase comes from hydroelectric sources.

## **Our people**

- Alcatel-Lucent University provided 1.2 million hours of training to employees and customers with 70% of learning online. More than 23,118 training hours were dedicated specifically to Environment, Health and Safety (EHS) issues.
- LeaderSHIFT workshops were delivered to Top 200 company leaders in 2014. Focused People Manager Essentials workshops were delivered to 576 managers with further waves planned in 2015 to reconnect managers with their people management responsibilities.

- 10 women in each region every year are now offered coaching, mentoring and networking opportunities through our new Top 10 Women program.
- ITU and UN Women named StrongHer, our employee gender diversity initiative, one of the six winners of the 2014 Gender Equality Mainstreaming - Technology (GEM-TECH) Award, which recognizes outstanding achievements and commitment to gender empowerment in the information and communications technology industry.
- 100% score on the 2014 Corporate Equality Index.
- All countries where Alcatel-Lucent has a substantial employee presence now have teleworking policies. Overall, 42% of our employees telework at least one day per week.

### **Digital inclusion**

- In 2014, the Alcatel-Lucent Foundation adopted a new mission statement to prepare youth – with a focus on young women – to participate and innovate in a connected world.
- The Foundation supported two Signature Programs and 37 multi-year programs in 28 countries with some 23,000 youth benefiting from our ConnectED training in 5 countries.
- Alcatel-Lucent teamed up with Verizon to deliver and install small cells that give online access to more than 1,000 Native American students.
- Signatory and active member of the UN Broadband Commission manifesto, member of Alliance for Affordable Internet and International Telecommunications Union (ITU) championing affordable broadband for all.
- More than 130 small cell contracts with 75 operators in 53 countries – leading the market in extending affordable and accessible connectivity around the world.

### **Ethics**

- 98% of employees and non-employee workers reviewed and acknowledged our Code of Conduct.
- 100% of our business (including regions, business groups and central functions) was analyzed for risks related to corruption.
- Our Compliance Hotline remained active in 114 countries worldwide, 24 hours a day, seven days a week. Employees can use a multilingual web interface available in 11 languages to make a report.
- In December 2014, Alcatel-Lucent was among the first telecoms companies worldwide to sign the UN Global Compact's Call to Action for Anti-Corruption.
- Published second implementation measures of Telecoms Industry Dialogue Guiding Principles on Human Rights Freedom of Expression and Privacy. In 2014, a standalone employee and supplier training module on human rights was created and deployed through Alcatel-Lucent University in September 2014 in English, French, and simplified Chinese.
- 100/100 Dow Jones Sustainability Indices (DJSI) score for Codes of Conduct Compliance, Corruption and Bribery category.

### **Supply chain**

- As a mandatory element of all agreements, Alcatel-Lucent requires suppliers to comply with the UN Global Compact Ten Principles and the Electronics Industry Citizenship Coalition (EICC) Code of Conduct.
- 100% of requests to use new suppliers are channeled through an anti-corruption screening program.
- 80% of our North American revenue has requirements tied to diversity inclusion.
- Surveyed over 300 suppliers on conflict minerals and filed second Conflict Minerals Report.
- 80% of our active suppliers rated “satisfactory” or above for their sustainability performance following our sustainability assessment methodology.

Read more about *The Shift Plan*

# Sustainability strategy

## Materiality analysis

conducted in line with  
*The Shift Plan*, 5 priorities  
identified for 2015

## Sustainability Advisory Panel

created in 2014 with  
8 material stakeholders  
to review our strategy  
and performance

## Dow Jones Sustainability Indices

Technology Industry  
Group Leader - 3rd  
consecutive year

## 1 Our approach to sustainability

### 1.1 The Alcatel-Lucent sustainability vision: Responsible business innovation

Sustainability at Alcatel-Lucent means responsible business innovation — and is integral to our company's activities from end to end. As the leading specialist in IP networking, ultra-broadband access and cloud technology, Alcatel-Lucent is dedicated to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide through its approach to responsible business innovation.

This commitment is fully aligned with our company's activities and mission to invent and deliver trusted networks to unleash our customers' value.

### 1.2 How we deliver

**We create networks at scale.** Alcatel-Lucent creates large-scale networks, continuously increasing the capacity and reach of communications technology according to our customers' needs. We help people connect anywhere, anytime, through our IP networking, ultra-broadband access and cloud solutions.

**We are committed to earning the trust of our customers and partners.** We build dependable networks and operate according to the highest standards of business ethics. Responsible innovation is embedded into our own facilities and across our supply chain, shaping our dealings with partners. We maintain a zero-tolerance policy for any breach of compliance with our ethical policies by any employee, contractor or subcontractor. We enforce sustainability as a mandatory requirement throughout our supply chain and work continuously with our supply chain partners to improve their overall performance. We also work at the industry level to address key challenges related to human rights, freedom of expression, privacy and network security.

**We innovate for our customers.** Our entire portfolio of products and solutions has an eco-sustainability focus, addressing key energy efficiency challenges and producing tools to reduce the carbon footprint of the world's networks and our own operations. Energy research being conducted by Bell Labs is challenging the status quo by seeking to create zero-power networks.

**We bring opportunity to where it is needed most.** We have an obligation to give our communities — the places where we and our customers live and do business — a platform to innovate. Around the world, the Alcatel-Lucent Foundation helps youth from disadvantaged communities connect, innovate and participate in our global digital society.

2014 was a year defined by our continued commitment to lead the technology industry in responsible business innovation — evidenced through the creation of our Sustainability Advisory Panel and adoption of a new materiality analysis approach in line with our industrial strategy, *The Shift Plan*.

Looking ahead, 2015 will be dedicated to setting action plans for each of our five identified material issues in cooperation with our Sustainability Advisory Panel.

We remain fully committed to our leadership role and ensuring responsible business innovation continues to be a key component of our brand as a leading innovator and trusted partner for our customers.

### **We believe every success has its network.**



*“We are dedicated to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide. We call this responsible business innovation.”*

**CHRISTINE DIAMENTE**

Head of Brand and Corporate Sustainability, Alcatel-Lucent

## **1.3 Our priorities**

### **Eco-sustainability**

Be a leader in eco-innovation by providing energy efficient, environmentally sustainable networks and technologies that meet growing bandwidth demands. Working in collaboration with the GreenTouch™ consortium initiated by Bell Labs, we seek to make communications networks 1,000 times more energy efficient than they were in 2010.

### **Our people**

Create a diverse and highly skilled global workforce that is able to meet customer demands for reliable, quality service. To this end, Alcatel-Lucent University provided 1.2 million hours of training to our employees in 2014. Our award-winning internal social networking platform, Engage, lets employees continuously share, collaborate and exchange best practices, leveraging each other's expertise and talents.

### **Digital inclusion**

Make communications more innovative, sustainable and accessible for people, businesses and governments worldwide. We address digital inclusion by enabling global connectivity through our innovative products and solutions in ultra-broadband access, IP and the cloud — changing the way billions of people live and work, and connecting businesses and economies to new opportunities.

## 1.4 Our sustainability values

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A core element of sustainability is putting our values at the heart of our day-to-day business promoting responsible business innovation across all of our activities:

### **Ethical business**

We reinforce ethical business in every action from every employee, contractor and subcontractor through our zero-tolerance policy for compliance violations.

### **Supply chain**

We collaborate only with partners who share our commitment to sustainability. We require and assess supply chain performance while working to ensure continuous improvement for suppliers whose performance is not at expected level.

### **The Alcatel-Lucent Foundation**

We engage with pride and passion as citizens of the communities where we do business around the globe. Our Alcatel-Lucent Foundation is dedicated to helping youth innovate in a digital world.

## 1.5 Foundations of our sustainability strategy and reporting framework

Our sustainability strategy and reporting framework conform to the following key regulatory, investor and customer requirements and globally recognized sustainability frameworks.

- **Article 225 of France's Grenelle II law (July 10, 2010):** Grenelle II requires companies to include information in their annual report on the environmental, social and societal impacts of their business activities and on their commitments to sustainable development — and to have independent, third-party verification of the published information.
- **Global Reporting Initiative (GRI):** Our Sustainability Report is prepared according to the GRI sustainability reporting guidelines. The 2010 report was prepared according to the GRI Guidelines, at Application Level B + . The 2011, 2012 and 2013 reports were prepared according to the GRI Guidelines, at Application Level A + . All these reports were submitted for the GRI Application Level Service. The 2014 report is being prepared at the time of this publication following GRI G4 Core Guidelines.
- **United Nations Global Compact (UNGC):** Our Sustainability Report and company strategy conform to the United Nations Global Compact by incorporating information on our sustainability activities according to the 21 UNGC Advanced Level assessment criteria. In 2013 and 2014, Alcatel-Lucent was included in the United Nations Global Compact 100: a global “stock index” of the top 100 companies based on sustainability performance. We were, for the second year in a row, among the top quadrant of companies reporting according to the UNGC Advanced Level criteria. We also signed the UNGC's Call to Action on anti-corruption in December 2014, an initiative of the UN Global Compact regarding 10th Principle Against Corruption.
- **EcoVadis:** Our sustainability strategy follows the EcoVadis framework, which is a mandatory annual evaluation of customer and supplier corporate social responsibility. It is based on the GRI, GC and ISO 26000 standard. In 2013, we were granted Gold Recognition with a score of 71/100, placing us in the top two percent of suppliers assessed in all industrial categories. In early 2015, we were granted Gold Recognition for the second year in a row with a score of 81/100 placing us in the top 1 % of suppliers assessed in all industrial categories.

- **Dow Jones Sustainability Indices (DJSI):** Our sustainability strategy is closely based on the RobecoSAM DJSI framework. In 2014, for the third year in a row, we were named Industry Group Leader for the Technology Hardware & Equipment Sector with a score of 91/100. This follows being named Leader of the Technology Supersector's CMT Communications Technology Sector in 2011, 2012 and 2013 with scores of 86/100, 87/100 and 91/100, respectively. (The Technology Hardware & Equipment Sector includes Communications Equipment, Electronic Equipment, Instruments & Components, Computers & Peripherals, and Office Electronics.)
- **International Integrated Reporting Framework (IIRC):** Over the course of 2014, Alcatel-Lucent performed a gap assessment to incorporate the IIRC framework into its corporate reporting. We will continue with the implementation of the IIRC framework over 2015 with a focus on quantifying value for key corporate material issues.

## 1.6 A recognized leader in sustainability

### 2014 achievements

- Dow Jones Sustainability Indices (DJSI) Technology Hardware & Equipment Industry Group Leader – third consecutive year
- 2015 RobecoSAM Industry Leader and Gold Class Sustainability Award winner for the Communications Equipment Industry
- Société Générale top 30 “Best-in-Universe” ESG-rated company and Technology Hardware Leader for second consecutive year
- United Nations Global Compact 100 member – a global stock index that includes top 100 companies based on their sustainability performance
- EcoVadis Gold Recognition with a score of 81/100 – top 1% of suppliers assessed in all industrial categories
- Listed in the Ethibel Sustainability Index (ESI) Excellence Europe, Vigeo Euronext European 120 and Vigeo Euronext Eurozone 120

### Highlights

In 2014, Alcatel-Lucent published 19 indicators reflecting the company's commitment to responsible business innovation in line with *The Shift Plan* industrial strategy as well as the DJSI, UNGC Advanced Level, EcoVadis and GRI G4 principles.

We have also published our sustainability indicators and performance in our Annual Financial Report as proof of our integrated business approach, following French Grenelle II legal requirements.

## 1.7 Materiality assessment

G4-19, G4-DMA MATERIALS, G4-DMA ENERGY, G4-DMA EMISSIONS, G4-DMA EFFLUENTS AND WASTE, G4-DMA TRANSPORT, G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-DMA EMPLOYMENT, G4-DMA OCCUPATIONAL HEALTH AND SAFETY, G4-DMA TRAINING AND EDUCATION, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY, G4-DMA EQUAL REMUNERATION FOR WOMEN AND MEN, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA LOCAL COMMUNITIES, G4-DMA ANTI-CORRUPTION, G4-DMA PUBLIC POLICY, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY, G4-DMA CUSTOMER PRIVACY, G4-DMA INDIRECT ECONOMIC IMPACTS

Alcatel-Lucent's materiality assessment aims to understand our company's most relevant issues in order to monitor and tune our sustainability strategy, our priorities and our key performance indicators.

In 2011, Alcatel-Lucent performed its first materiality assessment of sustainability issues relevant to our business success. In 2014, we performed our second materiality assessment in line with *The Shift Plan*.

### Highlight G4-15

#### **2014 materiality assessment**

We performed a materiality assessment in 2014 in line with *The Shift Plan*, evaluating more than 35 business issues that affect our short-, medium- and long-term corporate strategy. These issues touch on our products, services, customers, operations, employees, risk management, energy efficiency, ethics and governance, information security, human rights, digital inclusion, diversity and philanthropy. Each issue was carefully defined and weighed with regard to its impact on our commercial success as well as the expectations of our key stakeholders.

In 2015, we will use the findings of the materiality assessment to recalibrate our sustainability strategy according to key material issues.

In 2014, the 35 sustainability issues identified through our materiality assessment were evaluated according to five business objectives aligned with *The Shift Plan*. *The Shift Plan* refocuses Alcatel-Lucent as a specialist in IP networking, cloud and ultra-broadband access — the technologies at the heart of next-generation networks. The five key business objectives were:

1. Lead innovation in products and services
2. Grow profitability in IP core and access
3. Attract and retain talent and leadership
4. Strengthen operational efficiency
5. Improve our financial balance sheet

Over a four-month period, we also conducted in-depth interviews with more than 30 key executives across the company as well as all of the members of our Sustainability Advisory Panel.

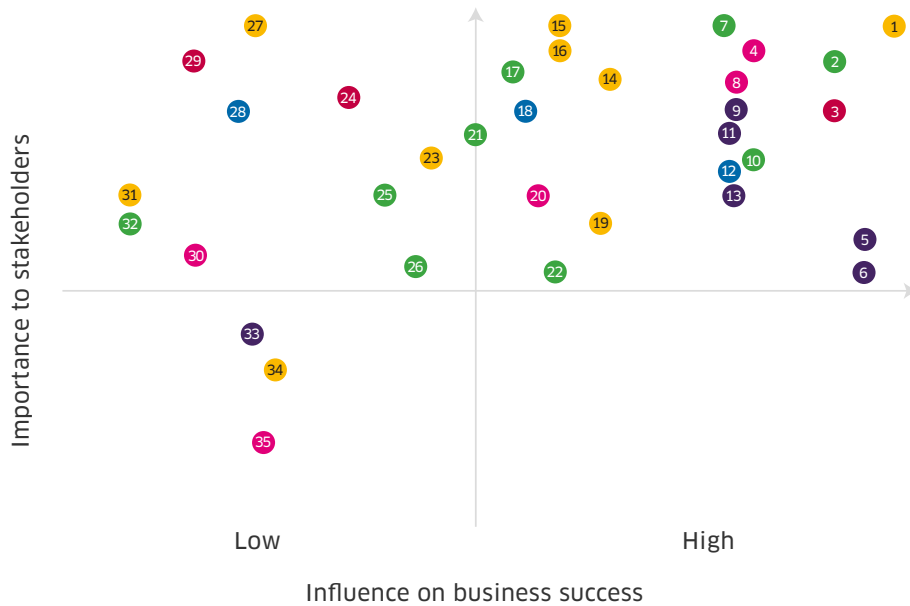
This assessment allowed us to get the feedback from our key stakeholders such as customers, opinion leaders, investors and shareholders, government and regulators, and civil society.



## 2014 materiality assessment results

G4-19, G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA PROCUREMENT PRACTICES, G4-DMA MATERIALS, G4-DMA ENERGY, G4-DMA EMISSIONS, G4-DMA EFFLUENTS AND WASTE

Materiality assessment map



### Product innovation and environment

- 2. Product safety
- 7. Electromagnetic environment
- 10. Product stewardship
- 17. Product energy efficiency
- 21. Management of hazardous substance
- 22. Greenhouse gas emissions (operations)
- 25. Non-GHG emissions (operations)
- 26. Waste management
- 32. Biodiversity and environmental protection

### Ethics and compliance

- 1. Intellectual property (infringement, avoidance)
- 14. Information security
- 15. Anti-corruption/code of conduct
- 16. Anti-trust and fair business practices
- 19. Public policy on fair business practices
- 23. Data privacy
- 27. Responsible marketing
- 31. Freedom of expression and privacy
- 34. Taxation

### Our people

- 5. Professional development and talent retention
- 6. Employee satisfaction and engagement
- 9. Global diversity
- 11. Non-discrimination and equality
- 13. Health and safety/well-being at work
- 33. Freedom of association/collective bargaining

### Digital inclusion

- 4. Local sustainability Impacts
- 8. Inclusion and access
- 20. R&D partnerships
- 30. Philanthropy and volunteering
- 35. Shared value community investment

### Supply chain

- 12. Supplier diversity
- 18. Sustainable practices in the supply chain
- 28. Material content traceability

### Sustainability strategy

- 3. Customer Satisfaction
- 24. Corporate social responsibility vision and strategy
- 29. Transparency, accountability and reporting

## 1.8 What our materiality assessment tells us

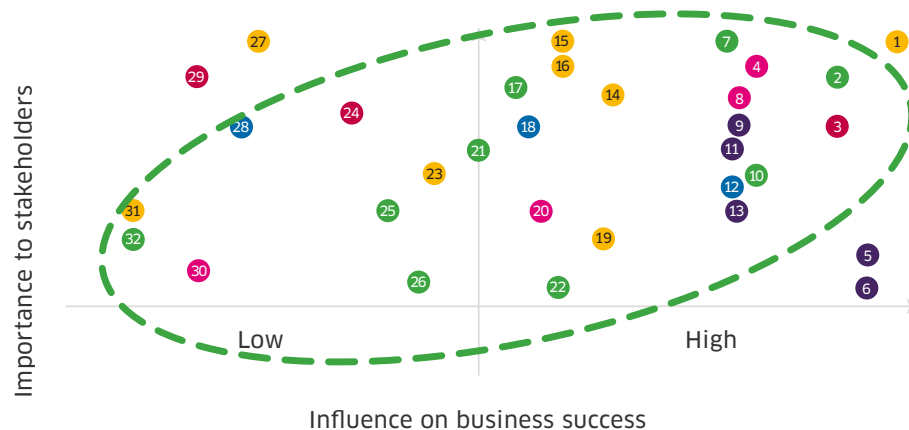
The results of the materiality assessment allowed us to identify key issues related to eco-sustainability (with a focus on developing energy efficient networks), ethical business practices and the increasing need for data privacy and protection, our supply chain, employee well-being and diversity, and digital inclusion.

## #1 Green is a customer priority

G4-DMA MATERIALS, G4-DMA ENERGY, G4-DMA EMISSIONS, G4-DMA EFFLUENTS AND WASTE, G4-DMA TRANSPORT

The 2014 materiality assessment shows the following product innovation and environment issues are key for both our business and our stakeholders.

Materiality assessment map



KEY SUSTAINABILITY ISSUES FOR ALCATEL-LUCENT	WHAT'S INVOLVED
2. Product safety	Compliance with regulations on telecommunication and IT product safety.
7. Electromagnetic environment	Compliance of products and operations with regulations about radiofrequency (RF) exposure to wireless communication equipment in general – and related issues.
10. Product stewardship	Minimizing the environmental impact of products based on a life-cycle approach that assesses all stages – manufacturing, use and end of life. This includes take-back schemes and the responsible management of e-waste to reduce adverse environmental impacts. This also includes product shipping and transport.
17. Product energy efficiency	Efforts to measure, report on and increase the energy efficiency of key product lines, progressing toward our goal of improving the functional energy efficiency of key products by at least 25% by 2015 compared to 2012.
22. Greenhouse gas emissions (operations)	Managing and reducing greenhouse gas emissions from business operations (Scope 1 & 2 emissions mainly driven by electricity and gas and fluids consumption).  Managing and reducing greenhouse gas (GHG) emissions from business operations (Scope 3 emissions related to manufacturing and transportation).  Achieving the goal of reducing our absolute carbon footprint by 50% by 2020 compared to a 2008 baseline (OPEX opportunity of ~41M Euro reduction in annual electricity expenses).  Measures taken to adapt to climate change impacts.
21. Management of hazardous substances	Development of precautionary principles for selecting, using and replacing chemicals and gases. Reducing consumption of hazardous materials and eliminating lead and other heavy metals from manufacturing lines in compliance with RoHS and REACH standards.
26. Waste management	Sustainable management of waste streams from operations, including: hazardous substances, packaging, metals, plastics and other non-biodegradable material, noise and other forms of pollution, as well as actions taken to support waste prevention, recycling and sustainable disposal.
25. Non-GHG emissions (operations)	Non-GHG air emissions including NOX, SOX and other significant air emissions by type and weight in alignment with national and local legislation.

*“Alcatel-Lucent should incorporate co-innovating with customers into its sustainability strategy.”*  
– Customer

*“Energy efficiency is key to working toward positive energy, transferring from one source to another. This also reflects increasing cost issues surrounding increased demands on the ICT sector from other sectors (e.g., banking).”* – Customer

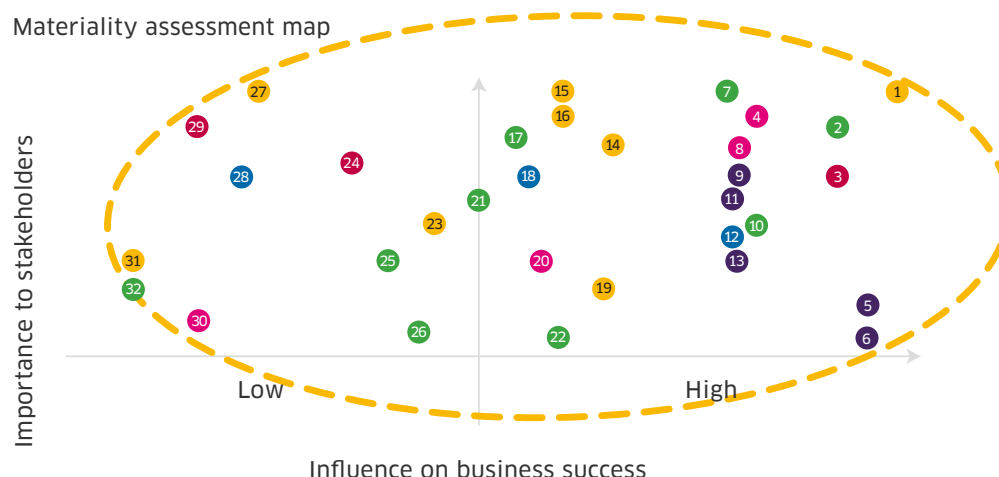
*“Alcatel-Lucent is well situated to help reduce direct energy consumption in the ICT sector.”*  
– External Stakeholder

## #2 Ethics and compliance are rising business issues

G4-DMA ANTI-CORRUPTION, G4-DMA PUBLIC POLICY, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE, G4-DMA CUSTOMER PRIVACY

The 2014 materiality assessment shows the following ethics and compliance issues are key for both our business and our stakeholders.

Materiality assessment map



KEY SUSTAINABILITY ISSUES FOR ALCATEL-LUCENT	WHAT'S INVOLVED
1. Intellectual property (infringement, avoidance)	Respect for and protection of intellectual property rights, including raising awareness of the process of transforming patents into products and driving sustainability through the advancement of intellectual property rights.
14. Information security	Protection of strategic information with systems to prevent hacker attacks.
15. Anti-corruption/code of conduct	Efforts to enforce compliance and correct violations of Alcatel-Lucent's Code of Conduct. Success of Alcatel-Lucent's Compliance Resolution Process in taking corrective action against compliance violations.
16. Anti-trust and fair business practices	Fair business practices complying with applicable competition (or anti-trust) laws to ensure our products and services are judged solely on their merits. This includes promoting high standards of business ethics, working against corruption, extortion and bribery.
19. Public policy on fair business practices	Proactive and timely engagement in public policy making to promote fair business requirements for companies and create a level playing field in the telecom sector.
23. Data privacy	Secure data capture, storage and transfer approaches that protect the privacy of personal and business information and promote transparency in the processing of personal data (e.g., progress on Alcatel-Lucent Data Privacy Plan).
31. Freedom of expression and privacy	Responsibility as a supplier of telecommunications infrastructure, products and services to support transparency and respect freedom of expression and privacy.

*"Data privacy (protection, trust) is a key issue for the EU's Digital Agenda and will become even more critical in the next five years." – Public Authority*

*"Anti-corruption and bribery should be 'business as usual' for global players. Alcatel-Lucent needs to be more visible and share best practices with the ICT sector." – Customer*

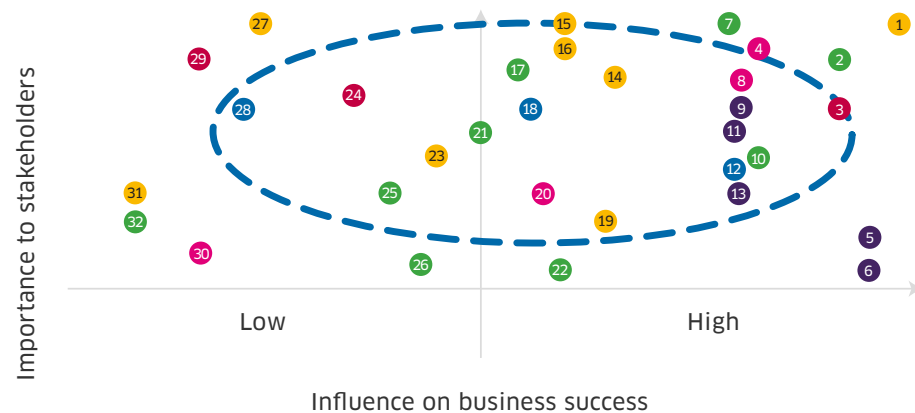
*"Restrictions on the flow of data will be a challenge for the ICT sector and also a very contentious area." – Supplier*

### #3 The supply chain matters to all stakeholders

G4-DMA PROCUREMENT PRACTICES, G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

The 2014 materiality assessment shows that following responsible supply chain management is key for both our business and our stakeholders.

Materiality assessment map



KEY SUSTAINABILITY ISSUES FOR ALCATEL-LUCENT	WHAT'S INVOLVED
12. Supplier diversity	Diversification of the company's supply chain through inclusion of diverse suppliers (e.g., those that are small and underrepresented, or that are owned by women, minorities or military service veterans). This inclusion supports both customer requirements and economic sustainability.
18. Sustainable practices in the supply chain	Ensuring our suppliers' environmental, health, safety, labor, supply chain and ethics practices meet our expectations and mitigate associated risks – with those practices, including requirements (policies, code of conduct), assessment tools (management systems reviews, audits) and improvement processes.
28. Material content traceability	Processes to identify and, if needed, ban the content or origin of materials used in our products to meet regulations (RoHS, REACH, conflict minerals) and customer requirements.

*“Our areas of sustainability are in sync with Alcatel-Lucent’s, namely in the area of supply chain practices and product stewardship.” – Customer*

*“Alcatel-Lucent is the interface with suppliers and therefore the most important actor.” – Customer*

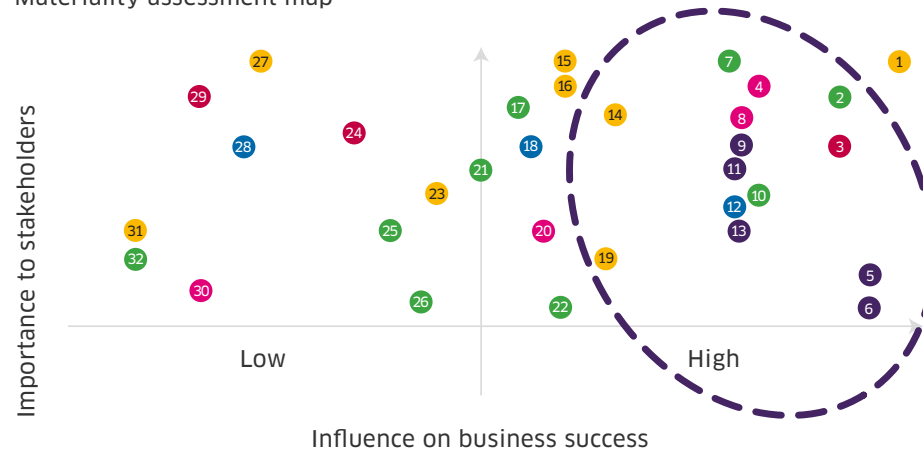
*“Supply chain is the single biggest risk for the ICT sector. It is important we see clear KPIs that can also be expressed in qualitative terms over a longer-term projection.” – Investor*

## #4 Human factors count

G4-DMA EMPLOYMENT, G4-DMA OCCUPATIONAL HEALTH AND SAFETY, G4-DMA TRAINING AND EDUCATION, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY, G4-DMA EQUAL REMUNERATION FOR WOMEN AND MEN

The 2014 materiality assessment shows the following human capital issues remain key for both our business and our stakeholders.

Materiality assessment map



KEY SUSTAINABILITY ISSUES FOR ALCATEL-LUCENT	WHAT'S INVOLVED
5. Professional development and talent retention	Promoting professional growth and learning among new and existing employees, and matching employee skills with the needs of the business to remain an employer of choice and retain key talent. This includes employee training and awareness-raising about key job competencies, as well as training related to sustainability issues such as ethics, human rights, and environmental protection.
6. Employee satisfaction and engagement	Promoting two-way dialogue with employees through company activities including performance reviews, career development and communications to improve employee satisfaction, measured by a Leadership Effectiveness Index (Top 200 leaders).
9. Global diversity	Making efforts to ensure that the company workforce at all levels, including the Board of Directors, reflects not only the global business strategy (in terms of R&D, operations and customer base) but also reflects the age and gender diversity of the workforce pool in our countries of operation. This can be extended to suppliers.
11. Non-discrimination and equality	Establishing a workplace where all employees are treated fairly, with dignity and full respect for their private lives – without discrimination in employment, wages and occupation. This workplace should offer equal professional opportunities regardless 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.
13. Health and safety/ well-being at work	Taking steps to improve working conditions that can negatively affect the health or well-being of employees (e.g., ergonomics, stress); implementing measures to mitigate employee safety risks and foster a safe working environment; and signing agreements with trade unions or staff representatives on health and safety and well-being at work

*“Diversity is a major issue for our company and we would like to see Alcatel-Lucent communicate more on its diversity initiatives.” – Customer*

*“Having an employee base that reflects our end markets is key for many customers. Studies have shown that sales teams benefit from being aware of the relative diversity of customer teams. Customer bids also require Alcatel-Lucent demonstrate its commitment to diversity.”*

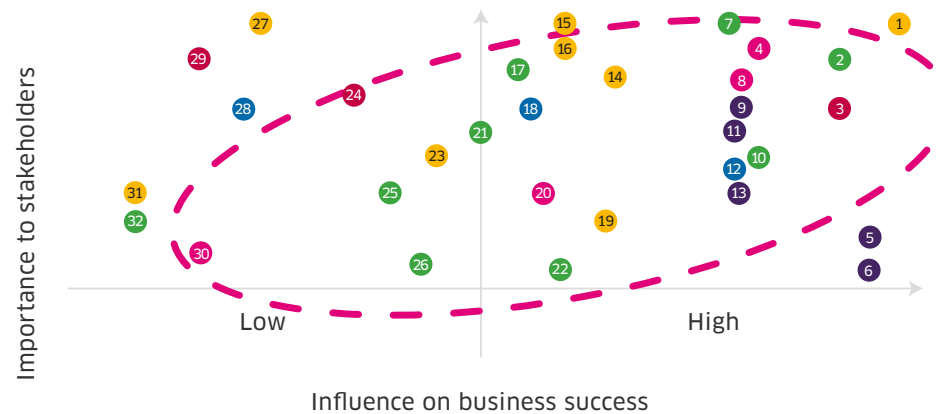
*– Global Gender Diversity Director, Alcatel-Lucent*

## #5 Digital inclusion is an expectation and a social driver

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES

The 2014 materiality assessment shows the following social and philanthropic issues are crucial to both our business and our stakeholders from a sustainability perspective.

Materiality assessment map



KEY SUSTAINABILITY ISSUES FOR ALCATEL-LUCENT	WHAT'S INVOLVED
4. Local sustainability impacts	Addressing the local and regional impacts of siting and operating facilities – economically (e.g., investment in infrastructure), socially (e.g., employment, and partnerships with local universities) and environmentally (e.g., releases into the local environment).
8. Inclusion and access	Making efforts to provide people who are underserved or not served at all with affordable, sustainable and inclusive access to the digital economy (for example, through our technologies for rural populations), and promoting policies that enable connectivity for all.
20. R&D partnerships	Investing in and establishing partnerships and collaborations with global leading industry stakeholders, companies, universities and research organizations to support research that advances sustainability.
30. Philanthropy and volunteering	Enabling employee volunteering for social and environmental projects, measuring hours and impacts of volunteering, and making financial and product donations. This also includes financial and in-kind contributions to NGOs and charitable organizations for underserved communities.

*“Digital Inclusion and access are considered a human right for citizens. Therefore, companies need to be seen as a force for good.” – Customer*

*“We are expanding our target customer base and addressing greater inclusion and access within new segments such as extra-large enterprises, network platform players and cable providers — in addition to service providers.” – Head of Brand and Corporate Sustainability, Alcatel-Lucent*

## 1.9 Applying the findings

G4-DMA PROCUREMENT PRACTICES, G4-DMA MATERIALS, G4-DMA EMPLOYMENT, G4-DMA OCCUPATIONAL HEALTH AND SAFETY, G4-DMA ANTI-CORRUPTION, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE

Applying the findings of our materiality assessment in 2015, we will recalibrate our sustainability strategy and approach to responsible business innovation with a focus on:

- Eco-sustainability
- Ethical business practices
- Supply chain
- Our people
- Digital Inclusion including Alcatel-Lucent Foundation

In particular, we will concentrate on addressing industry issues such as energy efficiency, ethics, human rights and freedom of expression, data privacy, supply chain transparency, employee well-being, gender diversity and social innovation.

# 2014 reporting

19

sustainability commitments  
published in line with  
*The Shift Plan*

GRI G4

Core option applied  
to 2014 Sustainability  
Report

Independant  
verification

with international standard  
ISAE 3000

## 1 How we report on sustainability

### 1.1 Sustainability reporting principles

G4-17, G4-18, G4-22, G4-23, G4-28, G4-29, G4-30

Every year, Alcatel-Lucent shares its commitments, achievements and perspectives on sustainability through the publication of this comprehensive report.

The 2014 Sustainability Report consolidates all of our sustainability activities worldwide for the year, as of 31st December 2014, focusing on key achievements and future objectives. It also includes facts and examples from local initiatives as well as early data from 2015. Unless otherwise stated, all performance data reflect the company's global operations.

We used internal experts and external stakeholder opinions to estimate for some parts of the sustainability indicator calculations. The figures reported are our best estimate and, as our experience increases, we will enhance the methodology.

With the convergence of our Human Resources information systems, data on all social indicators are collected and consolidated at the corporate level. The social indicators take into account all employees who worked for fully consolidated companies (including long-term absences/notice period), as well as for companies in which we own 50% or more equity. The only exception is health and safety data, which are issued from our sustainability reporting tool. The 2014 health and safety survey covered 68 countries.

Our 2014 energy and water consumption, carbon footprint assessment and waste-generation reporting perimeter includes all sites owned or leased by Alcatel-Lucent as of December 2014. In order to have environmental indicators accounting for 100% of our employees, extrapolation procedures were applied based on calculated ratios per area or headcount.

For 2014 reporting, in line with the sale of our Enterprise business, we have excluded the Enterprise data from the consolidated environmental and social indicators for 2014 indicators and restated the previous year.

Alcatel-Lucent published its first Sustainability Report in 2002. Our previous Sustainability Report was published in June 2014. <sup>G4-29</sup>

> See our [report archives](#) <sup>G4-29</sup>

## 1.2 2014 reporting framework and focus

G4-18, G4-19

Our sustainability strategy and reporting framework conform to the following key regulatory, investor and customer requirements and globally recognized sustainability frameworks: Article 225 of France's Grenelle II law (July 10, 2010), the Global Reporting Initiative (GRI) G4 guidelines, the United Nations Global Compact Advanced Level assessment criteria, EcoVadis, and Dow Jones Sustainability Initiative. Throughout 2015, we will begin implementing the IIRC framework, with a focus on quantifying value for key corporate material issues.

The 2014 Sustainability Report content is based on all of these reporting framework requirements. It is also aligned with our company's industrial strategy, *The Shift Plan*, and with the conclusions of our 2014 sustainability materiality assessment. Our 2014 report publishes the following information:

1. Sustainability strategy
2. Sustainability management
3. Governance
4. Ethics and compliance
5. Environment
6. People
7. Society and philanthropy
8. Supply chain

### Who is this report for?

This report is intended for all Alcatel-Lucent stakeholders: customers, partners, investors, employees, analysts, media, suppliers, governmental and non-governmental organizations, and members of the communities where we conduct business.

### How to navigate the report



#### Checkmark

Shows an indicator or qualitative assertion has been reviewed by Ernst & Young as part of the independent assurance process for 2014.

## 1.3 Stay up to date with us and share your feedback

G4-31

We hope this report provides useful information about the sustainability challenges facing businesses and societies today. We will continue to engage in constructive discussions on these topics as we work toward innovative solutions for our business and for our customers. Throughout the year, Alcatel-Lucent regularly publishes updated sustainability content on its website, company blog, Twitter and YouTube channel.

Your comments, suggestions and questions are important to us. Please direct any thoughts or inquiries to [sustainability@alcatel-lucent.com](mailto:sustainability@alcatel-lucent.com).

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## 2 2015 Alcatel-Lucent dashboard: Achievements, progress and commitments

### 2.1 Challenge: Reduce the impact of our products on the environment

COMMITMENTS FOR THE COMING YEARS	TIMEFRAME	STATUS 2015
Improve the functional energy efficiency of 1830 PSS (IP transport) and 7750 SR (IP routing) products by 25% by 2014 compared to 2012 releases.	By 2014	● <b>ACHIEVED:</b> The energy efficiency of the 1830 PSS platform increased by up to 100% depending on configurations. The energy efficiency of the 7750 SR increased by 25%
Improve the functional energy efficiency of our radio access technology, which is now part of the lightRadio™ portfolio, by at least 75% by 2015 compared to 2008.	By 2015	● <b>ON TRACK:</b> On track to meet this goal
Eliminate PVC from all products.*	By 2015	● <b>ON TRACK:</b> In 2014, we continued to make progress in identifying and implementing PVC-free alternatives – where technically, environmentally and economically sound alternatives are available.
* Subject to the availability of technically, environmentally and economically sound alternatives.		
Measure how the Green portal (GWATT) demonstrates the energy challenge for ICT in the short/middle term and the impact on technology deployment choices.	By 2015	● <b>ON TRACK:</b> More than 9,000 visitors have accessed the platform since its April 2014 launch.

### 2.2 Challenge: Reduce our eco-footprint

COMMITMENTS FOR THE COMING YEARS	TIMEFRAME	STATUS 2015
Reduce our absolute carbon footprint (CO <sub>2</sub> equivalent) from our operations by 50% by 2020 (from 2008 baseline).	By 2020	● <b>ON TRACK:</b> On track to meet the goal. Since 2008, we have reduced our carbon footprint by more than 40%.

### 2.3 Challenge: Our people

COMMITMENTS FOR THE COMING YEARS	TIMEFRAME	STATUS 2015
SA8000 certification in Brazil and Mexico by year-end 2012; extend to other countries by 2014.	By 2012 - 2014	● <b>ACHIEVED:</b> An SA8000 assessment was conducted in Brazil and Mexico during 2012. Roll-out assessments done in 6 major countries in 2013 and further global deployment continued in 2014 as part of the company's Quality Business Management framework. Approach extended to Tier 1 supply chain partners in high-risk countries.
Increase representation of women in upper management positions by 20%.	By 2014	● <b>NOT ACHIEVED:</b> As of December 2014, women represented 24% of overall workforce and 16.2% of our leadership team. We will continue to promote awareness, training and dedicated programs for gender diversity across the company and in upper management positions.
Launch employee awareness and training to deliver on The Shift Plan.	By 2015	● <b>ACHIEVED:</b> In 2014, Alcatel-Lucent designed an online course on <i>The Shift Plan</i> delivered via Alcatel-Lucent University. In addition, we updated employees on a quarterly basis through pushmails, video messages on the corporate intranet, and live progress reports during all-hands calls.
Introduce a new performance-based reward program (ABP) for management and employees based on corporate, business line/organization and individual KPIs to drive <i>The Shift Plan</i> .	By 2015	● <b>ACHIEVED:</b> The Achievement Bonus Plan was launched worldwide in February 2014, covering more than 32,000 managers and individual contributors for the 2014 calendar year. Under the plan, employees are rewarded based on the achievement of Corporate and Business Line KPIs aligned with <i>The Shift Plan</i> , as well as KPIs reflecting individual performance as measured through the performance management process.

## 2.4 Challenge: Stakeholders

COMMITMENTS FOR THE COMING YEARS	TIMEFRAME	STATUS 2015
Via the Central Marketing Organization, continue to promote public policies favoring ultra-broadband in key countries worldwide.	By 2015	● <b>ON TRACK:</b> Alcatel-Lucent actively promoted ultra-broadband and infrastructure investment policies via multilateral bodies such as the OECD, Broadband Commission, ITU, GSMA and B20.
Via the CMO, continue to promote best-in-class CSR policies to public authorities (in particular, corporate governance) to enhance legislation and voluntary initiatives.	By 2015	● <b>ON TRACK:</b> Active participation in B20 coalition on anti-corruption, grouping key stakeholders and influential working groups in platforms such as the ICC, UN Global Compact and OECD.

## 2.5 Challenge: Philanthropy

COMMITMENTS FOR THE COMING YEARS	TIMEFRAME	STATUS 2015
Via our Alcatel-Lucent Foundation, provide digital training to 13,500 children in the 2010–2014 timeframe.	By 2014	● <b>ACHIEVED:</b> By September 30, 2014, Alcatel-Lucent Foundation's ConnectEd Global Signature Program had provided digital training to 22,575 youth, 58% of whom are girls.
Via the Alcatel-Lucent Foundation, create a company-wide strategy to guide corporate philanthropic activities aligned with <i>The Shift Plan</i> .	By 2015	● <b>ACHIEVED:</b> New mission statement, strategy and two key priorities defined in May 2014 by Alcatel-Lucent Foundation, aligned with the company's industrial strategy, <i>The Shift Plan</i> .

## 2.6 Challenge: Ethics and compliance

COMMITMENTS FOR THE COMING YEARS	TIMEFRAME	STATUS 2015
Deploy annual Code of Conduct review and acknowledgment process to employees globally and target 90% and above completion.	By 2015	● <b>ACHIEVED:</b> Achieved 98% completion by employees globally for the annual review and acknowledgment of the Alcatel-Lucent Code of Conduct.
Develop business integrity training for deployment to employees globally in 2014.	By 2015	● <b>ON TRACK:</b> Developed <i>Conducting Business with Integrity</i> training in 2014 for deployment to all employees globally in Q1 2015.
Deploy human rights communications and education to enhance employees' global awareness of human rights issues.	By 2015	● <b>ON TRACK:</b> In 2014, a company-wide employee training module was designed and deployed in English, French and simplified Chinese to provide greater awareness of human rights principles. The announcement and awareness of the company's human rights program and training were communicated by means of the intranet and our management newsletter, with an additional video accessible to all employees on the company's human rights program and initiatives. In 2015, mandatory employee integrity training – including human rights as part of the Code of Conduct compliance process – will be deployed.

## 2.7 Challenge: Supply chain

COMMITMENTS FOR THE COMING YEARS	TIMEFRAME	STATUS 2015
Establish a systematic improvement program with suppliers assessed as being below satisfactory, ensuring 80% of active suppliers assessed are satisfactory or above – and that action plans are in place for the remaining 20%.	By 2014	● <b>ACHIEVED:</b> We have reached our goal to have 80% of active suppliers assessed as satisfactory or above. Achieving this goal required the assessment (and in some cases, reassessment) of more than 700 suppliers. We are now jointly working on improvement plans with more than 200 suppliers.
Roll out our anti-corruption screening program with suppliers.	By 2015	● <b>ACHIEVED:</b> We have completed the global rollout of the corruption risk screening control. It is triggered by any request to create a new supplier account or add an additional location to an existing supplier within our global supplier database.
Establish conflict minerals traceability from smelters to Alcatel-Lucent.	By 2015	● <b>ON TRACK:</b> In 2014, 27% of the suppliers who responded to our survey were able to fully trace the origins of their minerals compared to 14% in 2013.

# 3 Environmental indicators

## 3.1 Definitions and methodology

G4-22, G4-23, G4-DMA EFFLUENTS AND WASTE, G4-DMA ENERGY, G4-EN3, G4-EN4, G4-DMA EMISSIONS

Our 2014 energy and water consumption, carbon footprint assessment and waste-generation reporting perimeter includes all sites owned or leased by Alcatel-Lucent as of December 2014. ✓

For the 2014 assessment, 222 facilities were directly responsible for managing energy and water consumption along with the carbon footprint assessment at their particular site. Sites with direct facility data input responsibility accounted for 86% of the total average annual real estate building area and 81% of the total average annual Alcatel-Lucent headcount. In order to have environmental indicators accounting for 100% of our employees, extrapolation procedures were applied based on calculated ratios per area. We continue to attempt to obtain utility information from landlords in leased situations where the utility usage can be allocated accurately to our leased space (for example, via a separate electric meter). If such information cannot be obtained, electricity and/or natural gas usage is estimated utilizing “energy intensity” factors as stipulated within our EHS Program Reporting Plan. ✓

For the 2014 assessment, 203 facilities were directly responsible for managing waste-generation reporting at their particular site. Sites with direct facility waste data input responsibility accounted for 81% of the total Alcatel-Lucent headcount. ✓

From this scope, the number of facilities that reported effectively resulted in the following corresponding percentages of total Alcatel-Lucent employees.

- **Energy consumption and CO<sub>2</sub>e emissions:** ✓ 222 sites (accounting for 81% of our employees) provided actual facility-specific energy consumption and CO<sub>2</sub>e emissions information. This included inputting utility billings, fuel purchases and emitted GHG chemical emissions data directly entered into a web-based tool by facility personnel. To account for 100% of our employees, facility energy consumption usage and CO<sub>2</sub>e emissions estimation algorithms were employed for sites that could not obtain such information. In addition, fuel usage data for marine vessels, along with fuel and mileage data for leased automobiles were obtained to account for 100% of worldwide Alcatel-Lucent mobile source operations.
- **Water consumption:** 112 sites (accounting for 66% of our employees) provided water usage information. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.
- **Hazardous waste production:** 84 sites (accounting for 61% of our employees) provided information on hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.
- **Non-hazardous waste production:** 68 sites (accounting for 54% of our employees) provided information on non-hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.
- **Waste electrical and electronic equipment production:** 188 sites (accounting for 64% of our employees) provided information on waste electrical and electronic equipment. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

The EHS Reporting Protocol is available upon request at: [sustainability@alcatel-lucent.com](mailto:sustainability@alcatel-lucent.com).

## 3.2 Evolution in 2014

G4-22, G4-23, G4-DMA ENERGY, G4-EN3, G4-EN4, G4-DMA EMISSIONS

All facilities that were able to obtain energy usage information, regardless of building area or employee headcount, were required to participate using a web-based tool. As a result, more actual facility operational data were obtained, requiring less estimation to obtain 100% company-wide assessment. ✓

By consolidating facilities to utilize resources more efficiently — in combination with our efforts to implement energy efficiency projects and conduct energy efficiency awareness programs for employees — we have achieved a 10% reduction in total CO<sub>2</sub>e emissions from our facilities compared to 2013 levels. This decrease is the direct result of a 1% reduction in energy use per square meter of building space. ✓

## 3.3 2014 environmental indicators

G4-22, G4-EN15, G4-EN16, G4-DMA ENERGY, G4-EN3, G4-EN4, G4-DMA EMISSIONS, G4-EN23, G4-PR3

	UNITS	2012	2013	2014	2014 PERIMETER
Carbon Footprint Assessment: Worldwide Operations <sup>(1)</sup> G4-EN15					
Scope 1 <sup>(18)</sup>					
Stationary source fuel combustion	t CO <sub>2</sub> e <sup>(4)</sup>	56,540	44,816	34,948	100%
Mobile source fuel combustion	t CO <sub>2</sub> e <sup>(4)</sup>	66,292	63,036	47,116	100%
Facility and mobile source refrigerant losses	t CO <sub>2</sub> e <sup>(4)</sup>	4,070	4,041	732	100%
Direct emission of GHG from manufacturing, R&D and product development	t CO <sub>2</sub> e <sup>(4)</sup>	237	76	111	100%
Fire suppression system losses	t CO <sub>2</sub> e <sup>(4)</sup>	1	1,190	1	100%
<b>TOTAL</b>				82,908	100%
Scope 2 <sup>(18)</sup>					
Electricity usage	t CO <sub>2</sub> e <sup>(4)</sup>	448,788	439,175	403,857	100%
Purchase of hot water/steam	t CO <sub>2</sub> e <sup>(4)</sup>	8,356	7,356	6,079	100%
Purchase of chilled water	t CO <sub>2</sub> e <sup>(4)</sup>	50	47	36	100%
<b>TOTAL</b>				409,973	100%
Scope 3 <sup>(2)</sup> G4-EN16					
Contracted manufacturing services <sup>(15, 16)</sup>	t CO <sub>2</sub> e <sup>(4, 15)</sup>	218,328	2,937,000	2,831,000	100%
Contracted marine services	t CO <sub>2</sub> e <sup>(4)</sup>	71,668	76,765	61,881	100%
Purchased paper <sup>(7)</sup>	t CO <sub>2</sub> e <sup>(4)</sup>	1,371	854	575	100%
Fuel- and energy-related activities not included in Scope 1 and 2	t CO <sub>2</sub> e <sup>(4)</sup>	58,208	29,208	30,637	100%
Upstream transportation and distribution <sup>(8)</sup>	t CO <sub>2</sub> e <sup>(4)</sup>	171,474	145,191	111,565	100%
Waste generated in operations <sup>(9)</sup>	t CO <sub>2</sub> e <sup>(4)</sup>	935	792	817	100%
Business travel	t CO <sub>2</sub> e <sup>(4)</sup>	76,790	68,378	73,574	100%
Employee commuting	t CO <sub>2</sub> e <sup>(4)</sup>	190,141	130,173	115,741	100%
Downstream transportation and distribution <sup>(8)</sup>	t CO <sub>2</sub> e <sup>(4)</sup>	5,303	3,966	3,106	100%
Use of sold products <sup>(16)</sup>	t CO <sub>2</sub> e <sup>(4)</sup>	NA	26,436,000	25,483,000	100%
End-of-life treatment of sold products <sup>(10, 16)</sup>	t CO <sub>2</sub> e <sup>(4)</sup>	NA	(294,000)	(283,000)	100%
<b>TOTAL</b>				28,428,896	100%
<b>TOTAL (Scope 1 + 2 + 3)</b>	<b>t CO<sub>2</sub>e<sup>(4)</sup></b>	<b>NA</b>	<b>35,484,065</b>	<b>28,921,777 ✓</b>	<b>100%</b>
Carbon Footprint Assessment: Facility Operations Only <sup>(1, 3, 18)</sup>					
Indirect emissions of CO <sub>2</sub> e, linked to consumed electricity	kt CO <sub>2</sub> e <sup>(3)</sup>	449	439	404 ✓	100%
Indirect emissions of CO <sub>2</sub> e per employee	t CO <sub>2</sub> e <sup>(4)</sup>	6	7	6 ✓	100%
Direct emissions of CO <sub>2</sub> e, linked to consumed fossil energy	kt CO <sub>2</sub> e <sup>(3)</sup>	62	50	38 ✓	100%
Direct emissions of CO <sub>2</sub> e per employee	t CO <sub>2</sub> e <sup>(4)</sup>	1	1	1 ✓	100%
Total emissions of CO <sub>2</sub> e	kt CO <sub>2</sub> e <sup>(3)</sup>	519	496	448 ✓	100%

	UNITS	2012	2013	2014	2014 PERIMETER
Total emissions of CO <sub>2</sub> e per employee	t CO <sub>2</sub> e <sup>(4)</sup>	7	7	7 ✓	100%
Consumed Energy: Facility Operations Only <sup>(1,5, 18)</sup>					
Consumed electricity	GWh	958	915	856 ✓	100%
Consumed electricity by employee	MWh	13	14	13 ✓	100%
Consumed fossil energy	GWh	328	261	201 ✓	100%
Consumed fossil energy by employee	MWh	5	4	3 ✓	100%
Total consumed energy	GWh	1,323	1,209	1,083 ✓	100%
Total consumed energy by employee	MWh	18	18	17 ✓	100%
Carbon Footprint Assessment: Worldwide Scope 1 and Scope 2 <sup>(1,6, 18)</sup>					
Indirect emissions of CO <sub>2</sub> e, worldwide Scope 2 operations	kt CO <sub>2</sub> e <sup>(3)</sup>	457	447	410 ✓	100%
Indirect emissions of CO <sub>2</sub> e per employee	t CO <sub>2</sub> e <sup>(4)</sup>	6	7	6 ✓	100%
Direct emissions of CO <sub>2</sub> e, worldwide Scope 1 operations	kt CO <sub>2</sub> e <sup>(3)</sup>	127	113	83 ✓	100%
Direct emissions of CO <sub>2</sub> e per employee	t CO <sub>2</sub> e <sup>(4)</sup>	2	2	1 ✓	100%
Total emissions of CO <sub>2</sub> e	kt CO <sub>2</sub> e <sup>(3)</sup>	584	560	493 ✓	100%
Total emissions of CO <sub>2</sub> e per employee	t CO <sub>2</sub> e <sup>(4)</sup>	8	8	8 ✓	100%
Consumed Energy: Worldwide Scope 1 and Scope 2 <sup>(1,6, 18)</sup>					
Purchased electricity, worldwide Scope 2 operations	GWh	958	915	856 ✓	100%
Purchased electricity by employee	MWh	13	14	13 ✓	100%
Total purchased, worldwide Scope 2 operations	GWh	955	948	883 ✓	100%
Total consumed Scope 2 energy by employee	MWh	14	14	14 ✓	100%
Consumed fossil energy, worldwide Scope 1 operations	GWh	581	427	369 ✓	100%
Total consumed Scope 1 energy by employee	MWh	8	6	6 ✓	100%
Total consumed energy, worldwide Scope 1 and 2 operations	GWh	1,576	NA	1,252 ✓	100%
Total consumed energy by employee	MWh	22	21	20 ✓	100%
Water and Wastes <sup>(17, 19) G4-EN23</sup>					
Consumed water	m <sup>3</sup>	2,565,582	2,123,851	1,923,667	100%
Consumed water per employee <sup>G4-EN23</sup>	m <sup>3</sup>	37	32	30	100%
Production of hazardous waste	t	1,061	1,024	677	100%
Production of hazardous waste per employee	kg	15	15	11	100%
Percentage of hazardous waste recycled <sup>(11)</sup>	%	68	74	74	100%
Production of non-hazardous waste	t	16,453	15,896	16,600	100%
Production of non-hazardous waste per employee	kg	227	239	260	100%
Percentage of non-hazardous waste recycled <sup>(11)</sup>	%	71	62	77	100%
Production of Waste Electrical & Electronic Equipment (WEEE) <sup>(12)</sup>	t	7,481	7,463	5,825	100%
Percentage of WEEE recycled/reused	%	97	97	96	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 <sub>x</sub> , SO <sub>x</sub> and other criteria air contaminants <sup>(13)</sup>	tonnes	116	80	61	100%
Miscellaneous					
Alcatel-Lucent headcount, ISO 14001 certified	%	43	48.36	43.88	100%

New products covered by ecodeclarations <sup>(14)</sup> G4-PR3	%	100	100	100	100%
Two major platforms covered by functional energy efficiency improvement	%	25	NA	25	100%
Bell Labs patents dedicated to energy-related and green innovations	%	NA	10	10	100%

- (1) Emission factors based on initial values issued by the Intergovernmental Panel on Climate Change (IPCC) and kept constant for data consistency.
- (2) The presentation of our Scope 3 indicators follows the categories and guidance provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard, published in November 2011.
- (3) kt CO<sub>2</sub>e: Metric kilotons of CO<sub>2</sub> equivalency (includes the following GHGs: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>, HFCs and PFCs).
- (4) t CO<sub>2</sub>e: Metric tons of CO<sub>2</sub> equivalency (includes the following GHGs: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>, HFCs and PFCs).
- (5) CO<sub>2</sub>e values include Scope 1 and Scope 2 emissions for facility operations only (includes facility mobile combustion).
- (6) Complete Scope 1 and 2 activities worldwide.
- (7) Purchased paper includes 100% of paper used in operations and purchased under corporate contract; does not include externally printed marketing collateral.
- (8) Product transport includes 100% of emissions from air and marine transport worldwide, and truck transport from available areas.
- (9) Energy usage at environmental remediation sites.
- (10) Recycled electronic equipment.
- (11) Recycled: not released in a landfill or not burned without energy recovery.
- (12) WEEE data includes electronic waste generated by Alcatel-Lucent operations and WEEE takeback. Not reported as production per employee since production includes takeback.
- (13) Products of combustion from facility stationary operations.
- (14) Associated with new products released during the cited year.
- (15) Contracted manufacturing services calculation procedure was revised in 2013 to include all production activities.
- (16) 2013 data are restated for the disposal of our Enterprise activities and for corrected equipment delivery to market.
- (17) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied using a site-specific monthly headcount assessment. This calculation procedure results in a higher overall headcount than the total headcount as of December 31 (disclosed in the 4.3.8 Social indicators section of the present chapter).
- (18) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied. Sites with direct input responsibility account for 86% of the total average annual real estate building area and 81% of the total average annual Alcatel-Lucent headcount.
- (19) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied.  
 Water consumption - Sites with direct input responsibility account for 66% of our employees.  
 Hazardous waste production - Sites with direct input responsibility account for 61% of our employees.  
 Non-hazardous waste production - Sites with direct input responsibility account for 54% of our employees.  
 Waste electrical and electronic equipment production - Sites with direct input responsibility account for 64% of our employees.

## Direct energy consumption

TOTAL DIRECT ENERGY CONSUMPTION	AMOUNT	UNITS	TCO <sub>2</sub> E	MWH
By non-renewable primary energy sources				
Facility operations: Coal gas	201	MWh	32	201
Facility operations: Distillate fuel oil (#1, 2, 4 and diesel)	502,827	l	1,361	5,000
Facility operations: Natural gas	184,809	MWh	33,522	184,809
Facility operations: Propane	21,742	l	33	142
Facility operations: Residual fuel oil (#5, 6)	0	l	0	0
Facility mobile sources: CNG	1	kg	0	0
Facility mobile sources: Diesel	403,987	l	1,099	4,018
Facility mobile sources: Gasoline	688,098	l	1,610	6,185
Facility mobile sources: LNG	0	l	0	0
Facility mobile sources: Propane	80,949	l	124	528
<b>Total non-renewable primary energy sources</b>			<b>37,781 ✓</b>	<b>200,883 ✓</b>
By renewable primary source				
Facility mobile sources: Ethanol	388 ✓	l	1 ✓	2 ✓
<b>Grand total</b>			<b>37,782 ✓</b>	<b>200,885 ✓</b>

## Indirect energy consumption by primary source

TOTAL INDIRECT ENERGY CONSUMPTION	TOTAL (MWh)	RENEWABLE (MWh)	NON-RENEWABLE (MWh)
Purchased hot water/steam	26,833	11,259	15,574
Purchased chilled water	42	6	36
Purchased electricity	855,732	190,029	665,704
<b>TOTAL</b>	<b>882,607 ✓</b>	<b>201,294 ✓</b>	<b>681,313 ✓</b>

# 4 Social indicators

## 4.1 Global headcount

G4-22, G4-23, G4-DMA EMPLOYMENT, G4-DMA OCCUPATIONAL HEALTH AND SAFETY, G4-LA6

Our total worldwide employee headcount at the end of 2014 was 52,673. ✓

The tables below show the breakdown by business segment, geographic area, age and gender of our employees for the years 2012 through 2014.

The figures take into account all employees who worked for fully consolidated companies (including long-term absences/notice period) as well as companies, in which we own 50% or more of the equity.

The numbers below were restated for the last three years due to the sale of our Enterprise activities on September 30, 2014. Enterprise headcount was 2,872 in 2012, 2,795 in 2013, and 463 in 2014. With the convergence of our HR information systems, data on all social indicators are collected and consolidated at the corporate level. The only exception is health and safety data, which are issued from our sustainability reporting tool. The 2014 health and safety survey covered 68 countries.

## 4.2 Social indicators

G4-9, G4-23, G4-22, G4-DMA EMPLOYMENT, G4-LA1, G4-DMA OCCUPATIONAL HEALTH AND SAFETY, G4-DMA TRAINING AND EDUCATION, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

	2012	2013	2014	2014 PERIMETER
1. Headcount Excluding Enterprise, including non-operational headcount (long term absences/notice period)				
HEADCOUNT TOTAL, RECRUITMENTS AND REDUCTION				
Total headcount as of December 31 <sup>G4-9</sup>	69,472	59,516	52,673 ✓	100%
Number of recruits	4,510	2,860	6,599 ✓	100%
Headcount increase due to the full consolidation of previously non-fully consolidated companies <sup>G4-LA1</sup>	62	0	0 ✓	100%
Headcount increase due to acquisitions and insourcing <sup>G4-LA1</sup>	47	2,943	37 ✓	100%
Headcount reduction	(6,848)	(15,759)	(13,479) ✓	100%
Headcount reduction due to businesses transferred or sold	(325)	(7,913)	(4,614) ✓	100%
Headcount reduction due to outsourcing and transfers	(59)	(118)	(2,195) ✓	100%
Headcount reduction due to redundancies	(1,641)	(3,542)	(2,242) ✓	100%
Headcount reduction due to normal departures (retirements, end of temporary work contracts, resignations, deaths)	(4,823)	(4,186)	(4,428) ✓	100%
	<30	30 - 50	50+	(BLANK)
Total number new employee hires during the reporting period, by age group, gender and region. <sup>G4-LA1</sup>				
2014 TOTAL INFLOWS (I.E. HIRES) BY AGE				
Contractor conversions	186	380	29	7
External recruitments	2,722	3,124	215	28
<b>Total</b>	<b>2,908</b>	<b>3,504</b>	<b>244</b>	<b>35</b>
				<b>6,691</b>

	FEMALE	MALE	TOTAL
2014 TOTAL INFLOWS (I.E. HIRES) BY GENDER			
Contractor conversions	255	347	602
External recruitments	1,928	4,161	6,089
Total	2,183	4,508	6,691

	AMERICAS	APAC	EMEA	TOTAL
2014 TOTAL INFLOWS (I.E. HIRES) BY REGION				
Contractor conversions	83	456	63	602
External recruitments	781	4,269	1,039	6,089
Total	864	4,725	1,102	6,691

	<30	30 - 50	50+	(BLANK)	TOTAL
Total number employee turnover during the reporting period, by age group, gender and region. G4-LA1					
2014 TOTAL OUTFLOWS* BY AGE					
Outflows	2,158	9,682	3,577	36	15,453

	FEMALE	MALE	TOTAL
2014 TOTAL OUTFLOWS* BY GENDER			
Outflows	2,757	12,696	15,453

	AMERICAS	APAC	EMEA	TOTAL
2014 TOTAL OUTFLOWS* BY REGION				
Outflows*	3,417	7,262	4,774	15,453

\*Outflows include transfers to Performing No Activity (PNA) due to restructuring

	2012	2013	2014	2014 PERIMETER
BREAKDOWN OF EMPLOYEES BY BUSINESS SEGMENT. DATA ARE RESTATED FOR THE DISPOSAL OF OUR ENTERPRISE ACTIVITIES				
Core	27,811	24,128	23,367	100%
Access	39,797	33,156	28,048	100%
Enterprise & LGS	638	684	0	100%
Other (PNA included)	1,226	1,548	1,258	100%
<b>Total group</b>	<b>69,472</b>	<b>59,516</b>	<b>52,673 ✓</b>	<b>100%</b>
BREAKDOWN OF EMPLOYEES BY GEOGRAPHIC AREA G4-10, G4-LA12 RESTATED FOR THE DISPOSAL OF OUR ENTERPRISE ACTIVITIES				
France	8,175	7,613	7,098	100%
Other Western Europe	10,671	9,940	8,300	100%
Rest of Europe	5,204	2,772	2,703	100%
Asia-Pacific	21,929	19,306	16,967	100%
North America	15,941	14,820	13,128	100%
Rest of world	7,552	5,065	4,477	100%
<b>Total Group</b>	<b>69,472</b>	<b>59,516</b>	<b>52,673 ✓</b>	<b>100%</b>

	AMERICAS	APAC	EMEA	TOTAL
2014 HEADCOUNT BY AGE GROUP ACROSS REGION G4-10, G4-LA12				
<30	742	3,242	1,344	5,328
30 - 50	7,991	13,187	12,898	34,076
50+	6,267	731	5,179	12,177
Birth date not available/provided	26	10	71	107
<b>Total</b>	<b>15,026</b>	<b>17,170</b>	<b>19,492</b>	<b>51,688</b>



		2012	2013	2014	2014 PERIMETER
BREAKDOWN OF EMPLOYEES BY AGE G4-LA12 RESTATED FOR THE DISPOSAL OF OUR ENTERPRISE ACTIVITIES					
Europe, Middle East and Africa	Below 30	8%	6.6%	6.9%	100%
	30-50	69%	68.8%	66.4%	100%
	Above 50	23%	24.7%	26.7%	100%
Americas	Below 30	6%	4.9%	4.9%	100%
	30-50	58%	55%	53.3%	100%
	Above 50	36%	40%	41.8%	100%
Asia-Pacific	Below 30	23%	19.2%	18.9%	100%
	30-50	74%	76.4%	76.8%	100%
	Above 50	3%	4.3%	4.3%	100%
Total Group	Below 30	12%	10.2%	10.3%	100%
	30-50	67%	67.3%	66.1%	100%
	Above 50	21%	22.5%	23.6%	100%

		2012	2013	2014	2014 PERIMETER
2014 BREAKDOWN OF EMPLOYEES BY CONTRACT TYPE AND GENDER G4-10, G4-LA12					
Female	Permanent	NA	NA	9,559	100%
	Fixed	NA	NA	2,849	100%
	Total	NA	NA	12,408	100%
Male	Permanent	NA	NA	34,424	100%
	Fixed	NA	NA	4,855	100%
	Total	NA	NA	39,279	100%
N/A	Permanent	NA	NA	1	100%
	Fixed	NA	NA	0	100%
	Total	NA	NA	1	100%
Total	Permanent	NA	NA	43,984	100%
	Fixed	NA	NA	7,704	100%
	Total	NA	NA	51,688	100%

#### 2014 breakdown of permanent employees by employment type (full-time, part-time) and gender G4-10, G4-LA12

		2012	2013	2014	2014 PERIMETER
2014 BREAKDOWN OF PERMANENT EMPLOYEES BY EMPLOYMENT TYPE (FULL-TIME, PART-TIME) AND GENDER G4-10, G4-LA12					
Female	Full-Time	NA	NA	9,168	100%
	Part-Time	NA	NA	391	100%
	Total	NA	NA	9,559	100%
Male	Full-Time	NA	NA	34,242	100%
	Part-Time	NA	NA	182	100%
	Total	NA	NA	34,424	100%
N/A	Full-Time	NA	NA	1	100%
	Part-Time	NA	NA	0	100%
	Total	NA	NA	1	100%
Total	Full-Time	NA	NA	43,411	100%
	Part-Time	NA	NA	573	100%
	Total	NA	NA	43,984	100%

		2012	2013	2014	2014 PERIMETER
BREAKDOWN OF EMPLOYEES BY AGE, RESTATED FOR THE DISPOSAL OF OUR ENTERPRISE ACTIVITIES					
Europe, Middle East and Africa	Female	19%	19%	19% ✓	100%
	Male	81%	81%	81% ✓	100%
Americas	Female	21%	23%	23% ✓	100%
	Male	79%	77%	77% ✓	100%
Asia-Pacific	Female	22%	23%	31% ✓	100%
	Male	78%	77%	69% ✓	100%
Total Group	Female	21%	21%	24% ✓	100%
	Male	79%	79%	76% ✓	100%

	AMERICAS	APAC	EMEA	TOTAL
2014 TOTAL WORKFORCE BY REGION AND GENDER G4-10, G4-LA12				
Female	3,420	5,311	3,677	12,408
Male	11,605	11,859	15,815	39,279
N/A	1			1
Total	15,026	17,170	19,492	51,688

	2012	2013	2014	2014 PERIMETER
2. Diversity G4-DMA DIVERSITY AND EQUAL OPPORTUNITY, G4-LA12				
Percentage of women/headcount	21%	21%	24% ✓	100%
Percentage of men/headcount	79%	79%	76% ✓	100%
Percentage of women (Leadership Pipeline)	23%	23%	22% ✓	100%
Number of disabled employees	168	183	190 ✓	France <sup>(1)</sup>
3. Training G4-DMA TRAINING AND EDUCATION, G4-LA9				
Training budget (as a percentage of payroll)	1.00%	1.00%	1.00%	100%
Average hours of training provided to internal learner	15	10	9.3 ✓	100%
Total hours of training per employee	NA	NA	11 ✓	100%
Percentage of training time via e-learning technologies	51%	70%	73% ✓	100%
4. Mobility				
Number of expatriates worldwide	358	171	166	100%
Expatriates by host region (Europe)	97	93	16	100%
Expatriates by host region (North America)	25	13	7	100%
Expatriates by host region (South America)	7	1	5	100%
Expatriates by host region (Middle East, Africa and India)	129	29	86	100%
Expatriates by host region (Asia-Pacific)	100	35	52	100%
5. Health and safety G4-LA8				
Number of days of absence due to work-related accidents (including occupational diseases) per employee	0.07	0.06	0.04 ✓	98% <sup>(2)</sup> ✓
Frequency rate for work-related accidents (including occupational diseases) (number of accidents per year, per one million hours worked)	1.21	1.19	1.14	98%

(1) For Alcatel-Lucent International in France.

(2) Based on country legislations.

	2012		2013		2014	
6. Attrition by region and gender G4-LA1 2012 data excludes Genesys. Attrition includes all termination activity, including resignation, retirement, death, spinoff, outsourcing, layoff, redundancy, rule violation and other miscellaneous payroll/company terminations.						
	Losses	Attrition rate	Losses	Attrition rate	Losses	Attrition rate
Americas	1,416	6.75%	4,031	21.34%	3,417	21.35%
Female	245	5.40%	656	15.84%	711	19.59%
Male	1,171	7.13%	3,375	22.89%	2,706	21.86%
Asia-Pacific	2,504	11.07%	6,908	34.34%	7,262	36.92%
Female	463	9.61%	703	15.11%	1,061	21.36%
Male	2,041	11.49%	6,205	40.13%	6,201	42.18%
Europe, Middle East, and Africa	2,153	7.52%	5,390	20.47%	4,774	22.32%
Female	407	7.39%	1,111	22.16%	985	24.24%
Male	1,746	7.55%	4,279	20.07%	3,789	21.86%
Total Group	6,073	8.41%	16,329	24.99%	15,453	27.08%
Female	1,115	7.50%	2,470	17.89%	2,757	21.78%
Male	4,958	8.65%	13,859	26.89%	12,696	28.59%

## 4.3 Additional notes

G4-22, G4-DMA OCCUPATIONAL HEALTH AND SAFETY, G4-LA6

In 2014, the number of days of absence due to work-related accidents (including occupational diseases) per employee by region was 0.01 in Asia-Pacific, 0.05 in Europe, the Middle East and Africa, and 0.08 in the Americas. ✓

- In 2014, the distribution of frequency rate for work-related accidents (including occupational diseases) for total employee headcount by region was 0.38 in Asia-Pacific, 1.80 in Europe, the Middle East and Africa, and 1.37 in the Americas. ✓
- The workforce considered for work-related accidents (including occupational diseases such as work-related stress) are employees, students, trainees and apprentices. Regarding the number of days of absence due to work-related accidents (including occupational diseases) per employee, because of the specificities or local regulatory frameworks, all establishments do not use the same methodology to calculate this number. Adjustments have been performed by the consolidating entity for countries reporting in calendar days instead of working days to ensure the homogeneity of the disclosed data. ✓

## 4.4 Contractors and temporary workers

In 2014, the average number of contractors and temporary workers was 3,740 in the aggregate. The number of contractors is composed of employees of third parties performing work subcontracted by Alcatel-Lucent.

The number of temporary workers is, in general, composed of employees of third parties seconded to perform work at our premises due, for example, to a short-term shortfall in our employees or in the availability of a certain expertise.

# 5 Global Reporting Initiative

G4-32, G4-33

## 2014 Achievements

For the fifth consecutive year, Alcatel-Lucent has prepared its Sustainability Report according to GRI sustainability reporting guidelines. For 2014, we have applied the G4 Core 'In accordance' option in our reporting. <sup>G4-32</sup>

Our report has also been assessed by the GRI Content Index Service to ensure whether the Content Index of the G4-based reports is accurate and aligned with GRI General Standard Disclosure. <sup>G4-32</sup>

The Global Reporting Initiative (GRI) is a non-profit organization that works toward a sustainable global economy by providing organizational reporting guidance. Its comprehensive sustainability reporting framework is used by companies and organizations around the world. GRI is committed to continuously improving and facilitating the application of its framework to bring disclosure of environmental, social and governance performance into the mainstream.

Aligned with our principles of transparency and leadership, for 2014 we have applied GRI's G4 Core 'In accordance' option in our reporting, aligning our information disclosure to the GRI requirement. We have also applied GRI's Guidance on Defining Report Content and its associated principles. <sup>G4-18, G4-32</sup>

This report has been externally assured, subject to an independent review by Ernst & Young. The full scope of that review and its conclusions can be found in the Independent Verification Statement. <sup>G4-32, G4-33</sup>

## Highlight

### Ernst & Young verification statement

We have reviewed the Global Reporting Initiative (GRI) content index communicated to GRI and verified that:

1. The index answers the required number and set of standard disclosures for the G4 Core level ✓
2. The way in which the reporting has been addressed is aligned with the self-declared G4 Core level ✓

Based on the procedures performed, nothing has come to the attention of Ernst & Young that causes it to believe that the conditions set out in the GRI G4 Core guidelines to achieve a self-declaration rating have not been fully met. ✓

## 5.1 Identified material aspects and boundaries

G4-18, G4-19, G4-20, G4-21

Alcatel-Lucent used the results of its 2014 materiality assessment to identify the most material aspects and related boundaries of its sustainability requirements according to GRI G4 core guidelines, as reflected in the table below.

GRI SPECIFIC DISCLOSURES - MATERIALS TO ALCATEL-LUCENT	2014 ALCATEL-LUCENT MATERIALITY ASSESSMENT - KEY MATERIAL ISSUES	INTERNAL/EXTERNAL BOUNDARIES
Aspect: Economic performance	Product innovation and environment Management of sustainability-related risks	Alcatel-Lucent Group Suppliers Customers Public authorities Local stakeholders
Aspect: Indirect economic impacts	Digital inclusion & local sustainability impacts	Alcatel-Lucent Group Suppliers Customers Public authorities Local stakeholders
Aspect: Procurement practices	Sustainable practices in the supply chain	Alcatel-Lucent Suppliers Customers Public authorities Local stakeholders
CATEGORY: ENVIRONMENTAL		
Aspect: Materials	Product innovation and environment Product stewardship	Alcatel-Lucent Group Customers
Aspect: Energy	Product innovation and environment	Alcatel-Lucent Group Suppliers
Aspect: Emissions	Product innovation and environment GHG and non-GHG emissions	Alcatel-Lucent Group Suppliers
Aspect: Effluents and waste	Product innovation and environment Waste management	Alcatel-Lucent Group Suppliers
Aspect: Transport	Other stakeholders and framework requirement	Alcatel-Lucent Group Suppliers Customers
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK		
Aspect: Employment	Our people	Alcatel-Lucent Group
Aspect: Occupational health and safety	Our people Health and safety/well-being at work	Alcatel-Lucent Group Customers Suppliers Public authorities Local stakeholders
Aspect: Training and education	Our people Professional development and talent retention	Alcatel-Lucent Group
Aspect: Diversity and equal opportunity	Our people Global diversity Non-discrimination and equality	Alcatel-Lucent Group Suppliers Customers Public authorities Local stakeholders
Aspect: Equal remuneration for women and men	Non-discrimination and equality	Alcatel-Lucent Group Suppliers Public authorities Local stakeholders
Sub-category: Human rights	Ethics and compliance: Freedom of expression and privacy Our people: Non-discrimination and equality	Alcatel-Lucent Group Customers Suppliers Public authorities Local stakeholders
Aspect: Investment	Ethics and compliance: Freedom of expression and privacy	Alcatel-Lucent Group Customers Suppliers Public authorities Local stakeholders

GRI SPECIFIC DISCLOSURES - MATERIALS TO ALCATEL-LUCENT	2014 ALCATEL-LUCENT MATERIALITY ASSESSMENT - KEY MATERIAL ISSUES	INTERNAL/EXTERNAL BOUNDARIES
Aspect: Non-discrimination	Our people: Non-discrimination and equality	Alcatel-Lucent Group Suppliers Public authorities Local stakeholders
Aspect: Supplier human rights assessment	Sustainable practices in the supply chain	Alcatel-Lucent Group Customers Suppliers Public authorities Local stakeholders
Aspect: Human rights grievance mechanisms	Ethics and compliance: Our people	Alcatel-Lucent Group Customers Suppliers Public authorities Local stakeholders
Sub-category: Society	Digital inclusion and local sustainability impacts	Alcatel-Lucent Group Customers Public authorities Local stakeholders
Aspect: Local communities	Digital inclusion and local sustainability impacts	Alcatel-Lucent Group Customers Public authorities Local stakeholders
Aspect: Anti-corruption	Ethics and compliance: Anti-corruption/code of conduct, anti-trust and fair business practices	Alcatel-Lucent Group Customers Suppliers
Aspect: Public policy	Ethics and compliance: Public policy on fair business practices	Alcatel-Lucent Group Public authorities
Aspect: Anti-competitive behavior	Ethics and compliance: Anti-corruption/code of conduct, anti-trust and fair business practices	Alcatel-Lucent Group Customers Suppliers
Aspect: Compliance	Ethics and compliance Product communications	Alcatel-Lucent Group Customers Public authorities Local stakeholders
Aspect: Supplier assessment for impacts on society	Sustainable practices in the supply chain	Alcatel-Lucent Group Customers Suppliers
<b>SUB-CATEGORY: PRODUCT RESPONSIBILITY</b>		
Aspect: Customer health and safety	Product innovation and environment Electromagnetic environment	Alcatel-Lucent Group Customers Suppliers Local stakeholders
Aspect: Product and service labeling	Product stewardship Product communications packaging	Alcatel-Lucent Group Customers
Aspect: Customer privacy	Ethics and compliance Data privacy	Alcatel-Lucent Group Customers
Aspect: Compliance	Ethics and compliance	Alcatel-Lucent Group Customers Public authorities

## 5.2 Customized GRI G4 content index – Core option



### 5.2.1 General standard disclosures

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<b>STRATEGY AND ANALYSIS</b>				
<a href="#">G4-1</a>	SR> p1	No	<b>SR: CHAPTER CEO MESSAGE</b>	FULLY
<b>ORGANIZATIONAL PROFILE</b>				
<a href="#">G4-3</a>	<a href="http://www.alcatel-lucent.com/about">http://www.alcatel-lucent.com/about</a>	No	<b>WEBLINK: About Us</b>	FULLY
<a href="#">G4-4</a>	<a href="http://www.alcatel-lucent.com/about">http://www.alcatel-lucent.com/about</a> 20-F> p33	No	<b>WEBLINK: About Us</b>  <b>20-F: CHAPTER 5 DESCRIPTION OF THE GROUP'S ACTIVITIES</b>	FULLY
<a href="#">G4-5</a>	<a href="http://www.alcatel-lucent.com/about">http://www.alcatel-lucent.com/about</a>	No	<b>WEBLINK: About Us</b>	FULLY
<a href="#">G4-6</a>	<a href="http://www.alcatel-lucent.com/about">http://www.alcatel-lucent.com/about</a>	No	<b>WEBLINK: About Us</b>	PARTIALLY
<a href="#">G4-7</a>	20-F> p150	No	<b>20-F: CHAPTER 10 LISTING AND SHAREHOLDINGS&gt; Section 10.1</b> Information concerning our Company	FULLY
<a href="#">G4-8</a>	<a href="http://www.alcatel-lucent.com/about">http://www.alcatel-lucent.com/about</a>	No	<b>WEBLINK: About Us</b>	FULLY
<a href="#">G4-9</a>	Additional Information> p2, 5 20-F> p3 SR> p24	No	<b>Additional Information: Section 1.2</b> Reported Results and Adjusted Results, Section 1.3 Breakdown of 2013 Revenues by Operating Segment  <b>20-F: Section 1.1 Condensed consolidated income statement and statement of financial position data</b>  <b>SR: CHAPTER 2014 REPORTING&gt;</b> section 4.2 Social indicators	FULLY
<a href="#">G4-10</a>	SR> p25, 26, 27	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 4.0 Social indicators	PARTIALLY
<a href="#">G4-11</a>	SR> p169, p170	No	<b>SR: CHAPTER OUR PEOPLE&gt;</b> Section 8.3.1 Collective agreements	PARTIALLY
<a href="#">G4-12</a>	20-F>p15 SR> p191	No	<b>SR: CHAPTER SUPPLY CHAIN&gt;</b> Section 1.1 Supply chain organization  <b>20-F: CHAPTER 3 RISK FACTORS&gt;</b> Section 3.1 Risks relating to the business	FULLY

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<a href="#">G4-13</a>	20-F> pp2-3, pp34-35, p168	No	<b>20-F: CHAPTER 1 SELECTED FINANCIAL DATA</b>  <b>CHAPTER 4 INFORMATION ABOUT THE GROUP</b>  <b>CHAPTER 5 DESCRIPTION OF THE GROUP'S ACTIVITIES &gt; Section 5.1</b> Business Organization  <b>CHAPTER 10 LISTING AND SHAREHOLDINGS&gt; Section 10.2.7</b> Changes in our capital over the last five years	FULLY
<a href="#">G4-14</a>	SR> p64, 116, 117	No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt; Section 1.5.4</b> Laws and regulations  <b>CHAPTER ENVIRONMENT&gt; Section 2.1.2</b> Looking at the whole life cycle	FULLY
<a href="#">G4-15</a>	SR> p9, 72, 110, 124, 137, 194	No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt; Section 2.4</b> United Nations Global Compact, Section 2.5 Global e-Sustainability Initiative  <b>CHAPTER ETHICS AND COMPLIANCE&gt; Section 11.1</b> Implementing the Industry Dialogue Guiding Principles  <b>CHAPTER ENVIRONMENT&gt; Section 2.3.4</b> Complying with regional regulations, Section 4.1.1 Commitments and achievements  <b>CHAPTER SUPPLY CHAIN&gt; Section 3.1</b> Adherence to the EICC Code of Conduct and UNGC Ten Principles	FULLY
<a href="#">G4-16</a>	SR> p65, 67, 68, 69, 70, 72, 73, 111, 112, 118, 120	No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt; Section 2.1.1</b> Sustainability Advisory Panel, Section 2.1.2 Annual stakeholder engagements, Section 2.1.3 Human rights and ethical business practices, Section 2.1.4 mLearning, mHealth, Section 2.1.5 Eco-sustainability, Section 2.2 Highlights of our stakeholder engagement, Section 2.4 United Nations Global Compact, Section 2.5 Global e-Sustainability Initiative  <b>CHAPTER ENVIRONMENT&gt; Section 1.3</b> Our global commitments to environmental sustainability, Section 2.2.2 GreenTouch™ consortium	FULLY
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
<a href="#">G4-17</a>	20-F> p2, 23, 28, 192 SR> p16	No	<b>20-F: CHAPTER 1 SELECTED FINANCIAL DATA</b>  <b>CHAPTER 4 INFORMATION ABOUT THE GROUP</b> Section 4.3 Structure of the main consolidated companies as of December 31, 2014, <b>CHAPTER 12 CONSOLIDATED FINANCIAL STATEMENTS</b>  <b>SR: CHAPTER 2014 REPORTING&gt; Section 1.1</b> Sustainability reporting principles	FULLY



GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<a href="#">G4-18</a>	SR> p16, 17, 29, 30	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 1.1 Sustainability reporting principles, Section 1.2 2014 reporting framework and focus, Section 5.1 Identified material aspects and boundaries	FULLY
<a href="#">G4-19</a>	SR> p9, 10, 17, 30	No	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment <b>CHAPTER 2014 REPORTING&gt;</b> Section 1.2 2014 reporting framework and focus, Section 5.1 Identified material aspects and boundaries	FULLY
<a href="#">G4-20</a>	SR> p30	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 5.1 Identified material aspects and boundaries	FULLY
<a href="#">G4-21</a>	SR> p30	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 5.1 Identified material aspects and boundaries	FULLY
<a href="#">G4-22</a>	20-F> p3 SR> p16, 20, 21, 24, 28	No	<b>20-F: CHAPTER 1 SELECTED FINANCIAL DATA&gt;</b> Section 1.1 Condensed consolidated income statement and statement of financial position data <b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 1.1 Sustainability reporting principles, Section 3.1 Definitions and methodology, Section 3.2 Evolution in 2014, Section 3.3 2014 environmental indicators, Section 4.1 Global headcount	FULLY
<a href="#">G4-23</a>	20-F> p3 SR> p16, 20, 21, 24	No	<b>20-F: CHAPTER 1 SELECTED FINANCIAL DATA&gt;</b> Section 1.1 Condensed consolidated income statement and statement of financial position data <b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 1.1 Sustainability reporting principles, Section 3.1 Definitions and methodology, Section 3.2 Evolution in 2014, Section 4 Social indicators	FULLY
STAKEHOLDER ENGAGEMENT				
<a href="#">G4-24</a>	SR> p65, 66, 68, 69, 70, 72, 73, 74, 75, 112, 168, 169	No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1 Dialogue and action, Section 2.1.1 Sustainability Advisory Panel, Section 2.2 Highlights of our stakeholder engagement, Section 2.3 Customer relationships, Section 2.4 United Nations Global Compact, Section 2.5 Global e-Sustainability Initiative, Section 2.6.1 Corporate governance, Section 2.7 Responsibility to shareholders <b>CHAPTER ENVIRONMENT&gt;</b> Section 1.3 Our global commitments to environmental sustainability <b>CHAPTER OUR PEOPLE&gt;</b> Section 8.3 Union discussions	FULLY

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<a href="#">G4-25</a>	SR> p65, 66, 67, 68, 69, 70	No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1 Dialogue and action, Section 2.1.1 Sustainability Advisory Panel, Section 2.1.2 Annual stakeholder engagements, Section 2.1.3 Human rights and ethical business practices, Section 2.1.4 mLearning, mHealth, Section 2.1.5 Eco-sustainability, Section 2.2 Highlights of our stakeholder engagement	FULLY
<a href="#">G4-26</a>	SR> p65, 67, 68, 69, 70	No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1 Dialogue and action, Section 2.1.1 Sustainability Advisory Panel, Section 2.2 Highlights of our stakeholder engagement	FULLY
<a href="#">G4-27</a>	SR> p65, 67, 68, 69, 70	No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1 Dialogue and action, Section 2.1.1 Sustainability Advisory Panel, Section 2.2 Highlights of our stakeholder engagement	FULLY
REPORT PROFILE				
<a href="#">G4-28</a>	SR> p16	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> section 1.1 Sustainability reporting principles	FULLY
<a href="#">G4-29</a>	SR> p16	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 1.1 Sustainability reporting principles	FULLY
<a href="#">G4-30</a>	SR> p16	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 1.1 Sustainability reporting principles	FULLY
<a href="#">G4-31</a>	SR> p17	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 3 Stay up to date and share your feedback	FULLY
<a href="#">G4-32</a>	SR> p29, 58	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 5 Global Reporting Initiative, Section 8 Independent verification	FULLY
<a href="#">G4-33</a>	SR> p29, 58	No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 5 Global Reporting Initiative, Section 8 Independent verification	FULLY
GOVERNANCE				
<a href="#">G4-34</a>	Additional Information> p55 SR> p77, 81	No	<b>Additional information&gt;</b> Section 4.1.2 Sustainability management <b>SR: CHAPTER GOVERNANCE&gt;</b> Section 1 Corporate governance, Section 1.1.7 Board Duties	FULLY
ETHICS AND INTEGRITY				
<a href="#">G4-56</a>	SR> p7, 93, 94, 101, 147, 172	No	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.4 Our values <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 1.1 Zero tolerance policy, Section 1.2 Communicating ethics and compliance, Section 1.3 Complying with competition and anti-trust laws, Section 4 Alcatel-Lucent Code of Conduct <b>CHAPTER OUR PEOPLE&gt;</b> Section 2 Our values, Section 10. Global human rights	FULLY

## 5.2.2 Specific standard disclosures

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSIONS	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
CATEGORY: ECONOMIC							
MATERIAL ASPECT: ECONOMIC PERFORMANCE							
<a href="#">G4-DMA ECONOMIC PERFORMANCE</a>	20-F> pp6-9 AI> p2, 5 SR> p176, 177, 178				No	<b>20-F: CHAPTER 2 ACTIVITY OVERVIEW ADDITIONAL INFORMATION: CHAPTER 1 KEY FIGURES&gt;</b> Section 1.3 Breakdown of 2014 revenues by operating segment, Section 1.4 Breakdown of 2014 revenues by geographical area <b>CHAPTER SOCIETY AND PHILANTHROPY&gt;</b> Section 1 Our approach to digital inclusion, Section 1.1 Why digital inclusion matters	FULLY
<a href="#">G4-EC2</a>	SR> p63, 136, 137, 138, 140				No	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 1.5 Environmental risks, Section 1.5.1 Risks related to climate change, Section 1.5.2 Contingency planning and adaptation to environmental risks <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.1 Tracking and reporting on carbon emissions/sub-section Carbon Disclosure Project <b>WEBLINK:</b> <a href="https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=445">https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=445</a>	FULLY
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS							
<a href="#">G4-DMA INDIRECT ECONOMIC IMPACTS</a>	SR> p9, 10, 15, pp176-190	OMITTED c. Report the evaluation of the management approach, including: • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach	The information is currently unavailable.	In 2015, we will further investigate with experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality Assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER SOCIETY AND PHILANTHROPY&gt;</b> Section 1 Our approach to digital inclusion, Section 1.1 Why digital inclusion matters, Section 2.1 University and research collaborations, Section 2.4 Bridging the digital divide, Section 3 Education and promotion, Section 3.1 Having an impact around the world, Section 4 Philanthropy, Section 4.4 Employee volunteering	PARTIALLY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSIONS	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<a href="#">G4-EC7</a>	SR> pp176-185, 187, 190				Yes, p43	<b>SR: CHAPTER SOCIETY AND PHILANTHROPY&gt;</b> Section 1 Our approach to digital inclusion, Section 1.1 Why digital inclusion matters, Section 2 Technology and innovation, Section 3 Education and promotion, Section 4.2 Global Signature Programs, Section 4.4 Employee volunteering, Section 4.5 Giving in-kind, Section 4.6 Corporate charitable contributions	FULLY
MATERIAL ASPECT: PROCUREMENT PRACTICES							
<a href="#">G4-DMA PROCUREMENT PRACTICES</a>	SR> p10, 13, 15, 191, 192, 193				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.8 What our materiality assessment tells us, Section 1.9 Applying the findings <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 1.1 Supply chain organization, Section 1.2 Local and global sourcing, Section 2 Our approach to supply chain management	FULLY
<a href="#">G4-EC9</a>		This indicator is not reported.	The Standard Disclosure is not applicable.	The commodity types we purchase are local or global by nature, and we did not identify significant ones where having local spend indicators following the G4 definition would make added value.	Yes, p43		NOT
CATEGORY: ENVIRONMENTAL							
MATERIAL ASPECT: MATERIALS							
<a href="#">G4-DMA MATERIALS</a>	SR> p9, 10, 11, 15, 55, 123				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us, Section 1.9 Applying the findings <b>CHAPTER ENVIRONMENT&gt;</b> Section 2.3.2 Managing Materials, Section 2.3.3 Restricted substances	FULLY
<a href="#">G4-EN2</a>	SR> p125				Yes, p43	<b>SR: CHAPTER ENVIRONMENT&gt;</b> Section 2.3.5 Product Materials content	FULLY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSIONS	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
MATERIAL ASPECT: ENERGY							
<a href="#">G4-DMA ENERGY</a>	SR> p9, 10, 11, 20, 21, 136, 137, 138				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER 2014 REPORTING&gt;</b> Section 3.1 Definitions and methodology, Section 3.2 Evolution in 2014, Section 3.3 2014 environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.1 Tracking and reporting on carbon emissions, Section 4.1.2 Scope 1, 2 and 3 emissions	FULLY
<a href="#">G4-EN3</a>	SR> p20, 21, 136, 138, 141	OMITTED d. Report in joules, watt-hours or multiples, the total: • Electricity sold • Heating sold • Cooling sold • Steam sold	The information is currently unavailable.	In 2015, we will further investigate with experts if / how these omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 3.1 Definitions and methodology, Section 3.2 Evolution in 2014, Section 3.3 2014 environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.1.1 Commitments and achievements, Section 4.1.2 Scope 1, 2 and 3 emissions, Section 4.2.1 Electricity consumption	PARTIALLY
<a href="#">G4-EN4</a>	SR> p20, 21, 138, 141	OMITTED a. Report energy consumed outside of the organization, in joules c. Report the source of the conversion factors used.	The information is currently unavailable.	This indicator is not available in joules, as we report in MGWh unity. In 2015, we will report in joules.	Yes, p43	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 3.1 Definitions and methodology, Section 3.2 Evolution in 2014, Section 3.3 2014 environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.1.2 Scope 1, 2 and 3 emissions, Section 4.2.1 Electricity consumption	PARTIALLY
MATERIAL ASPECT: EMISSIONS							
<a href="#">G4-DMA EMISSIONS</a>	SR> p9, 10, 11, 20, 21, 136, 137, 138, 140, 141				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER 2014 REPORTING&gt;</b> Section 3.1 Definitions and methodology, Section 3.2 Evolution in 2014, Section 3.3 2014 environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.1 Tracking and reporting on carbon emissions	FULLY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSIONS	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<a href="#">G4-EN15</a>	SR> p21, 136, 138, 140, 141				Yes, p43	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 3.3 2014 environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.1 Tracking and reporting on carbon emissions, Section 4.1.2 Scope 1, 2 and 3 emissions, Section 4.1.3 Real Estate team	FULLY
<a href="#">G4-EN16</a>	SR> p21, 114, 128, 138				Yes, p43	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 3.3 Environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 1.6 Greenhouse Gas Protocol, Section 2.3.8 Increasing the energy efficiency of products in use, Section 4.1.2 Scope 1, 2 and 3 emissions	
<a href="#">G4-EN17</a>	SR> p114, 128, 136, 137, 138, 141, 142, 143, 144, 145				Yes, p43	<b>SR: CHAPTER ENVIRONMENT&gt;</b> Section 1.6 Greenhouse Gas Protocol, Section 2.3.8 Increasing the energy efficiency of products in use, Section 4.1 Tracking and reporting on carbon emissions, Section 4.1.2 Scope 1, 2 and 3 emissions, Section 4.2 Living our best practices	FULLY
MATERIAL ASPECT: EFFLUENTS AND WASTE							
<a href="#">G4-DMA EFFLUENTS AND WASTE</a>	SR> p9, 10, 11, 20, 144, 145,				No	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment <b>CHAPTER 2014 REPORTING&gt;</b> Section 3.1 Definitions and methodology <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.2.7 Waste, Section 4.2.8 Discharges, emissions and releases	FULLY
<a href="#">G4-EN23</a>	SR> p21, 22, 144,				No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 3.3 2014 environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 4.2.7 Waste	FULLY
MATERIAL ASPECT: TRANSPORT							
<a href="#">G4-DMA TRANSPORT</a>	SR> p9, 11, 117, 128				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment <b>CHAPTER ENVIRONMENT&gt;</b> Section 2.1.2 Looking at the whole life cycle, Section 2.3.7 Packaging and distribution	FULLY

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<a href="#">G4-EN30</a>	SR> p117, 121, 122, 128	OMITTED b. how the environmental impacts of transporting products, members of the organization's workforce, and other goods and materials are mitigated. c. the criteria and methodology used to determine which environmental impacts are significant.	The information is currently unavailable.	In 2015, we will further investigate with experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER ENVIRONMENT&gt;</b> Section 2.1.2 Looking at the whole life cycle, Section 2.3.1 Improving the efficiency of raw materials use, Section 2.3.7 Packaging and distribution	PARTIALLY
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT							
<a href="#">G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT</a>	SR> p9, 13, 62, 63, 193, 194, 198, 199, 201, 202				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 1.4 Customer and supplier-based EHS activities, Section 1.5 Environmental risks <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 2 <b>OUR APPROACH TO SUPPLY CHAIN MANAGEMENT.</b> Section 3.1 Adherence to the EICC Code of Conduct and UNGC Ten Principles, Section 3.2 Adherence to international standards, Section 3.3 Commitment to strong environmental performance, Section 4.1 Our sustainability assessment tools, Section 4.2 Sustainability impact analysis, Section 4.3 Risk assessments, Section 4.4 EcoVadis sustainability ratings, Section 4.5 Service supplier health and safety screening, Section 4.6 Sustainability audits	FULLY

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<a href="#">G4-EN33</a>	SR> p196, 198, 199, 201, 202, 203	OMITTED Number and % of suppliers subject to environmental impact assessments and identified as having significant actual and potential negative environmental impacts.	Part of the Standard Disclosure is not applicable.	Environmental impacts elements are part of the EcoVadis supplier assessment process. For these reasons, we have no indicator corresponding and did not identify the added value of having one for our company	Yes, p43	<b>SR: CHAPTER SUPPLY CHAIN&gt;</b> Section 3.5 Product traceability and conflict minerals, Section 4.1 Our sustainability assessment tools, Section 4.2 Sustainability impact analysis, Section 4.3 Risk assessment, Section 4.4 EcoVadis sustainability ratings, Section 4.6 Sustainability audits, Section 5.1 Implementing supplier improvement plans, Section 5.2 Monitoring sustainability performance with supplier scorecards	PARTIALLY
CATEGORY: SOCIAL							
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK							
MATERIAL ASPECT: EMPLOYMENT							
<a href="#">G4-DMA EMPLOYMENT</a>	SR> p9, 14, 15, 24, 146, 148, 149, 150, 151, 152, 153, 156, 157, 158, 160, 161, 164, 165, 166, 168				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us, Section 1.9 Applying the findings <b>CHAPTER 2014 REPORTING&gt;</b> Section 4.1 Global headcount, Section 4.2 Social indicators <b>CHAPTER OUR PEOPLE&gt;</b> Section 1 Our people, Section 3 Employee health and safety, Section 4 Diversity and equal opportunity, Section 5 Developing our workforce, Section 6 Talent development, Section 7 Talent attraction and retention, Section 8.1 Communication at Alcatel-Lucent, Section 8.2 Recognition and reward, Section 8.3 Union discussions	FULLY
<a href="#">G4-LA1</a>	SR> p24, 25, 28, 155	OMITTED Rates of new employee hires and employee turnover by age group, gender and region	The information is currently unavailable.	We report numbers, but not rates of new employee hires and employee turnover by age group, gender and region. In 2015, we will further investigate with experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 4.2 Social indicators <b>CHAPTER OUR PEOPLE&gt;</b> Section 4.1.3 Gender diversity by the numbers	PARTIALLY



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MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY							
<a href="#">G4-DMA OCCUPATIONAL HEALTH AND SAFETY</a>	SR> p9, 14, 15, 24, 28, 60, 62, 148, 149, 150				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us, Section 1.9 Applying the findings <b>CHAPTER 2014 REPORTING&gt;</b> Section 4.1 Global headcount, Section 4.2 Social indicators <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 1 Environment, Health and Safety (EHS) management <b>CHAPTER OUR PEOPLE&gt;</b> Section 3.1 Commitment to employee health, Section 3.2 Zero tolerance for safety violations, Section 3.4 Reporting on and addressing occupational accidents, Section 3.5 Injuries and fatalities in 2014, Section 3.6 Integrating SA8000 assessments	FULLY
<a href="#">G4-LA6</a>	SR> p24, 27, 28, 146, 148, 149, 150, 151	OMITTED Absenteeism reporting a. Report types of IR, ODR, LDR, AR and work-related fatalities for the total workforce (that is, total employees plus supervised workers) by gender b. Report types of IR, ODR, LDR, AR and work-related fatalities for independent contractors working on-site to whom the organization is liable for the general safety of the working environment by gender	The information is currently unavailable.	We report on other types of losses by region but not by gender. In 2015, we will further investigate with experts if / how these omitted information can be reported. Absenteeism indicator will be reported in the future, tentatively in 2016.	Yes, p43	<b>CHAPTER 2014 REPORTING&gt;</b> Section 4.1 Global headcount, Section 4.2 Social indicators, Section 4.3 Additional notes <b>CHAPTER OUR PEOPLE&gt;</b> Section 3 Employee health and safety, Section 3.3 Tracking absenteeism, Section 3.4 Reporting on and addressing occupational accidents, Section 3.5 Injuries and fatalities	PARTIALLY

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MATERIAL ASPECT: TRAINING AND EDUCATION							
<a href="#">G4-DMA TRAINING AND EDUCATION</a>	SR> p9, 14, 24, 27, 157, 158, 159, 160, 161				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER 2014 REPORTING&gt;</b> Section 4.2 Social indicators <b>CHAPTER OUR PEOPLE&gt;</b> Section 5 <b>Developing our workforce&gt;</b> Section 5.2 Alcatel-Lucent University, Section 5.3 Achievements, Section 5.4 Personalized learning, Section 5.5 Certification and accreditation, Section 5.6 Technology-enabled learning, Section 5.7 Learning to support <i>The Shift Plan</i> , Section 5.8 Going Green initiative	FULLY
<a href="#">G4-LA9</a>	SR> p27, 158, 159	OMITTED Average hours of training per year per employee gender, and per employee category	The information is subject to specific confidentiality constraints.	This information is proprietary to the company.	Yes, p43	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 4.2 Social indicators <b>CHAPTER OUR PEOPLE&gt;</b> Section 5.2 Alcatel-Lucent University, Section 5.3 Achievements	PARTIALLY
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY							
<a href="#">G4-DMA DIVERSITY AND EQUAL OPPORTUNITY</a>	SR> p9, 14, 24, 27, 152, 153, 154, 155, 156, 157				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER 2014 REPORTING&gt;</b> Section 4 Social indicators <b>CHAPTER OUR PEOPLE&gt;</b> Section 4 Diversity and equal opportunity	FULLY
<a href="#">G4-LA12</a>	SR> p25, 26, 27, 78	OMITTED b. the percentage of employees per employee category in each of the following diversity categories: • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant	The existence of specific legal prohibitions.	We report breakdown of employees per age, per regions and per gender. The indicator "employee category" is not available in our current reporting. It's legally not possible to disclose in France data on minorities.	Yes, p43	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 4.2 Social indicators <b>CHAPTER GOVERNANCE&gt;</b> Section 1.1.2 Staggered Board: Membership and diversity	PARTIALLY

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MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN							
<a href="#">G4-DMA EQUAL REMUNERATION FOR WOMEN AND MEN</a>	SR> p9, 14, 152, 153	OMITTED Evaluation of management approach is not explained.	The information is currently unavailable	In 2015, we will further investigate with experts how that DMA can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	No	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>SR: CHAPTER OUR PEOPLE&gt;</b> Section 4.1.1 Our strategy	PARTIALLY
<a href="#">G4-LA13</a>		This indicator is not reported.	The information is subject to specific confidentiality constraints	This information is proprietary to the company.	No		NOT
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES							
<a href="#">G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES</a>	SR> p9, 13, 173, 174, 193, 194, 195, 196, 197, 198, 199, 201, 202				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER OUR PEOPLE&gt;</b> Section 10.2 Excerpt from the Alcatel-Lucent Global Human Rights Policy <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 2 Our approach to supply chain management, Section 3 Our requirements for suppliers and subcontractors, Section 4 Assessing supplier sustainability performance	FULLY
<a href="#">G4-LA15</a>	SR> p199, 201, 202, 203, 204	OMITTED c. the significant actual and potential negative impacts for labor practices identified in the supply chain. e. the percentage of suppliers identified as having significant actual and potential negative impacts for labor practices with which relationships were terminated as a result of assessment, and why.	Part of the Standard Disclosure is not applicable	We report on data relative to supplier sustainability risks, but not on data specific to labor practices in particular, as we do not take decision based on one single element of the relationship. For these reasons, we have no indicator corresponding to LA15 c. and e. We did not identify the added value of having one for our company.	Yes, p43	<b>SR: CHAPTER SUPPLY CHAIN&gt;</b> Section 4.2 Sustainability impact analysis, Section 4.3 Risk assessments, Section 4.4 EcoVadis sustainability ratings, Section 4.5 Service supplier health and safety screening, Section 4.6 Sustainability audits, Section 5 Improving supplier sustainability performance, Section 5.1 Implementing supplier improvement plans, Section 5.2 Monitoring sustainability performance with supplier scorecards, Section 5.3 Making purchasing decisions based on sustainability	PARTIALLY

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SUB-CATEGORY: HUMAN RIGHTS							
MATERIAL ASPECT: INVESTMENT							
<a href="#">G4-DMA HR INVESTMENT</a>	SR> p109, 110, 172, 173				Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 10 Our commitment to human rights, Section 11 Telecoms Industry Dialogue on Freedom of Expression and Privacy <b>CHAPTER OUR PEOPLE&gt;</b> Section 10 Global human rights	FULLY
<a href="#">G4-HR2</a>	SR> p101, 109	OMITTED a. Report the total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations. b. Report the percentage of employees in the reporting period trained in human rights policies or procedures concerning aspects of human rights that are relevant to operations.	The information is currently unavailable	In 2014, we deployed various mechanisms to raise awareness of and provide employee training on human rights. A dedicated, standalone employee and supplier training module on human rights was created and deployed through Alcatel-Lucent University in September 2014 in English, French and simplified Chinese. The training module was launched by our CCO and Head of Sustainability in a company-wide video message that explained our human rights activities to all employees and managers. In 2015, training on the Alcatel-Lucent Code of Conduct will include dedicated material on our human rights activities and grievance mechanisms and will be mandatory for all employees and non-employee contract workers. In 2015, we will further investigate with experts how that information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 4 Alcatel-lucent Code of Conduct, Section 10 Our commitment to human rights	PARTIALLY

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MATERIAL ASPECT: NON-DISCRIMINATION							
<a href="#">G4-DMA NON-DISCRIMINATION</a>	SR> p101, 102, 103, 151, 156				Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 5 Compliance Hotline, Section 5.2 Management of Compliance Hotline incidents	FULLY
<a href="#">G4-HR3</a>	SR> p102, 103				Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 5 Compliance Hotline, Section 5.2 Management of Compliance Hotline incidents	FULLY
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT							
<a href="#">G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT</a>	SR> p109, 110, 193, 194, 196, 197, 198				Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 10 Our commitment to human rights, Section 11 Telecoms Industry Dialogue on Freedom of Expression and Privacy <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 2 Our approach to supply chain management, Section 3 Our requirements for suppliers and subcontractors	FULLY

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<a href="#">G4-HR11</a>	SR> p109, 194, 196, 197, 198, 199, 201, 202, 203	OMITTED a. Report the number of suppliers subject to human rights impact assessments. b. Report the number of suppliers identified as having significant actual and potential negative human rights impacts. c. Report the significant actual and potential negative human rights impacts identified in the supply chain. d. Report the percentage of suppliers identified as having significant actual and potential negative human rights impacts with which improvements were agreed upon as a result of assessment. e. Report the percentage of suppliers identified as having significant actual and potential negative human rights impacts with which relationships were terminated as a result of assessment, and why.	Part of the Standard Disclosure is not applicable.	We track compliance to human rights as part of risk analysis and assessment processes however do not give breakdown data on human rights specifically in the way we monitor this aspect. Human right aspect is embedded into a more global monitoring system. that includes the following requirements: 1. We require our suppliers to Alcatel-Lucent encourages suppliers to meet international standards for environment, safety and sustainability including EICC Code of Conduct that has clauses regarding human rights. 2. Human rights matters are part of the EcoVadis supplier assessment process (employees health and safety, social dialogue, discrimination, corruption and bribery and anti-competitive practices).	Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 10 Our commitment to human rights <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 3.1 Adherence to the EICC Code of Conduct and UNGC Ten Principles, Section 3.2 Adherence to international standards, Section 3.5 Product traceability and conflict minerals, Section 3.6 Maintaining supplier diversity, Section 3.7 Supporting disabled workers in France, Section 4.2 Sustainability impact analysis, Section 4.3 Risk assessments, Section 4.4 EcoVadis sustainability ratings, Section 4.6 Sustainability audits, Section 5.1 Implementing supplier improvement plans, Section 5.2 Monitoring sustainability performance with supplier scorecards	PARTIALLY

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MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS							
<a href="#">G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS</a>	SR> p101, 103, 109, 172, 173				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1.3 Human rights and ethical business practices <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 4 Alcatel-Lucent Code of Conduct, Section 5 Compliance Hotline, Section 5.2 Management of Compliance Hotline incidents, Section 10 Our commitment to human rights, Section 11 Telecoms Industry Dialogue on Freedom of Expression and Privacy <b>CHAPTER OUR PEOPLE&gt;</b> Section 10 Global human rights	FULLY
<a href="#">G4-HR12</a>	SR> p102, 103, 109, 151				Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 5 Compliance Hotline, Section 5.2 Management of Compliance Hotline incidents	FULLY
SUB-CATEGORY: SOCIETY							
MATERIAL ASPECT: LOCAL COMMUNITIES							
<a href="#">G4-DMA LOCAL COMMUNITIES</a>	SR> p9, 15, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 190	OMITTED Evaluation of management approach for Technology & innovation, and Education & Promotion	The information is currently unavailable.	In 2015, we will further investigate with experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER SOCIETY AND PHILANTHROPY&gt;</b> Section 1 Our approach to digital inclusion, Section 1.1 Why digital inclusion matters, Section 2 Technology and innovation, Section 3 Education and promotion: raising awareness of ultra-broadband access, Section 3.1 Having an impact around the world, Section 3.1.1 Multi-stakeholder mHealth partnership in Senegal, Section 3.1.2 Forging the future of healthcare in Pennsylvania Section 4 Philanthropy	PARTIALLY

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<a href="#">G4-SO1</a>	SR> p67, 68, 102, 103, 134, 135, 136, 168, 169, 170, 171, 182, 183, 184	OMITTED Values in percentage of operations Percentage of operations with implemented local community engagement, impact assessments, and development programs, including the use of: Broad based local community consultation committees and processes that include vulnerable groups	The information is currently unavailable.	In 2015, we will further investigate with local experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1.2 Annual stakeholder engagements, Section 2.1.3 Human rights and ethical business practices, Section 2.1.4 mLearning, mHealth, Section 2.1.5 Eco-sustainability <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 5 Compliance Hotline <b>CHAPTER ENVIRONMENT&gt;</b> Section 3.4 Building smart cities <b>CHAPTER OUR PEOPLE&gt;</b> Section 8.3 Union discussions, Section 9 Flexible work <b>CHAPTER SOCIETY AND PHILANTHROPY&gt;</b> Section 3.1 Having an impact around the world, Section 4 Philanthropy	PARTIALLY
MATERIAL ASPECT: ANTI-CORRUPTION							
<a href="#">G4-DMA ANTI-CORRUPTION</a>	SR> p9, 12, 67, 92, 94, 95, 96				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us, Section 1.9 Applying the findings <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1.3 Human rights and ethical business practices <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 1 Our commitment to ethics and compliance, Section 2 Our compliance governance structure	FULLY
<a href="#">G4-SO3</a>	SR> p97, 99, 100, 101	OMITTED Total number of operations assessed for risks related to corruption is reported, but not the percentage	The information is currently unavailable.	In 2015, we will further investigate with experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 3 Anti-corruption compliance program	PARTIALLY



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<a href="#">G4-S04</a>	SR> p97, 99, 101, 103, 108, 195	OMITTED a. broken down by region. b. broken down by employee category and region. c. broken down by type of business partner and region. d. broken down by region. e. broken down by employee category and region.	The information is currently unavailable.	In 2015, we will further investigate with experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 3.1 Our approach to anti-corruption, Section 3.1.1 Anti-corruption risk management and assessment, Section 4 Alcatel-Lucent Code of Conduct, Section 6.2 Governance of privacy-related activities, Section 9 Ethics and compliance training <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 3.4 Anti-corruption screening	PARTIALLY
<a href="#">G4-S05</a>	20-F> p20-21, 77-78				Yes, p43	<b>20-F:</b> Section 3.2 Legal Risks, Section 6.8 Legal Matters	FULLY
MATERIAL ASPECT: PUBLIC POLICY							
<a href="#">G4-DMA PUBLIC POLICY</a>	SR> p9, 12, 65, 69, 73, 74	OMITTED c. the evaluation of the management approach, including: • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach	The information is currently unavailable.	In 2015, we will further investigate with experts if/how this omitted information can be reported. In 2015, we will consequently provide an expected timeframe for when the data will be reported.	No	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2 Our Engagement with Stakeholders	PARTIALLY
<a href="#">G4-S06</a>		This indicator is not reported.	The Standard Disclosure is not applicable.	According to our anti-corruption policy, we don't make any financial or in-kind political contributions	No		NOT

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MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR							
<a href="#">G4-DMA ANTI-COMPETITIVE BEHAVIOR</a>	SR> p9, 12, 15, 67, 92, 93, 94, 95, 96, 107				No	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1.3 Human rights and ethical business practices <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 1 Our commitment to ethics and compliance, Section 2 Our compliance governance structure, Section 1.3 Complying with competition and anti-trust laws, Section 7.4 Protecting intellectual property	FULLY
<a href="#">G4-SQ7</a>	SR> p94				No	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 1.3 Complying with competition and anti-trust laws	FULLY
MATERIAL ASPECT: COMPLIANCE							
<a href="#">G4-DMA COMPLIANCE</a>	SR> p9, 12, 15, 67, 92, 93, 94, 95, 96, 97, 99, 100, 101				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1.3 Human rights and ethical business practices <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 1 Our commitment to ethics and compliance, Section 2 Our compliance governance structure	FULLY
<a href="#">G4-SQ8</a>	SR> p93				Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 1.1 Zero-tolerance policy	FULLY
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY							
<a href="#">G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY</a>	SR> p9, 13, 62, 193, 194, 195, 196, 197, 198, 199, 201, 202				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 1.4 Customer and supplier-based EHS activities <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 2 Our approach to supply chain management, Section 3 Our requirements for suppliers and subcontractors, Section 3.3 Commitment to strong environmental performance, Section 4 Assessing supplier sustainability performance	FULLY

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<a href="#">G4-SO10</a>	SR> p195, 196, 197, 198, 199, 201, 202, 203, 204	OMITTED e. Report the percentage of suppliers identified as having significant actual and potential negative impacts on society with which relationships were terminated as a result of assessment, and why.	Part of the Standard Disclosure is not applicable.	Society impact elements are part of the EcoVadis supplier assessment process (employees health and safety, social dialogue, discrimination, corruption and bribery and anti-competitive practices). In general, we have a collaborative approach to work with suppliers on improvements rather than stopping cooperation. In addition, decisions to terminate relationships with suppliers are based on all the elements of the supplier relationship (sustainability, but also competitiveness, quality, etc). For these reasons, we have no indicator corresponding to SO10-e and did not identify the added value of having one for our company.	Yes, p43	<b>SR: CHAPTER SUPPLY CHAIN&gt;</b> Section 3.4 Anti-corruption screening Section 3.5 Product traceability and conflict minerals, Section 3.6 Maintaining supplier diversity, Section 3.7 Supporting disabled workers in France, Section 4 Assessing supplier sustainability performance, Section 4.2 Sustainability impact analysis, Section 4.3 Risk assessments, Section 4.4 EcoVadis sustainability ratings, Section 4.6 Sustainability audits, Section 5 Improving supplier sustainability performance, Section 5.1 Implementing supplier improvement plans, Section 5.2 Monitoring sustainability performance with supplier scorecards, Section 5.3 Making purchasing decisions based on sustainability	PARTIALLY
SUB-CATEGORY: PRODUCT RESPONSIBILITY							
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY							
<a href="#">G4-DMA CUSTOMER HEALTH AND SAFETY</a>	SR> p127				No	<b>SR: CHAPTER ENVIRONMENT&gt;</b> Section 2.3.6 Ensuring product safety	FULLY
<a href="#">G4-PR1</a>	SR> p127				No	<b>SR: CHAPTER ENVIRONMENT&gt;</b> Section 2.3.6 Ensuring product safety	FULLY
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING							
<a href="#">G4-DMA PRODUCT AND SERVICE LABELING</a>	SR> p117, 118, 121, 122, 123, 124, 125, 127, 128				No	<b>SR: CHAPTER ENVIRONMENT&gt;</b> Section 2.1.2 Looking at the whole life cycle, Section 2.1.3 Life Cycle Assessment (LCA) Estimator, Section 2.3 Reducing the impact of our products and solutions, Section 2.3.7 Packaging and distribution	FULLY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSIONS	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<a href="#">G4-PR3</a>	SR> p21, 23, 117, 118, 121, 122, 123, 124, 125, 127, 128, 130, 196				No	<b>SR: CHAPTER 2014 REPORTING&gt;</b> Section 3.3 2014 environmental indicators <b>CHAPTER ENVIRONMENT&gt;</b> Section 2.1.2 Looking at the whole life cycle, Section 2.1.3 Life Cycle Assessment Estimator, Section 2.3 Reducing the impact of our products and solutions, Section 2.3.2 Managing materials, Section 2.3.3 Restricted substances, Section 2.3.5 Product materials content, Section 2.3.6 Ensuring Product Safety, Section 2.3.7 Packaging and distribution, Section 2.3.10 Takeback, remanufacturing and recycling <b>CHAPTER SUPPLY CHAIN&gt;</b> Section 3.5 Product traceability and conflict minerals	FULLY
MATERIAL ASPECT: CUSTOMER PRIVACY							
<a href="#">G4-DMA CUSTOMER PRIVACY</a>	SR> p9, 12, 103, 105				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 6 Privacy Protection	FULLY
<a href="#">G4-PR8</a>	SR> p103, 105				Yes, p43	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 6.1 Commitment to privacy and data protection, Section 6.2 Governance of privacy-related activities	FULLY
MATERIAL ASPECT: COMPLIANCE							
<a href="#">G4-DMA COMPLIANCE</a>	SR> p9, 12, 15, 67, 92, 93, 94, 95, 96, 97, 99, 100, 101				Yes, p43	<b>SR: CHAPTER SUSTAINABILITY STRATEGY&gt;</b> Section 1.7 Materiality assessment, Section 1.8 What our materiality assessment tells us, Section 1.9 Applying the findings <b>CHAPTER SUSTAINABILITY MANAGEMENT&gt;</b> Section 2.1.3 Human rights and ethical business practices <b>CHAPTER ETHICS &amp; COMPLIANCE&gt;</b> Section 1 Our commitment to ethics and compliance, Section 2 Our compliance governance structure, Section 3 Anti-corruption compliance program	FULLY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSIONS	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE	ALCATEL-LUCENT REPORTS/ CHAPTERS/SECTIONS REFERENCES	REPORTED
<a href="#">G4-PR9</a>	SR> p93, 97, 99, 100, 101				Yes, p4	<b>SR: CHAPTER ETHICS &amp; COMPLIANCE</b> > Section 1.1 Zero-tolerance policy, Section 3 Anti-corruption compliance program	FULLY

## 6 United Nations Global Compact

Our sustainability report and company strategy conform to the United Nations Global Compact (UNGC) by incorporating information on our sustainability activities according to the 21 UNGC Advanced Level assessment criteria



For the past three years, our reporting has qualified for the UNGC Advanced Level criteria, ranking us in the top quadrant of companies reporting, according to the UNGC classification.

## 7 Article 225 of France's Grenelle II Law (July 10, 2010)

G4-DMA MATERIALS

### Article 225-105 Of the Code de Commerce

Grenelle II requires France-based companies to include information in their annual report on the environmental, social and societal impacts of their business activities and on their commitments to sustainable development — and to have independent, third-party verification of the published information.

The data presented in the Sustainability report summarize the social, environmental and societal aspects of Alcatel-Lucent's business activities in accordance with French decree No. 2012-557 of 24 April 2012, which requires companies to report on the social and environmental impacts of their businesses. (That decree implements article 225 of law No. 2010-788 of 12 July 2010, known as “Grenelle II”, which requires companies to publish social, environmental and governance information in the annual report of their Board of Governors or Management Board pursuant to law No. 2001-420 of 15 May 2001 relating to France's so-called “NRE” (New Economic Regulations Act) and article 12 of law No. 2012-387 of 22 March 2012 relating to the simplification and easing of legal and administrative procedures, which modified article L. 225-102-1 of the French Commercial Code.)

### Grenelle II correspondence table

SUBJECT	TOPIC	REQUIRED INFORMATION	REFERENCES
Environment	Overall environmental policy	Company organization to take into account environmental issues (including policy, assessment approach or certification)	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Employee awareness training and communication activities on environmental protection	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Allocation of resources to prevent environmental risks and pollution	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Amount of provisions and guarantees to address environmental risks, provided such information is not likely to cause serious harm to society in an ongoing dispute	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Pollution and waste management	Prevention, reduction or compensation measures for air emissions or water and soil discharges that seriously affect the environment	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT; 4.2.8 ENVIRONMENT INDICATORS
Environment	Pollution and waste management	Actions taken to support prevention, recycling and waste disposal	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT; 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS

SUBJECT	TOPIC	REQUIRED INFORMATION	REFERENCES
Environment	Pollution and waste management	Inclusion of noise pollution and any other form of pollution specific to the activity in question	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT
Environment	Sustainable use of resources	Water consumption and water supply based on local conditions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS
Environment	Sustainable use of resources	Consumption of raw materials and measures taken to improve the efficiency of their use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES
Environment	Sustainable use of resources	Energy consumption, measures taken to improve energy efficiency and renewable energy use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS
Environment	Sustainable use of resources	Soil use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.7 BIODIVERSITY PROTECTION
Environment	Climate change	Greenhouse gas emissions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.6 CLIMATE CHANGE; 4.2.8 ENVIRONMENT INDICATORS
Environment	Climate change	Adaptation to the impact of climate change	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY; 4.2.6 CLIMATE CHANGE
Environment	Biodiversity protection	Measures taken to protect or develop biodiversity	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.7 BIODIVERSITY PROTECTION
Social	Employment	Total number and breakdown of employees by gender, age and geography	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.1 EMPLOYMENT; 4.3.8 SOCIAL INDICATORS
Social	Employment	Hirings and dismissals	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.8 SOCIAL INDICATORS
Social	Employment	Compensation and evolution	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.1 EMPLOYMENT
Social	Work organization	Work time organization	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.2 WORK ORGANIZATION AND MANAGEMENT
Social	Work organization	Absenteeism	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.2 WORK ORGANIZATION AND MANAGEMENT; 4.3.8 SOCIAL INDICATORS
Social	Social relationships	Organization of social dialogue, including procedures for consultation and negotiation with staff	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS
Social	Social relationships	Review of collective agreements	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS
Social	Health and safety	Health and safety work conditions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY; 4.3.4 HEALTH AND SAFETY
Social	Health and safety	Review of agreements signed with trade unions or staff representatives on workplace health and safety	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.4 HEALTH AND SAFETY
Social	Health and safety	Occupational accidents (including frequency and severity rates) and occupational diseases	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.4 HEALTH AND SAFETY; 4.3.8 SOCIAL INDICATORS
Social	Training	Training policies	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.5 TRAINING
Social	Training	Total number of hours trained	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.5 TRAINING
Social	Equal opportunity	Measures in favor of equality between women and men	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Measures for employment and integration of disabled people	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Policies against discrimination	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY

SUBJECT	TOPIC	REQUIRED INFORMATION	REFERENCES
Social	Promotion and enforcement of ILO core conventions	Freedom of association and collective bargaining rights	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS; 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of discriminatory treatment in employment and occupation	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY; 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of forced or compulsory work	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the effective abolition of child labor	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Societal	Territorial, economic and social impact of the company	in terms of employment and regional development	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT
Societal	Territorial, economic and social impact of the company	on local population	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT
Societal	Relationships with persons or organizations interested in the company's business, including:	Dialogue conditions with those persons or organizations	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.1.1 SUSTAINABILITY APPROACH 4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Relationships with persons or organizations interested in the company's business, including:	Actions of partnership or philanthropy	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Subcontractors and suppliers	Consideration of social and environmental issues in the company's procurement policy	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.3 RESPONSIBLE PURCHASING
Societal	Subcontractors and suppliers	Importance of subcontracting and the social and environmental responsibility of suppliers and subcontractors	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.3 RESPONSIBLE PURCHASING
Societal	Fair practices	Actions taken to prevent corruption	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.4 FAIR PRACTICES
Societal	Fair practices	Measures taken for consumer health and safety	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.4 IMPACTS OF OUR PRODUCTS ON HEALTH AND SAFETY
Societal	Human rights	Actions taken to support human rights	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS; 4.4.5 HUMAN RIGHTS FREEDOM OF EXPRESSION AND PRIVACY



# 8 Independent verification

G4-32, G4-33

This is a free translation into English of the original report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Alcatel-Lucent

Year ended December 31, 2014

## **Independent verifier's report on a selection of social, environmental and societal information presented in the Sustainability Report of the Group.**

To the General Management,

In accordance with your request and in our quality of independent verifier of Alcatel-Lucent, we present our report on a selection of consolidated social, environmental and societal information established for the year ended December 31, 2014. Our verification work only concerns the information designated by the symbol ✓ in the present report (hereafter referred to as the "Information").

### **Responsibility of the company**

It is the responsibility of the Sustainable Development Department of Alcatel-Lucent to establish information in accordance with the protocols used by the company, essentially composed of the Reporting Protocols of Health Safety Environment (HSE) and Human Resources (HR), in their versions dated respectively in November 2014 and August 2009 (hereafter referred to as the "Criteria") and available upon request at the entity's premises.

### **Independence and quality control**

Our independence is defined by regulatory requirements and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

### **Responsibility of the independent verifier**

It is our role, on the basis of our work, to express a limited assurance conclusion that the Information is fairly presented, in all material aspects, in accordance with the Criteria.

We conducted the work described below in accordance with professional standards applicable in France and with international standard ISAE 3000<sup>1</sup>.

### **Nature and scope of the work**

We undertook approximately fifteen interviews with the people responsible for the preparation of the CSR Information in the different departments including purchasing, human resources, legal, quality or research and development, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important<sup>2</sup>:

- At the level of the consolidating entity we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the other publications of the company;
- At the level of the representative selection of sites that we selected<sup>3</sup>, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented an average of 33 % of the total workforce and an average of 14 % of the quantitative environmental, health and safety information.
- We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to formulate a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

## Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the Information of the sustainability report identified with the symbol ✓ has not been presented sincerely, in compliance with the Criteria.

Paris-La Défense, April 17th, 2015



The independent verifier  
ERNST & YOUNG et Associés  
French original signed by  
**Eric Mugnier**  
Sustainable development partner  
**Bruno Perrin**  
Partner

1 ISAE 3000 – Assurance engagements other than audits or reviews of historical information

2 Environmental and societal information: sustainable use of resources (energy consumption, raw material consumption and measures undertaken to enhance resource efficiency), climate change (greenhouse gas emissions), territorial impact (economic and social impact on regional and local populations), relation with stakeholders (partnership or sponsorship), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, business ethics (actions undertaken to prevent bribery and corruption), actions undertaken to promote and guarantee Human Rights.

Social information: employment (total headcount, hiring and terminations), health and safety at the work place, work accidents, notably their frequency and their severity, as well as occupational diseases, training programs and number of days of training, diversity and equality of treatment and opportunities (measures undertaken for gender equality, actions taken in order to improve employment of disabled), promotion and respect of the ILO core conventions.

3 Antwerpen (Belgium), Cuautitlan (Mexico), Timisoara (Romania), Bangalore Manyate (India), Bydgoszcz (Poland), Murray Hill (USA).

# Sustainability management

23,118

hours of Environment, Health and Safety training provided to employees – 4,000 more than in 2013

5

meetings of our new Sustainability Advisory Panel to tackle issues of ethics, supply chain and eco-sustainability

70

Real estate business continuity plans (BCPs) in place to address environmental and other risks.

## 1 Environment, health and safety (EHS) management

### Commitment

Our Environment, Health and Safety (EHS) Policy commits us to operating in a way that protects the environment as well as the health and safety of our employees, contractors, customers and communities in which we do business. Meeting this commitment is a primary management objective as well as an individual and collective responsibility.

### 1.1 Our EHS Management System

G4-DMA OCCUPATIONAL HEALTH AND SAFETY

Operating in a safe and environmentally responsible manner is essential to our sustainability commitment.

While our EHS policy provides a framework for improving EHS performance, our Environment, Health & Safety Management System (EHSMS) facilitates the use of a common EHS management model. The 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 improvement in EHS performance. Our EHSMS continues to meet the needs of customers who increasingly insist on third-party-certified EHS systems. Decisions regarding third-party certification are made at the local level based on risk, the nature of hazards, customer requirements and competitive advantage. We continue to drive this same EHS management approach through our supply chain to minimize the overall impact of our operations.

We keep employees up to date on EHS news and issues through Engage, our company social media platform, as well as through an internal EHSMS website and weekly summary emails.

## 2014 achievements

In 2014, Alcatel-Lucent University delivered more than 23,118 training hours on EHS issues. These training hours do not take into account other EHS awareness channels such as workplace ergonomic guidelines, the EHS topics covered in mandatory Code of Conduct training or any of the other communication vehicles.

We employ an online, web-based reporting tool for collecting, reporting and analyzing sustainability metrics and information related to our carbon footprint, energy and water usage programs. The use of this tool has improved both the accuracy and completeness of the data used for our annual sustainability reporting. Assigned contributors at Alcatel-Lucent facilities have used this tool to provide appropriate accounting of energy usage, water usage and direct greenhouse gas (GHG) emissions as authenticated by applicable invoices and bills. In addition, we utilize an online survey that is sent to assigned contributors at Alcatel-Lucent facilities for collecting, reporting and analyzing waste indicators data. ✓

### For the 2014 reporting

- At the beginning of 2014, 504 sites were contained within our real estate portfolio, representing a total area of 2,830,885 square meters. Over the course of the year, 30 sites were added to and 105 sites were removed from our portfolio. At year-end, 429 sites were contained within our real estate portfolio for a total area of 2,528,951 square meters. As a result of these changes to our portfolio, in 2014 we achieved a reduction of approximately 11 % in our worldwide real estate area. ✓
- 100% of facilities contained within our real estate portfolio were accounted for in the reporting tool. ✓
- Of the 534 sites that were contained within our real estate portfolio throughout the year, 222 were assigned the responsibility for managing data input within the online, web-based tool for applicable Scope 1, Scope 2 and Scope 3 categories. (For further information, please refer in this chapter to Section 4.2.8 “Environment indicators”). These assigned sites represented 86 % of our worldwide annual average real estate area and 81 % of our total annual average headcount. The remaining sites, of which we have no operational control, had their electricity usage, natural gas usage, electricity transmission/distribution loss and refrigerant loss estimated through the use of company-specific algorithms. ✓
- Of the 534 sites contained within our real estate portfolio throughout the year, 203 were assigned the responsibility for completing the online waste survey. The corresponding response rate of the survey represented 59.7 % of the total Alcatel-Lucent headcount. (For further information, please refer in this chapter to Section 4.2.8 “Environment indicators”). To account for 100 % of our employees, extrapolation procedures were applied based on calculated ratios per employee. ✓

For further information, please refer to Chapter Reporting, Section 3 “Environmental indicators”.

## 2014 achievements

- 100% of the facilities in our real estate portfolio were accounted for within our web-based reporting tool.
- Of our 534 sites worldwide, 222 were assigned the responsibility for managing complete data input within the tool. The remainder had their operational usage rates estimated by company-specific algorithms.

## 1.2 ISO 14001 and OHSAS 18001

G4-DMA OCCUPATIONAL HEALTH AND SAFETY

In 2014, the EHSMS was expanded to include Alcatel-Lucent Australia. Like our Rhodes facility, Alcatel-Lucent Australia obtained certification to ISO 14001:2004 and Occupational Health and Safety Management Systems (OHSAS) 18001:2007 standards.

### Highlight

#### Addressing the EHS impact of our products

We assess the environmental, health and safety impacts of our products at all stages of their lifecycles.

During design, we work with suppliers to avoid the use of hazardous materials and ensure materials are prepared for transportation according to nationally or internationally accepted regulations. Our technical documentation provides specific guidance for the safe use of the product, and mandatory training or instruction for Alcatel-Lucent Services personnel covers a range of topics to ensure a safe workplace.

All Alcatel-Lucent products that emit radio frequency (RF) energy must comply with country-specific regulations on human exposure to RF emissions during manufacturing and product-use phases. Compliance is determined by either analytical assessment or measurement of radiated RF energy.

We also require that all electronic waste be shipped to processing facilities that have passed our EHS Liability Assessment. These processing facilities are subject to periodic onsite audits and must pass a rigorous due diligence review before inclusion on the Alcatel-Lucent approved list.

## 1.3 EHS Compliance Audit Program

G4-DMA OCCUPATIONAL HEALTH AND SAFETY

This program determines if the EHS programs at our facilities and worksites in the field are properly implemented and effective, and assures management that the organization is operating in a manner consistent with EHS policy. Facilities and fieldwork are evaluated against a number of criteria including Alcatel-Lucent standards, international norms, and country-specific federal and local regulations.

In 2014, as part of a specific EHS audit strategy, audits were completed in the United States, Spain, France, Argentina, Uruguay, Ecuador, Columbia, Peru, Chile, Venezuela, Dominican Republic, Puerto Rico, Mexico, Qatar, South Africa, Turkey and China. Facility audits completed in 2014 included the Alcatel-Lucent Ottawa (Canada) and Madrid (Spain) facilities as well as the Alcatel-Lucent Submarine Networks manufacturing facility in Calais, France.

## 1.4 Customer and supplier-based EHS activities

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-DMA OCCUPATIONAL HEALTH AND SAFETY, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

The installation and operation of telecommunications networks inherently involves certain safety risks. We work with our partners, customers and suppliers to ensure the safety of all individuals engaged in risk-related activities with zero tolerance for non-compliance with safety rules. EHS excellence is a fundamental requirement for Alcatel-Lucent — shared by all who partner with us.

We ensure proper management of health and safety by communicating best practices and lessons learned, conducting field audits, and investigating the root causes of incidents. In 2014, more than 10% of our field audits focused on subcontractors who provide services, such as tower-climbing operations and working with high-voltage electrical systems.

## Highlight

### High score for EHS

In 2014, Uninor – one of our managed services customers – conducted a business sustainability audit of our activities at its offices in Gurgaon, India. The audit focused on adherence to Uninor's Supplier Conduct Principles and included a review of EHS issues, social accountability, and compliance with national regulations. We received an overall score of 99.66%, the highest of any Uninor supplier, clearly demonstrating that conducting business in a transparent, ethical manner is a central pillar of our operations.

## 1.5 Environmental risks

G4-EC2, G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT

### 1.5.1 Risks related to climate change

G4-EC2

Any company with global operations faces extreme weather-related risks resulting from climate change. The diversity of our physical locations and our active business continuity planning give us the flexibility to respond to these risks by creating resilience within our processes.

Our customers are also exposed to weather-related risk. Many types of telecommunications equipment — such as base stations, IP switches and optical communications equipment — are installed in locations threatened by extreme weather events. We have designed many of our products to withstand extreme conditions, and work with our customers to develop and customize product specifications to meet their specific needs.

We maintain procedures to ensure the safety of our installation and engineering workforces in the field, factoring conditions encountered due to climate change. These procedures are reviewed periodically and adjusted as needed.

In our supply chain, our Risk Management function surveys environmental risks and addresses them with physical prevention/protection measures wherever possible. These risks are also partly financially mitigated, when possible, by insurance vehicles. Risk Management has not identified any additional impact on exposure to storms and floods resulting specifically from climate change.

### 1.5.2 Contingency planning and adaptation to environmental risks

G4-EC2

In 2014, 70 real estate business continuity plans (BCPs) were in place to address environmental and other risks in terms of the potential loss of critical functions. The BCPs target locations with more than 500 employees (or with more than 200 employees in areas with elevated risks, such as proneness to earthquakes or political volatility). BCPs cover all critical real estate functions identified for a given location, allowing us to respond to diverse threats and systems that become material. Some plans — such as centrally managed plans within the corporate crisis management process and local emergency response plans — respond to particular hazards such as earthquakes and pandemics.

### 1.5.3 Provisions and guarantees for environmental risks

It is our policy and practice to comply with all applicable environmental requirements and to provide safe, environmentally sound workplaces that will not adversely affect the health or safety of the communities in which we operate. Although we believe we are in material compliance with all environmental, health and safety laws and regulations, and that we have obtained all material environmental permits and authorizations required for our operations and our products, we may have to incur expenditures in the future significantly in excess of our expectations to cover environmental liabilities, maintain compliance with current or future environmental, health and safety laws and regulations, or undertake any necessary remediation.

The future impact of environmental matters, including potential liabilities, changes in carbon and environmental reporting requirements and the pricing of carbon emissions, is often difficult to estimate. We have modeled the potential pricing of carbon on our financial statements. Although it is not possible at this stage to predict the outcome of remedial and investigatory activities with absolute certainty, we believe the ultimate financial impact of these activities — net of applicable reserves — will not have a material adverse effect on our consolidated financial position or our income (loss) from operating activities.

#### Key figure

As of December 31, 2014, our remaining outstanding balance related to our main provisions for environmental risks was € 59 million.

### 1.5.4 Laws and regulations

G4-14

We are subject to national and local environment, health and safety laws and regulations relevant to our operations, facilities and products in every jurisdiction where we operate. These laws and regulations impose various limitations (including the discharge of pollutants into the air and water) and establish standards for the treatment, storage and disposal of solid and hazardous waste, which may require us to remediate a site at significant cost. In the United States, these laws often require parties to fund remedial action regardless of fault. We have incurred significant costs to comply with these laws and regulations and expect to continue to incur significant compliance costs in the future.

We constantly monitor legal, regulatory and other developments that may affect the environmental, health and safety aspects of our activities, products or services. Compliance reviews are performed regularly and appropriate remedial measures are implemented once applicable legal, regulatory and other requirements are identified.

### 1.5.5 Remedial and investigatory activities

Remedial and investigatory activities are underway at numerous current and former facilities owned or operated by the former Alcatel and Lucent entities. In addition, Lucent Technologies Inc. (now Alcatel-Lucent USA Inc.) was named a successor to AT&T as a potentially responsible party at numerous Superfund sites pursuant to the U.S. *Comprehensive Environmental Response, Compensation and Liability Act* of 1980 (CERCLA) or comparable state statutes in the United States. Under a Separation and Distribution Agreement with AT&T and NCR Corporation (a former subsidiary of AT&T), Alcatel-Lucent USA Inc. agreed to assume responsibility for certain liabilities primarily resulting from or relating to its assets and the operation of its business as conducted at any time prior to or after the separation from AT&T, including related businesses discontinued or disposed of prior to its separation from AT&T. Furthermore, under the Separation and Distribution Agreement, Alcatel-Lucent USA Inc. is required to pay a portion of contingent liabilities in excess of certain amounts paid out by AT&T and NCR, including environmental liabilities.



For more information, including our anticipated remedial costs associated with the cleanup of the Fox River Superfund Site in Wisconsin, please refer to Section 6.5 “Contractual obligations and off-balance sheet contingent commitments”, subtitle “Specific commitments: Alcatel-Lucent USA Inc.” of the 2013 Annual Report on Form 20-F. In Alcatel-Lucent USA Inc.’s Separation Agreements with Agere and Avaya, those companies have agreed, subject to certain exceptions, to assume all environmental liabilities related to their respective businesses.

## 2 Our engagement with stakeholders

### 2.1 Dialogue and action

G4-25, G4-26, G4-27, G4-DMA PUBLIC POLICY

Stakeholder dialogue is the cornerstone of our approach to sustainability. Throughout 2014, we dialogued with new and existing stakeholders in the public and private sectors — particularly customers, investors and members of civil society — as well as employees to collectively address global challenges of climate change, rural inclusion, human rights (e.g., freedom of expression and privacy), ethical business practices and the evolution of digital economies. ✓

All of our interactions with partners were constructive, completely transparent and premised on meaningful action. These included direct discussions, joint initiatives, global forums and conferences in addition to online conversations through channels such as the Alcatel-Lucent Blog, Twitter, YouTube and our internal social media platform, Engage. In all such interactions, we apply relevant stakeholder governance structures and ethics and compliance policies. ✓

In every interaction with stakeholders — public, private, academic and civil — we examine the costs, opportunities and risks involved, and have developed a common understanding of the issues relevant to the underlying problems as well as mutual agreements on the types of engagement best suited to our priorities. A clear objective and prioritization is set in line with our business strategy. The outcomes of these engagements are completely transparent, premised on open dialogue and meaningful action. We always apply relevant stakeholder governance structures and ethics and compliance policies with open grievance mechanisms per our compliance processes and structures.

#### 2.1.1 Sustainability Advisory Panel

G4-16, G4-24, G4-25, G4-26, G4-27, G4-DMA PUBLIC POLICY

##### Highlight

In 2014 Alcatel-Lucent created a new Sustainability Advisory Panel. It is composed of eight key stakeholders. The objective is for our material stakeholders to provide dedicated feedback on our strategy and performance, and to participate in a materiality analysis. ✓ Five virtual meetings were held in 2014 tackling strategic issues including ethics, supply chain and eco-sustainability. ✓

In an effort to continuously challenge our sustainability activities and stakeholder dialogue, in 2014 we identified our most material stakeholders according to our business priorities.

We created a new Sustainability Advisory Panel composed of material stakeholders to deepen our engagement with key stakeholders and to ensure we meet key expectations related to the performance, risk mitigation and visibility of our sustainability actions. ✓



The Panel includes three key customers, an investor and supplier as well as a representative from government, a prominent NGO and a global rating agency. It is led by the Head of Brand and Corporate Sustainability with support from executive leaders and company experts, and is moderated by an external advisor.

#### Panel Composition and 2014 Feedback G4-24, G4-25

Host organization	Alcatel-Lucent	<p>Christine DIAMENTE <b>Head Of Brand &amp; Corporate Sustainability</b></p> <p>"The Sustainability Advisory Panel has been a bold step forward in our engagement with material stakeholders. It has helped us better understand expectations, calibrate our performance accordingly and most importantly co-create new initiatives that will have a tangible benefit on our activities and theirs. It has been an honour to work with each of our panel members."</p>
Rating agency	Ecovadis	<p>Pierre-François THALER <b>Co-CEO</b></p> <p>"For the last few years, Alcatel-Lucent has always been a leader, constantly challenging itself and its supply chain to improve on Sustainability. They also challenged us and helped us to improve our solutions. Being on Alcatel-Lucent's Advisory Panel is an opportunity for us to identify best practices and emerging CSR issues for the ITC supply chain that will enable to continue helping ITC suppliers to improve on Sustainability."</p>
Customers	Orange	<p>Brigitte DUMONT <b>Corporate Social Responsibility Chief Officer</b></p> <p>Yves NISSIM <b>Deputy Corporate Social Responsibility Chief Officer</b></p> <p>"It was interesting to get a deeper look into how Alcatel-Lucent approaches sustainability, especially in key areas such as energy efficiency and supply chain management. Participating in the Panel has helped to better understand and challenge Alcatel-Lucent's approach and its contributions to Orange's own sustainability objectives and performance."</p>
Customers	Telefonica	<p>Susana GALLEGO LOBATO <b>Reputation Sustainability and Intangibles Management Area</b></p> <p>"Telefonica would like to see Alcatel-Lucent give greater visibility to co-innovation with customers on their sustainability activities. The Advisory Panel is a bold step forward in that direction and we are delighted to collaborate in this initiative."</p>
Customers	NBN Co	<p>Mark SAINT <b>General Manager Supplier Relationship and Performance</b></p> <p>"The National Broadband Network is the largest infrastructure project in Australia's history so it makes sense for our company to participate in Alcatel Lucent's Sustainability Advisory Panel. Alcatel-Lucent's inclusive approach to sustainability brings together NGOs, senior ALU executives and customers such as ourselves to share insights on emerging industry priorities in a collaborative forum. Active engagement in this panel benefits all participants as we continue to include sustainability in our own corporate priorities."</p>
Public institution	European Commission	<p>Antoaneta ANGELOVA-KRASTEVA <b>Directorate General for Communications Networks, Content and Technology Head of Unit D4-Stakeholders</b></p> <p>"I valued the frank and open exchange among the panelists on some very challenging sustainability topics for the ICT industry, which no one stakeholder can solve alone. The panel provided a useful platform for discussing multi-stakeholder responses and solutions to collective challenges."</p>
Investor	NATIXIS Mirova Responsible Investing	<p>Louise SCHREIBER <b>SRI Analyst</b></p> <p>"Alcatel-Lucent has created a platform for stakeholder engagement that is both informative and serves as a benchmark for communicating and consulting stakeholders. In the reporting exercise, setting up more long-term projections and reports on progress could make a difference in sustainability evaluation."</p>
Supplier	TE Connectivity	<p>Michele BLAIR* <b>Director Corporate Responsibility TE Connectivity Foundation Executive Director</b></p> <p>"We value our participation in Alcatel-Lucent's Advisory Panel. It is helpful to us with our own sustainability management to have industry's strategic vision and perspective. We encourage further knowledge transfer, transparency and sharing of best practices among suppliers."</p>
NGO	Major NGO focused on eco-sustainability	
Panel moderation	BSR	<p>Eric OLSON <b>Senior Vice President, Advisory Services</b></p>

\*Kenzie Ferguson represented TE Connectivity throughout 2014.

The Sustainability Advisory Panel held five meetings in 2014 to tackle strategic issues for the company and the telecommunications sector at large including ethics, supply chain and eco-sustainability. ✓ G4-26, G4-27

A full materiality assessment was performed with its members and internal company experts in the second half of the year.

### 2.1.2 Annual stakeholder engagements

G4-16, G4-25, G4-SO1

In 2014, Alcatel-Lucent maintained a very active role in the United Nations Broadband Commission, the International Telecommunications Union (ITU) and the Affordable Internet Alliance to dialogue with public authorities and regulators in developing and emerging economies. These discussions focused on topics such as ultra-broadband access, energy efficiency, climate change and the role of broadband in meeting the post-2015 Sustainable Development Goals.

Discussions were also held at events such as Mobile World Congress, meetings of the UN Broadband Commission for Digital Development and many other global forums addressing the role of communication technology for social and economic development.

Alcatel-Lucent also ramped up its work with the ITU's mPowering Initiative, which assembles high-level actors from organizations in the ICT and development fields to accelerate mobile services for inclusion in developing and emerging countries. Alcatel-Lucent also continued its work with Development Banks such as the AFD (French Development Bank), IDB-Inter-American Development Banks and the African Development Bank to raise the level of attention Broadband has on development. ✓

### 2.1.3 Human rights and ethical business practices

G4-16, G4-25, G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISM, G4-DMA ANTI-CORRUPTION, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE, G4-SO1

The attention to issues such as communications surveillance continued to grow in 2014. Through the Telecommunications Industry Dialogue and collaboration with the Global Networking Initiative (GNI), Alcatel-Lucent continued to proactively share insight and experience related to corporate responsibility on human rights, freedom of expression and privacy with civil society, investors and public authorities. Our CEO also signed the UN Global Compact's Call to Action on anti-corruption, while the company has engaged in proactive discussions with the UN Global Compact (including participation in its Anti-Corruption Summit), Transparency International and key public stakeholders to talk about the importance of establishing a level playing field for the telecommunications sector with regard to compliance and fair business practices. ✓

### 2.1.4 mLearning, mHealth

G4-16, G4-25, G4-SO1

The ongoing work we have engaged in over the past four years with partners such as the United Nations, development banks, NGOs and private sector companies in the field of mHealth and mLearning resulted in the 2014 launch of an ambitious national mHealth project in Senegal to combat diabetes via mobile technology. This project was realized through a partnership with the World Health Organization, ITU, several Senegalese government departments, NGOs and private sector companies including Sanofi, Orange and BUPA. We are now working on bringing the project to other countries such as Mexico and Ghana. ✓

## 2.1.5 Eco-sustainability

G4-16, G4-25, G4-SO1

We have also championed a number of eco-sustainability initiatives, including Bell Labs' GWATT application, which helps operators and stakeholders forecast the impact future network traffic volume will have on energy consumption. We have also continued our leadership in the GreenTouch consortium, which is dedicated to creating a roadmap for making communications 1,000 times more energy efficient. Both of these activities actively involved presenting to and collaborating with key customers. Finally, we continued to reach out to stakeholders such as Greenpeace, the United Nations Global Compact's regional networks and Ethical Corporation to promote greater awareness of and exchange best practices for eco-sustainability and supply chain management. ✓

## 2.2 Highlights of our stakeholder engagement

The following table provides highlights of the Alcatel-Lucent approach to stakeholder engagement, including frequency of engagement by type and stakeholder group. It also reports key topics and concerns, and indicates how the company treated them. Further details of stakeholder engagement are also included throughout this Sustainability Report.

### Stakeholder engagement activities G4-16, G4-24, G4-25, G4-26, G4-27

STAKEHOLDER	ENGAGEMENT	RESULTS
Employees	<ul style="list-style-type: none"> <li>Engage, our social networking platform</li> <li>Talent Dialogue tool</li> <li>Town halls</li> <li>Top 200 Leadership meetings</li> <li>Top10 Women</li> <li>CEO Award</li> <li>Employee questionnaires on <i>The Shift Plan</i></li> <li>Intranet communications</li> <li>Text-Me SMS service</li> <li><i>On the Air</i> radio program</li> <li>Podcasts and videos</li> <li>The Blog, Twitter, YouTube</li> </ul>	<ul style="list-style-type: none"> <li>Our award-winning social networking platform has more than 46,000 registered users who posted more than 39,000 documents, discussions and updates in 2014 regarding the company's activities end to end. Engage is open to all employees, including management, and enables open, transparent and horizontal communication company-wide.</li> <li>Our Talent Dialogue tool helped employees connect with managers bi-annually on objectives and track individual progress.</li> <li>Our CEO held more than 20 employee town hall meetings – in as many countries – in 2014.</li> <li>Our Top 200 leadership hosted town halls and virtual discussions, and participated in proactive communication worldwide with employees regarding progress on <i>The Shift Plan</i>.</li> <li>The TOP10 Women leadership program was launched, providing customized career-development support to 10 women in each region annually.</li> <li>Employees were asked to vote on almost 140 submissions for the CEO award. Nearly 15,000 employees voted for the award-winning submission using our Engage platform, where the CEO also presented the winner.</li> <li>Throughout the first half of 2014, we asked employees to provide feedback on their understanding of <i>The Shift Plan</i> by completing four six-question surveys.</li> <li>The company maintained best-in-class open communications with employees, including social media and creation of the Text-Me and <i>On the Air</i> tools to keep employees informed of the latest company news.</li> <li>Our blog, Twitter account and YouTube channel continue to feature employees and their contributions as well as comments on Alcatel-Lucent, its innovations and technology milestones. In November 2014, Tim Krause (CMO) announced the company's new tagline and corporate positioning exclusively through social media and an all-employee email.</li> </ul>

Refer to the "Our People" section of this report for more information.

## Stakeholder engagement activities G4-16, G4-24, G4-25, G4-26, G4-27

STAKEHOLDER	ENGAGEMENT	RESULTS
Customers	<ul style="list-style-type: none"> <li>Sustainability Advisory Panel</li> <li><i>The Shift Plan</i> (i.e., providing a new customer focus)</li> <li>Customer Satisfaction Survey Program</li> <li>Quality Management System (QMS)</li> <li>Dedicated meetings at major industry events such as Mobile World Congress, Broadband World Forum and Alcatel-Lucent Technology Symposium</li> <li>Dedicated operational reviews and audits on sustainability</li> <li><i>Ad hoc</i> initiatives such as Telecommunications Industry Dialogue on Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>In 2014, Alcatel-Lucent invited 3 global service provider customers to participate in our Sustainability Advisory Panel to provide dedicated feedback on our strategy and performance, and to participate in a materiality analysis. Five virtual meetings were held in 2014.</li> <li>As part of <i>The Shift Plan</i> announcement in June 2013, Alcatel-Lucent continued to work with customers including service providers, extra-large enterprises, network platform players, cable providers and certain sectors of government investing in IP networking, ultra-broadband access and cloud to address their communications needs.</li> <li>We transformed our Customer Satisfaction Survey Program in 2014 by conducting approximately 307 interviews in person, connecting with customers from our top 37 accounts (representing 80% of our total revenue). Our QMS includes TL 9000 standards quality certification in 108 locations, 49 countries and 35 different product categories. We renewed our certification 2013-16.</li> <li>584 customer meetings were held at Mobile World Congress in 2014.</li> <li>887 customer events hosted at our global Executive Briefing Centers.</li> <li>We responded to more than 50 customer questionnaires on sustainability, supported audits in facilities globally, and participated in dedicated operational reviews on our sustainability performance and activities.</li> <li>We continued to work with 7 of our customers to exchange best practices on human rights, freedom of expression and privacy via the Telecoms Industry Dialogue.</li> </ul> <p><i>Refer to the "Stakeholder Participation" section of this report for more information.</i></p>
Suppliers	<ul style="list-style-type: none"> <li>Require, Assess, Improve approach</li> <li>EICC Code of Conduct and UN Global Compact Principles</li> <li>Anti-corruption requirements</li> <li>Conflict Minerals Traceability Program</li> </ul>	<ul style="list-style-type: none"> <li>We continued to require sustainability performance from our suppliers through contractual purchasing requirements; assess their sustainability performance through ratings and onsite audits; and push them to improve by supporting the remediation efforts of suppliers whose performance is not at the expected level. <ul style="list-style-type: none"> <li>80% of our active suppliers rated "satisfactory" or above for their sustainability performance.</li> <li>We worked with suppliers to ensure compliance with the UN Global Compact Principles and EICC Code of Conduct.</li> <li>We implemented a compliance screening process for all our suppliers with 2 levels of screening depending on risk profiles.</li> <li>We surveyed over 300 suppliers on conflict minerals to determine the origin of key components and published our second conflict minerals report</li> </ul> </li> <li>In 2014, Alcatel-Lucent invited a Tier 1 supplier to participate in our Sustainability Advisory Panel to provide dedicated feedback on our strategy and performance, and to participate in a materiality analysis. Five virtual meetings were held in 2014.</li> </ul> <p><i>Refer to the "Supply Chain" section of this report for more information.</i></p>
Public institutions and regulators <small>G4-DMA PUBLIC POLICY</small>	<ul style="list-style-type: none"> <li>Promotion of ultra-broadband access plans</li> </ul>	<ul style="list-style-type: none"> <li>Alcatel-Lucent worked with approximately 40+ governments and regulators, particularly in emerging countries, to promote the benefits of ultra-broadband action plans and digital inclusion.</li> <li>In 2014, Alcatel-Lucent invited a major regional public representative to participate in our Sustainability Advisory Panel to provide dedicated feedback on our strategy and performance, and to participate in a materiality analysis. Five virtual meetings were held in 2014.</li> </ul> <p><i>Refer to the "Our Stakeholders" section of this report for more information.</i></p>
Multilateral and industry organizations	<ul style="list-style-type: none"> <li>Promotion of ultra-broadband access plans</li> <li>Energy efficiency and climate change</li> <li>mLearning and mHealth</li> <li>Human rights, privacy and freedom of expression</li> <li>Compliance and fair business practices for the telecommunications sector</li> </ul>	<ul style="list-style-type: none"> <li>We worked within the UN Broadband Commission and the ITU on key topics including ultra-broadband access, energy efficiency, climate change and sustainability.</li> <li>We partnered with GSMA, UNESCO, USAID and WHO to promote mLearning and mHealth in developing countries.</li> <li>As a board member through November 2014, we were actively engaged in GeSI focus areas relating to climate change, the first in-depth materiality assessment for the ICT sector, supply chain, conflict minerals and human rights.</li> <li>We engaged in dialogue with the UN Global Compact and Transparency International on compliance and fair business practices for the telecoms sector, signing the UNGC's Call to Action on Anti-Corruption, and participating at the UNGC's Annual Summit and Work Group in New York City, USA.</li> </ul> <p><i>Refer to the "Our Stakeholders" section of this report for more information.</i></p>

## Stakeholder engagement activities G4-16, G4-24, G4-25, G4-26, G4-27

STAKEHOLDER	ENGAGEMENT	RESULTS
NGOs and civil society	<ul style="list-style-type: none"> <li>Connected and World Education</li> <li>Human rights, privacy and freedom of expression</li> </ul>	<ul style="list-style-type: none"> <li>In 2014, Alcatel-Lucent invited a major NGO to participate in our Sustainability Advisory Panel to provide dedicated feedback on our strategy and performance, and to participate in a materiality analysis. Five virtual meetings were held in 2014.</li> <li>The Alcatel-Lucent Foundation has improved the digital literacy of 23,000 youth in disadvantaged communities across Australia, Brazil, China, India and Indonesia through its global signature program ConnectEd since 2011.</li> <li>The Alcatel-Lucent Foundation supported 37 Grassroots programs in 28 countries in 2014 (representing 55% of countries where Alcatel-Lucent has a significant presence).</li> <li>We communicated with key NGOs such as Access Now, CDT, GNI, IHRB, CDT and Privacy International regarding human rights issues, connecting directly and through the Telecoms Industry Dialogue (ID), which signed a collaboration agreement with GNI in March 2013 to discuss freedom of expression and privacy.</li> </ul> <p><i>Refer to the "Society" and "Ethics" sections of this report for more information.</i></p>
Investors	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Quarterly earnings announcements</li> <li>Annual shareholder meeting</li> <li>Annual Financial Report on Form 20-F</li> <li>Sustainability Report</li> </ul>	<ul style="list-style-type: none"> <li>Alcatel-Lucent regularly updated shareholders and prospective investors on our business strategy, activities and financial performance with a focus on <i>The Shift Plan</i> during our quarterly earnings announcements.</li> <li>In 2014 we interacted regularly with investors through one on one meetings and also through a dedicated sustainability road show in Paris in July 2014 on specific aspects of our sustainability performance and activities, including our strategy, approach to eco-sustainability, ethics, supply chain, people and digital inclusion activities.</li> <li>In 2014, Alcatel-Lucent invited a key investor to participate in our Sustainability Advisory Panel to provide dedicated feedback on our strategy, and performance, and to participate in a materiality analysis. Five virtual meetings were held in 2014.</li> <li>We also report our company financial information and activities through our Annual Financial Report on Form 20-F, a dedicated chapter on sustainability in the 20-F Additional Information, as well as reporting in our 2014 Sustainability Report and Annual Review.</li> </ul> <p><i>Refer to the "Stakeholder Engagement" section of this report for more information.</i></p>
Local communities	<ul style="list-style-type: none"> <li>Philanthropy</li> <li>Digital literacy of youth in disadvantaged communities</li> </ul>	<ul style="list-style-type: none"> <li>The Alcatel-Lucent Foundation provided \$1.7 million USD to charitable programs touching the lives of 60,000 beneficiaries in local communities, involving 5,000 employees for 41 hours.</li> <li>We continued to support local organizations and grassroots programs dedicated to education and digital literacy of youth. Through our ConnectEd program, we provided training to 23,000 youth, 58% of whom are girls.</li> </ul> <p><i>Refer to the "Society" section of this report for more information.</i></p>

## 2.3 Customer relationships

G4-24

### 2.3.1 Our commitment to quality and customer satisfaction

Alcatel-Lucent is committed to providing an unmatched 'right the first time' customer experience. This requires teams across the entire value chain to work together to strengthen our end-to-end processes and results, ensuring we give our customers what they want, when they want it, with the high level of quality they expect from our company.

Our Quality Management System (QMS) contains the many principles, practices, processes, tools, measures and resources we use to meet our customers' quality expectations. An external certification body conducts a surveillance audit on our QMS annually along with an extensive recertification audit every three years. (We successfully renewed our quality certification for the period of June 2, 2013 to June 1, 2016.) These external audits verify the continuous improvements made to our QMS and ensure our conformance to ISO 9001\* and TL 9000\*\* quality standards.

\* ISO 9001 is the most widely recognized quality management system framework in the world. This standard establishes requirements for quality management systems that emphasize an organization's ability to meet customer requirements and improve continuously.

\*\* The Quality Excellence for Suppliers of Telecommunications (QuEST) Forum established the TL 9000 quality management system as an extension of ISO 9001. Its focus is specifically on the needs of telecom service providers and suppliers. Our TL 9000 quality certification covers 35 different product categories, including IP routing and transport, IP platforms, and fixed and wireless access.

## Highlight

### Verification of online service data

Alcatel-Lucent is certified to TL 9000 standards. Verification of online customer service data is assessed as part of our internal audit, as well as in the audit conducted annually by an external certification company. Dedicated improvement plans are put in place after these audits.

The TL 9000 quality-management system is the telecom industry's unique extension to ISO 9001:2008 and includes supplemental requirements in many areas, including performance measurements based on reliability of product, software development and lifecycle management, as well as communications between telecom network operators and suppliers. The 9000-certified organizations are required to comply with:

- All requirement clauses of ISO 9001:2008,
- Telecom-specific requirements that apply to all product categories, hardware, software and/or service registrations,
- Telecom industry measurements that apply in certain product categories specific to hardware, software and/or services.

### 2.3.2 Alcatel-Lucent Quality Policy

The Alcatel-Lucent Quality Policy maintains customer satisfaction and continuous improvement as integral to everything we do.

Our Chief Quality & EHS Officer, Ravi Parmasad, reports directly to the Chief Operating Officer (COO). He is supported by the Global Quality Council, which develops and drives the Quality Policy across the company. Composed of representatives from each of our business lines and transversal functions, the Global Quality Council's mission is to ensure Alcatel-Lucent provides an unmatched customer experience while also driving profitable business outcomes. This is achieved by regularly reviewing, assessing and enacting improvements in our quality results, actions and activities.

To keep our commitments related to quality and customer satisfaction, we have appointed a number of Customer Quality Managers (CQMs) across the business. Advocating for and serving as the voice of our customers, CQMs proactively manage customers' quality perceptions by handling complaints, issues and alerts. They also trigger the development of quality improvement plans and provide feedback on the progress and effectiveness of our improvement plans.

In addition to the work done by the CQMs, we also conduct face-to-face interviews with key customers to obtain direct feedback about their experiences with respect to the quality of the products and services delivered to them.

### 2.3.3 Customer Satisfaction Survey Program

We transformed our Customer Satisfaction Survey Program in 2014 by conducting the majority of the year's 307 interviews in person, connecting with individuals from our top 37 accounts (representing 80% of our total revenue). Each account was assigned a dedicated CQM supported by a team of Account Managers, Customer Program Leaders and 'Executive Angels' during feedback collection and issue resolution, and for continuous improvement.

In addition to these face-to-face interviews, we also captured feedback through executive meetings and customer surveys, scorecards and forums. Our Services Request Survey polled customers across all accounts to measure, analyze and drive continuous improvement initiatives, with trends monitored against our Customer Loyalty Index\* and Net Promoter Scores\*\*.

All of the input we gather drives improvement actions to improve our quality of service. The responsiveness of our employees and stakeholders across all business lines is critical to our success in this regard.

- \* The Customer Loyalty Index represents the average of the “Overall Satisfaction” and “Likelihood to Recommend” questions on our Services Request Survey. Our survey uses a scale from 0 to 10 (with 10 being the highest score).
- \*\* The Net Promoter Score represents the percentage of Alcatel-Lucent ‘promoters’ (i.e., customers who have given us a score of 9 or higher on the “Likelihood to Recommend” question) minus the percentage of ‘detractors’ (i.e., customers who have given us a score of 6 or lower).

## 2.4 United Nations Global Compact

G4-24, G4-15, G4-16

Alcatel-Lucent is a longstanding signatory to the United Nations Global Compact (UNGC), an international initiative that brings companies together with UN agencies, labor and community groups to support universal environmental, ethical and social principles. A policy platform as well as a practical framework, the UNGC is the world’s largest voluntary corporate sustainability initiative, with more than 8,000 corporate members in over 140 countries.

We are committed to integrating the UNGC’s 10 principles into everything we do. To demonstrate our sustainability-related governance and management processes, our Sustainability Report includes information relevant to each of the 10 UNGC principles.

Since 2013, we have incorporated into our Sustainability Report information on our sustainability activities in accordance with the **UNGC’s Advanced Level** criteria, particularly in the following areas:

- Strategy, governance and engagement
- UN goals and issues
- Implementation of UNGC principles
- Value chain implementation
- Verification and transparency

### 2014 achievements<sub>G4-24</sub>

In 2014, Alcatel-Lucent once again maintained its reporting and transparency according to the UN Global Compact’s Advanced Level criteria incorporating its 21 principles.

In 2014, Alcatel-Lucent focused its participation in the UNGC on specific aspects of the 10 principles. For example, our CEO signed the UNGC Call to Action on Anti-Corruption, and we participated in the UNGC Working Group on the 10th Principle Against Corruption at the UN Headquarters in New York City, USA. We met with experts worldwide to discuss the adoption of compliance principles and practices across the telecommunications sector.



We will continue to work with the UNGC Network throughout 2015, focusing on the creation of a level playing field for fair business practices across the telecoms sector.

PRINCIPLES G4-24	NB	DESCRIPTION	READ MORE
Human rights	1	To support and respect the protection of internationally proclaimed human rights.	CEO Message (p. 2,4) Strategy (p.5) - Materiality Assessment (p. 9, 14-15, 19) Reporting (p.59) Management (p. 65, 67, 69-70) Governance (p. 87) Ethics and Compliance (p. 92, 100, 103, 108-110) People (p. 151, 154, 156, 172-174) Society and Philanthropy (p. 182) Supply Chain (p.196, 199-202)
Human rights	2	To make sure that we are not complicit in human rights abuses.	People (p. 173)
Labor	3	To uphold the freedom of association and the effective recognition of the right to collective bargaining.	Materiality Assessment (p. 10) People (p. 169-170) Supply Chain (p. 201)
Labor	4	To support the elimination of all forms of forced and compulsory labor.	People (p. 173) Supply Chain (p. 200-201)
Labor	5	To support the effective abolition of child labor.	People (p. 173) Supply Chain (p. 200)
Labor	6	To support the elimination of discrimination in respect to employment and occupation.	Materiality Assessment (p. 14) Ethics and Compliance (p.103, 108) People (p. 151, 154, 156, 173) Supply Chain (p. 200)
Environment	7	To support a precautionary approach to environmental challenges.	Environment (p. 111)
Environment	8	To undertake initiatives to promote greater environmental responsibility.	Environment (p. 116-131)
Environment	9	To encourage the development and diffusion of environmentally friendly technologies.	Environment (p. 132-135, 136-145)
Anti-corruption	10	To work against corruption in all its forms, including extortion and bribery.	CEO message (p. 1, 4) Strategy (p. 7) Reporting (p. 19) Management (p. 67, 69, 72, 75) Governance (p. 87, 90) Ethics & Compliance (p. 92, 95, 97-101, 107-108,110) Supply chain (p. 195, 200)

## 2.5 Global e-Sustainability Initiative

G4-15, G4-16, G4-24

Alcatel-Lucent is a longtime supporter of the Global e-Sustainability Initiative (GeSI), a strategic partnership of ICT companies, associations and international organizations committed to creating and promoting technologies and practices that foster economic, environmental and social sustainability. Prior to November 2014, our company was also a member of GeSI's Board of Directors.

### Highlight

During the annual EU Sustainability Energy Week in Brussels in June 2014, GeSI hosted an event aimed at raising awareness among stakeholders on the role of ICT in sustainable energy policies – and Alcatel-Lucent played a key leadership role in organizing and moderating this event.

### United Nations Momentum for Change

GeSI was instrumental in the creation of a new pillar on the role of ICT in the United Nations Momentum for Change initiative, which is part of the United Nations Framework Convention on Climate Change (UNFCCC). Alcatel-Lucent (through the GreenTouch consortium) contributed to GeSI's engagement with the UNFCCC in a number of ways, including representation on the Momentum for Change Advisory Panel.

## 2.6 Public affairs

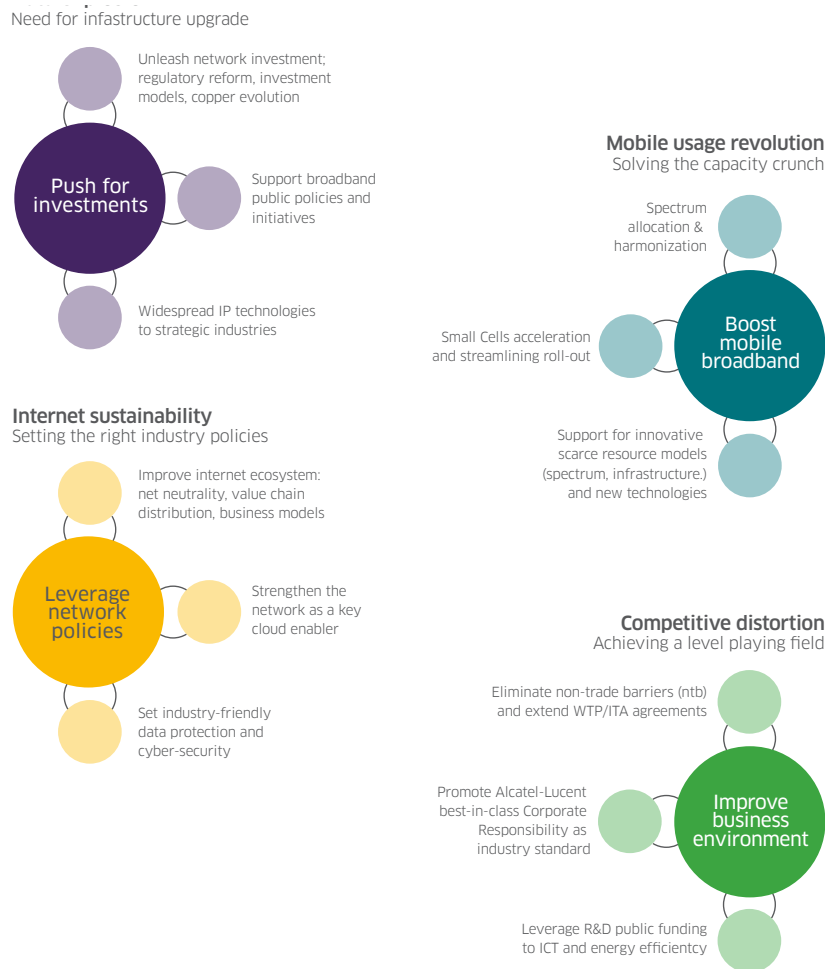
G4-DMA PUBLIC POLICY

Alcatel-Lucent Public Affairs works with policymakers, regulatory authorities and other institutions to help create a political, financial, legal and regulatory environment that fosters public and private investment in the digital and broadband industries.



We focus our contribution where it matters most to our industry. Our activities help shape efficient spectrum allocation methodologies for mobile broadband in a range of Internet and online areas such as net neutrality, digital inclusion, corporate governance, and broadband connectivity for social and economic development. Alcatel-Lucent initiatives also contribute to our overall sustainability performance in green innovation and digital inclusion.

## Policy and regulation topics for the industry



### 2.6.1 Corporate governance

G4-24, G4-DMA PUBLIC POLICY

Alcatel-Lucent works with professional associations and international forums to promote best-in-class corporate responsibility policies — in particular, those related to corporate governance issues such as transparency, management structure, whistle blowing and compliance procedures, shareholder structure, balance sheet financing and financial results reporting.

## 2014 achievements

In 2014, we successfully promoted:

- Best-in-class corporate responsibility policies (particularly related to corporate governance) to enhance legislation and voluntary initiatives, working with public authorities
- Best-in-class practices to create a fair and level playing field among telecom equipment vendors, working with U.S., EU and French authorities
- Best-in-class anti-corruption recommendations with the B20 Anti-Corruption Working Group, which were included in the G20 Leaders' Communiqué following the Brisbane Summit in November

## 2.7 Responsibility to shareholders

G4-24

Alcatel-Lucent regularly updates shareholders and prospective investors on the company's business strategy, activities and financial performance. As governance is a key item on the agendas of investor meetings, we communicated with shareholders ahead of our Annual General Meeting to discuss and explain the resolutions submitted to vote. In 2015, our Investor Relations team will focus on strengthening our relationships with the financial community.

### Highlight

Main shareholders as of December 31, 2014:

- 11.4% Capital Group
- 3.9% CDC
- 3.7% BlackRock

## 3 Our approach to marketing and communications

Our marketing communications are regulated by national and international laws, and are subject to voluntary codes and standards applied across the organization — including our own Code of Conduct. We ensure our marketing communications and advertising activities are truthful, legally compliant, and socially and environmentally responsible, and review applicable regulations, standards and codes on at least an annual basis.

We respond to questions or concerns about our products through contacts on our website and in product support and documentation.

### 3.1 Data protection, privacy and retention

Alcatel-Lucent strives to comply with all applicable laws around the world designed to protect the right to privacy and prevent misuse of personal data. Our Global Privacy and Data Protection Policy is based on the EU Data Protection Directive (95/46/EC), which is one of the most stringent privacy laws in the world. This Policy was updated in November 2014.

As we do not have direct business relations with consumers, we do not control end-user consumer data. We sell our products and solutions only to other corporations, and the processing and retention of customer data is regulated by contractual agreements we have signed with those customers.

Our marketing communications activities also meet all existing data privacy and data protection laws in Europe and around the world, including the EU Directive on Privacy and Electronic Communications (2002/58/EC) as it relates to data retention, unsolicited emails and cookies. In 2014, we added a prominent banner to our websites giving visitors information about 'cookie' usage and our Cookie Policy.

In addition, our approach to marketing communications ensures that all collateral we produce (e.g., white papers, brochures, data sheets, web pages) conforms to the Global Record Retention Schedule of our Information and Record Management Policy, which governs the secure storage and quick retrieval of relevant documents for legal, regulatory or operational reasons.

# Governance

27%

of the members of the Board of Directors are women

100%

of Directors and Board observers undertake to comply with the rules of conduct set out in the Directors' Charter and Alcatel-Lucent Insider Trading Policy

Our Sustainability Governance

provides direct oversight to CEO and Management

## 1 Corporate governance

G4-34

The principles of sustainability are an essential part of our corporate governance. The Board of Directors supports all of the company's initiatives that cover a scope beyond what is meant by 'sustainability'.

The Board of Directors is kept regularly informed of sustainability proceedings reported by the different organizations within Alcatel-Lucent to the Board's Committees: the Technology Committee is concerned by the areas of the environment; the Audit & Finance Committee by the conformity and risks management areas; and the Board by the strategy and human resources fields. <sup>G4-34</sup>

The **Management Committee**, Alcatel-Lucent's highest corporate leadership governance body, reviews the company's sustainability priorities, strategy and KPIs, and tracks progress on commitments in collaboration with the Head of Sustainability, CEO and Leadership team. The Management Committee provides oversight to the Board of Directors on emerging and critical sustainability issues for the company by means of the Board Committees.

### 1.1 Board of Directors Governance System

Alcatel-Lucent is compliant with the AFEP-MEDEF Code of Corporate Governance for listed corporations. The principles of the code govern, among other things, the operating rules of our Board of Directors and its committees.

#### 1.1.1 Separation of functions and powers

Alcatel-Lucent operates according to the 'monist' system, meaning that it is managed by a Board of Directors. The duties of the Chairman of the Board and those of the Chief Executive Officer are separated. Indeed the Board of Directors considered that this corporate governance mode was the best one in the current context. It was confirmed as efficient by the annual evaluation of the Board.

The functions of Chairman of the Board of Directors and Chief Executive Officer have been performed respectively by Mr. Philippe Camus, since October 1, 2008 and by Mr. Michel Combes, since April 1, 2013.

In the context of the transformation of Alcatel-Lucent, the Board of Directors is comfortable with the strong cooperation between the Chairman and the CEO, which confirms the choice of the governance structure company's governance structure. The Board of Directors reappointed Mr. Philippe Camus as Chairman of the Board of Directors following the renewal of his appointment as Director at the Shareholders' Meeting of May 7, 2013, for a three-year period, that will expire at the end of the 2016 Ordinary Shareholders' Meeting.

In addition, the Board of Directors appointed on February 21, 2013 Mr. Jean C. Monty as Vice-Chairman of the Board of Directors in order to assist the Chairman for certain matters, including representation of the Group at high-level meetings on the American continent, pursuant to specific requests of the Board of Directors. This appointment was confirmed following the renewal of his appointment as Director at the Shareholders' Meeting of May 7, 2013 for a three-year period that will expire at the end of the 2016 Ordinary Shareholders' Meeting.

## Highlight

Michel Combes has been the CEO of the company since April 1, 2013. In the context of the transformation of Alcatel-Lucent, the Board of Directors is comfortable with the strong cooperation between the Chairman and the CEO, which confirms the choice of the governance structure company's governance structure.

### 1.1.2 Staggered Board: Membership and diversity

G4-LA12

As of March 13, 2015, our Board consists of 11 Directors, three of whom are women, representing four nationalities with an average age of 60. The term of office is three years and, in compliance with the AFEP-MEDEF Code, the renewal of the Directors' terms of office is staggered. One third of the members of the Board of Directors members have been renewed each year since 2013.

DIRECTORS	POSITIONS	AGE	INDEPENDENCE	NATIONALITY	EXPIRATION OF MANDATE	RENEWAL OF MANDATE
Mr. Camus	Chairman	66	No	French	SM2016	
Mr. Monty	Director	67	Yes	Canadian	SM2016	
Mr. Combes	CEO	52	No	French	SM2016	
M. Caio	Director	57	Yes	Italian	SM2017	
Ms. Cico	Director	54	Yes	Italian	SM2016	
Mr. Eizenstat	Director	72	Yes	American	SM2015	•
Mrs. Goodman	Director	49	Yes	American	SM2017	
Mr. Hughes	Director	66	Yes	American	SM2015	•
Mrs. Morali	Director	56	Yes	French	SM2017	
Mr. Piou	Director	56	No	French	SM2015	•
Mr. Spinetta	Director	71	Yes	French	SM2017	

### 1.1.3 Selection of the Directors

The Board of Directors aims to combine a range of diverse skills bringing to it an expertise in the Group's high technology businesses but also telecom expertise and knowledge of the various geographic markets, the business environment in which the company operates, and sufficient financial expertise. These financial skills enable the Board of Directors to make informed and independent decisions with respect to the financial statements and compliance with accounting standards. Special attention is also paid to the quality and the complementary nature of the professional background of the Directors, both in terms of location and of the duties performed and their business sectors.

The Corporate Governance and Nominating Committee provides the Board of Directors with an annual update on the selection of future Directors of the company and the composition of the Board of Directors. The Committee conducted its own studies on potential candidates beginning in July 2014. With the assistance of an external advisor, it developed a short list of potential female candidates, who have a technology background and who are American citizens in order to enhance the diversity within the Board. The short-listed candidates were interviewed by the members of the Committee, as well as by the Chairman of the Board of Directors and the CEO to evaluate their interest and their individual skills. The Corporate Governance and Nominating Committee presented the result of its work at the meeting of the Board of Directors on February 5, 2015, proposing to submit the appointment of Mrs. Sylvia Summers for a period of three years to the approval of the shareholders at the next Shareholders' Meeting. Subject to the appointment of Mrs. Sylvia Summers at the Shareholders' Meeting of May 26, 2015, the number of women will increase from 3 to 4 or 33% of the members of the Board of Directors.

#### **1.1.4 Independence of the Directors**

The independence criteria selected are based on both the recommendations of the AFEP-MEDEF Code and the requirements of the NYSE. According to the AFEP-MEDEF Code, the majority of the members of the Board of Directors must be independent. According to the requirements of the NYSE, and in compliance with the applicable provisions of the Sarbanes-Oxley Act, the Board of Directors of a U.S. listed company must be composed of a majority of independent members. The Board of Directors must determine whether the independence criteria are met.

##### **Annual review of all the Directors**

On March 13, 2015, the Board of Directors, based on the declarations and questionnaires completed by the Directors, carried out the annual assessment of the situation of each Director and of potential relationships, which might exist between them and the Alcatel-Lucent Group. It assessed the situation on a case-by-case basis, in accordance with the independence criteria of the AFEP-MEDEF Code and the recommendations of the NYSE.

The Board of Directors relied upon the following AFEP-MEDEF Code independence criteria:

- Not being an executive director of the company, or of the group of which the company is a part, or having any particular relations with its executive directors
- Not being an employee, executive director or director of the parent company or of a company of the group within the last five years
- Not being an executive director of a company in which the company holds a directorship, directly or indirectly, or in which an employee or an executive director of the company is a director
- Not being a customer, supplier, investment banker or commercial banker (a) that is material to the company or its group or (b) for which the company or its group represent a significant part of the business

The Board of Directors noted that each Director (other than the CEO and the Chairman of the Board of Directors) fulfilled these criteria, and that the Chairman of the Board of Directors is also independent under the AFEP-MEDEF Code (see the subsection "Chairman of the Board of Directors"). In addition, the Board concluded that none of its Directors had close family ties with an Executive Director. The Board also noted that none of its Directors had been a Statutory Auditor of Alcatel-Lucent within the last five years or had been a Director of the company for over twelve years.

On the recommendation of the Corporate Governance and Nominating Committee, the Board of Directors concluded, based on the criteria of the AFEP-MEDEF Code, that Mrs. Carla Cico, Mrs. Kim Crawford Goodman and Mrs. Véronique Morali, as well as Messrs. Francesco Caio, Stuart E. Eizenstat, Louis R. Hughes, Jean C. Monty, Olivier Piou and Jean-Cyril Spinetta have no relationship of any nature whatsoever with the company, the Group or its Executive Directors and management that may affect their independent judgment and that, therefore, they are independent.

Consequently, 10 out of 11 members of our Board of Directors are independent Directors. Also, in compliance with the legal requirements and Article 5 of the Board's Operating Rules, the Board of Directors has at least one independent Director — namely, Mr. Jean C. Monty — with recognized financial and accounting expertise.

### **Chairman of the Board of Directors**

On March 19, 2014, the Board of Directors examined the situation of Mr. Philippe Camus in light of the new provisions of the AFEP-MEDEF Code as revised in June 2013. The code states that the Chairman of the Board of Directors, who is an Executive Director, may now be considered as an independent director subject to the satisfaction of the independence criteria provided by this Code.

The Board of Directors noted that the Chairman of the Board of Directors has no relationship of any kind whatsoever with the company, the Alcatel-Lucent Group or its management that may affect his independent judgment.

Therefore, Mr. Philippe Camus, who meets the criteria of the AFEP-MEDEF Code, is considered as an independent Director, according to the criteria of the Code.

### **Independence within the Committees**

The Board of Directors determined that more than two-thirds of the Directors of the Audit and Finance Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and the Technology Committee are independent, in accordance with the rules that it has adopted. The number of independent Directors within each Committee exceeds the recommendation of the AFEP-MEDEF Code.

### **Independence according to the NYSE Rules**

Pursuant to the NYSE rules, the Chairman of the Board of Directors who is an Executive Director cannot be considered an independent Director. However, the NYSE rules authorize the company to follow the rules of the AFEP-MEDEF Code, except with respect to compliance with the criteria regarding the independence of the members of the audit committee.

The NYSE rules are more restrictive concerning the relationship with the statutory auditors of the company, since they apply not only to the concerned director but also to the immediate family members. As a consequence, Mr. Olivier Piou cannot be considered as independent under the NYSE rules since his brother is a partner at Deloitte & Associates, one of the Statutory Auditors of the company—even if his brother is not involved with the Alcatel-Lucent account.

### **1.1.5 Representation of employees**

In the absence of a Director representing the company's employees ("administrateur salariés", the representation of the employees at the Board of Directors is ensured by the two Board Observers. Alcatel-Lucent does not fulfill the conditions of the French law of June 14, 2013 and is, therefore, not covered by the provisions requiring the nomination of a Director among the company's employees. The two Board Observers ("Censeurs") are both employees of Alcatel-Lucent, or of an affiliate, and members

of the Alcatel-Lucent mutual fund (in French “Fonds Commun de Placement” [FCP]). (See Section 7.1.3.2 of the Document de Reference 2014 “Operating Rules of the Board of Directors”). The FCP owns Alcatel-Lucent shares and the employees of Alcatel-Lucent own a beneficial interest in this fund. The mutual fund designates, among its members, a number of candidates representing twice the number of Board Observers seats to be filled in at the Board of Directors of the company. This list is addressed to the Chairman of the Board of Directors and then, upon recommendation of the Corporate Governance and Nominating Committee, the Board of Directors submits to the Shareholders’ Meeting the appointment of one or several Board observers, as the case may be for a three-year mandate pursuant to Article 14 of the Bylaws.

### 1.1.6 Ethics and absence of conflicts of interest

Each Director and Board Observer undertakes to comply with the rules of conduct set out in the Directors’ Charter, in particular the compliance with any applicable securities laws, as well as with the rules of our Alcatel-Lucent Insider Trading Policy, designed by Alcatel-Lucent to prevent insider trading. This policy sets limited periods outside of which transactions involving our company’s shares are not authorized, the minimum number of shares that each director must hold, and an obligation to notify the *Autorité des Marchés Financiers* (the French securities regulator) of any personal transactions involving Alcatel-Lucent shares.

In accordance with Article 3 of the Directors’ Charter, “a Director has the obligation to inform the Chairman of the Board of Directors of any situation potentially resulting for them in a conflict of interest and, if such conflict relates to a particular subject, they must refrain from participating in the vote of the corresponding resolution.”

### 1.1.7 Board duties

G4-34

In addition to matters related to its legal or regulatory function, the Board of Directors regularly decides upon the company’s strategic orientations and the main decisions affecting its activities. It also analyzes the outlook resulting from the research and development activities of the Group and gives input on the main technology options chosen. Furthermore, the Board monitors the company’s economic and financial management, and authorizes financial transactions that have a significant impact on its accounts.

The Operating Rules of the Board of Directors specify the conditions according to which the Directors exercise their functions and, in particular, the thresholds above which the decisions of the CEO are subject to the prior approval of the Board of Directors.

For 2014, the Board of Directors examined the implementation of previously defined strategic guidelines, orientations underlying *The Shift Plan* for 2014 and 2015, and reviewed the main measures taken to ensure the successful adaptation and streamlining of the Group’s structures, procedures and production resources. Furthermore, it monitored the sale of our subsidiary LGS Innovations LLC, as well as the sale of Alcatel-Lucent Enterprise to China Huaxin. It also approved clear optional and financial targets, both in terms of results and cash flow generation in the context of the refocusing implemented by the Leadership team. Moreover, the Board was regularly informed of significant contracts concerning the Group, as well as current transactions.

## 1.2 Board effectiveness and transparency

### 1.2.1 Dialogue with Directors

Pursuant to the Operating Rules that govern its operation, our Board of Directors meets at least once every quarter. However, in practice, the Board of Directors meets more frequently, illustrating the commitment of its Chairman and the Directors to the company.



Board meetings are usually held at the Group's head office in Boulogne-Billancourt, or in the United States in Murray Hill (New Jersey), at the head office of Alcatel-Lucent USA Inc. However, meetings can also be held regularly at other sites of the Group with a view to facilitating the dialog between executives, employees, and Directors, and enabling our Directors to better understand both the wide range of business activities of the Group, as well as the specific challenges in its main markets.

In accordance with Article 14 of Alcatel-Lucent bylaws, the Board Observers are convened to meetings of the Board of Directors and they participate on a consultative basis, including meetings of the Corporate Governance and Nominating Committee and the Compensation Committee. Upon the recommendations of the Corporate Governance and Nominating Committee, the Board of Directors extended the participation of the Board Observers to meetings of all Committees. The Board Observers already participated in the meetings of the Audit and Finance Committee and of the Technology Committee. This participation is in line with the new provisions of the AFEP-MDEF Code, which recommend that a director representing the employees participate in the meetings of the compensation committee.

### 1.2.2 Board's information and works

To assist them in the performance of their duties, the members of the Board receive all relevant information regarding Alcatel-Lucent, in particular, the financial analysis reports. This information is available to the Directors by means of a secure Intranet site dedicated to the Board members.

The Board of Directors has four specialized committees that report to it concerning the subjects presented to them: Audit & Finance; Corporate Governance & Nominating; Compensation; and Technology. The attendance rate of the Board and its Committees for fiscal year 2014 is globally satisfying:

BOARD AND COMMITTEE MEETINGS IN 2014	BOARD OF DIRECTORS	AUDIT AND FINANCE COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	COMPENSATION COMMITTEE	TECHNOLOGY COMMITTEE
Overall attendance rate	96%	90%	96%	100%	100%

### 1.2.3 Assessment of the Board's own work

Pursuant to the AFEP-MEDEF Code and our Operating Rules, the Board of Directors' agenda calls for an annual discussion on its composition and organization. This translates into a self assessment based on individual questionnaires and, once every two years, into an evaluation performed with the support of an outside consultant.

The Board performed an annual assessment of its own work at the beginning of 2014, under the authority of our Corporate Governance and Nominating Committee with the support of an outside consultant. The consultant met with each Director, including the CEO, and with the CFO. The results of this assessment were examined by the Board of Directors at its meeting held on March 19, 2014.

The conclusions confirmed that the Board of Directors displays a satisfactory level of diversity and works coherently, with a high degree of commitment. The Board of Directors operates on the principle of independent thinking and making the most of the high level of experience of its members. There is a strong cohesion of the members with the Chairman, who participates actively, challenging the participants judiciously, constructively and with tact. This creates a good environment for exchanging

views and facilitates decision-making. The “Executive Sessions” are also considered as very positive and contribute highly to improving Board efficiency. On the Chairman of the Board’s initiative, the suggestions resulting from that evaluation were implemented in 2014 as follows:

- The establishment of an integration program for incoming members of the Board, coordinated by the Board Secretary with support from representatives of various Group divisions. The program comprises several sessions, in particular, finance, technology and governance. This allows members to benefit from information on the Group’s organization and activities, the company values and business model, as well as the challenges and goals. Furthermore, an annual session dedicated to new technologies will supplement the information of all Board members.
- The design of an evaluation model for the CEO, based on three major pillars: strategy, leadership, and the implementation of *The Shift Plan*.
- The adoption of a structured annual timetable for Human Resources, covering important issues for the Group, such as key people and their succession plan, diversity, renewal and retention of talent. Additionally, joint sessions of the Compensation and Corporate Governance and Nominating Committees will be held on certain topics.
- Follow-up on the implementation of Board decisions, which means that every meeting of the Board begins systematically with a report of the Board Secretary on this point.

On February 5, 2015, pursuant to our Operating Rules, the Board of Directors met to discuss its functioning and to evaluate the results of the actions taken since the last self-evaluation concerning the composition, efficiency and organization of the Board and of the Committees. The Board of Directors expressed a very favorable view overall, and noted significant progress since its last self-evaluation.

The Board of Directors benefits from a satisfactory level of diversity, skills and high-level of experience of its members. The environment favors constructive debates and communication, and the interactions between the Board and its Committees, its Chairman and the CEO are balanced. The Board of Directors remains highly involved in the Group’s strategy, both in its development and in the follow-up of its implementation. This good understanding of the Group’s strategy allows the Directors to act in the Group’s interests.

As a result of this self-evaluation, the Board of Directors suggested certain improvements, such as a specific focus on the way the members of the Leadership team operate and how they manage their teams in terms of organization, resources, key processes and interfaces; an increased variety in the information made available to the Board of Directors, such as reports of industry analysts, and the organization of exchanges during dedicated sessions of the Board of Directors, between the Directors and the sector analysts, clients and significant shareholders, so that they can share their views on the company and its positioning; and lastly, access of the Board of Directors to more specific information on certain activities of the Group depending on the Board’s agenda.

## 1.3 Senior management remuneration

### 1.3.1 Principles

Compensation for the Executive Directors is established in accordance with the recommendations of the AFEP-MEDEF Code. Upon the recommendation of the Compensation Committee, the Board of Directors determines all compensation and long-term benefits awarded to the Chairman of the Board and the Chief Executive Officer.

Proposals for the compensation of the Chairman and of the Chief Executive Officer, as well as of the Directors and key executives, are established under the responsibility of the Compensation Committee. The Compensation Committee evaluates all compensation paid or granted to them, including compensation relating to retirement, severance pay and other benefits of any nature. 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.

### 1.3.2 Executive Directors

The Board of Directors ensures a balance between the various components of the Executive Directors' compensation (fixed and variable compensation, awards of stock options, performance shares, Performance Units, severance pay and additional pension benefits, if any). It also ensures that these components comply with the principles of comprehensiveness and clarity, balance and reasonableness, benchmarking and consistency, as set forth in the AFEP-MEDEF Code.

In 2014, the compensation policy for the Executive Directors was determined by the Board of Directors, taking into account the company's strategy, as, in particular, reflected by *The Shift Plan*.

The compensation of the Chairman of the Board of Directors consists of a fixed annual compensation and long-term compensation in the form of Performance Units subject to a presence condition at the end of a 2-year vesting period, and to the satisfaction of performance criteria linked to his position as Chairman of the Board.

The long-term compensation of Mr. Philippe Camus does not include any stock options. In 2013, in order to show his personal commitment in favor of the Group's recovery, Mr. Philippe Camus also relinquished any performance share grant.

However, deeming that the compensation of the Chairman did not reflect the intensity and the quality of his contribution to the governance of the company, the Board of Directors decided, upon the recommendation of the Compensation Committee, to grant him long-term compensation with Performance Units. Performance Units are conditional rights, which grant the beneficiary the right to receive compensation in cash, subject to a presence condition as the Chairman of the Board at the end of a two-year vesting period, and to the achievement of performance criteria. The first performance criterion consists of the implementation of the recommendations resulting from the evaluation of the Board of Directors conducted at the beginning of 2014; and the second in the Chairman's contribution with respect to the company's strategy. The level of satisfaction of the performance criteria will be assessed by the Board of Directors at the end of the vesting period.

The total annual compensation of the Chief Executive Officer like that of all Alcatel-Lucent managers and executives, consists of a fixed and a variable portion, plus long-term compensation and benefits. The variable compensation is determined each year by the Board of Directors according to pre-defined performance criteria.

The performance criteria applicable to his variable compensation and to his long-term compensation reflect the Group's strategy, as well as transformation objectives and the implementation of the company's strategy, as reflected by *The Shift Plan*. For fiscal year 2014, 50% of the variable compensation depended, on a financial criterion consisting of the same level of Free Cash Flow generation as that applicable to the employee profit-sharing scheme. For the other 50%, it depends on the achievement of *The Shift Plan* targets for fiscal year 2014. These criteria remain the same for 2015, except that the financial criterion consists in corporate targets, namely, the segment operating cash flow and the level of customer satisfaction, with the same targets as those applicable to the employee profit-sharing scheme.

The long-term compensation of the CEO consists of Performance Units, which are conditional rights granting the beneficiary the right to receive compensation in cash, subject to a presence condition that he remains Chief Executive Officer until the end of a three-year vesting period, and to the achievement of performance criteria applicable to the entire grant: 50% of the vesting of the rights is based on the performance of the Alcatel-Lucent share price compared with a panel, and 50% is based on the implementation and achievement of the company's strategic plan (*The Shift Plan*). Mr. Michel Combes is also eligible for stock option grants.

Since he took office, subject to performance conditions pursuant to applicable law, the Chief Executive Officer has benefited from the private pension plan applicable to all corporate executives of the Group's French subsidiaries (AUXAD plan) for the portion of income that exceeds eight times the annual French Social Security limit beyond which there is no legal or contractual pension scheme.

The Chief Executive Officer is entitled to a termination benefit, the amount of which will be equal to one year of total target compensation (fixed and target variable), subject to performance conditions as required by applicable law. In compliance with the AFEP-MEDEF Code, this termination benefit will only be paid if the Board of Directors terminates the office of the Chief Executive Officer in the context of a change of control or strategy, and if the predetermined performance condition is met.

The table below reflects the main criteria adopted with respect to the compensation of the Executive Directors for fiscal year 2014:

	FIXED COMPENSATION	VARIABLE COMPENSATION	PERFORMANCE UNITS
Chairman	Individual skills		50% Qualitative criteria related to the position of Chairman of the Board 50% Contribution to the company's strategy
CEO	Individual skills	50% Financial criterion 50% Achievement of the targets of <i>The Shift Plan</i>	50% Performance of the share 50% Implementation of the company's strategy
	Short-term performance		Long-term performance

### 1.3.3 Management Committee

The remuneration of the members of the Management Committee consists of a fixed portion, a variable portion, and long-term compensation and benefits based on Group performance criteria reviewed by the Compensation Committee similar to those applicable to a large number of company managers and on their individual performance.

### 1.3.4 Members of the Board of Directors

In compliance with the AFEP-MEDEF Code, the other Directors receive directors' fees consisting of a fixed portion for performing their duties on the Board of Directors and, where relevant, on one of the Boards' Committees; a variable portion, linked to their level of attendance at the various meetings of the Board and Committees and (iii) additional directors' fees, which are allocated equally among the Directors, subject to the investment in Alcatel-Lucent shares of the amount granted as additional fees after taxes, and to the holding of the acquired shares for the duration of the term of office as Director. The Chairman of the Board of Directors and the CEO do not receive any directors' fees.

## 2 Sustainability governance

With the company's strategic and industrial focus on *The Shift Plan*, in 2014 our sustainability strategy and governance were realigned as follows.

- **Management Committee**

The Head of Brand and Corporate Sustainability will participate annually in Alcatel-Lucent's highest corporate leadership governance body to set and validate the company's sustainability priorities, strategy and key performance indicators, and to track progress on commitments in collaboration with the CEO and Leadership Team executives. The Head of Brand and Corporate Sustainability will also review potential risks and opportunities, and provide oversight to the Board of Directors on emerging and critical sustainability issues for the company where appropriate.

- **Sustainability Council**

The Head of Brand and Corporate Sustainability leads a renewed Sustainability Council. This renewed and reconfigured body will include dedicated experts from key functions throughout the company, including Human Resources, the Office of Business Conduct, Operations, Strategy, CTO, Bell Labs, CMO, Quality and Risk, as well as business line representatives. It will meet virtually on a quarterly basis to help define and execute on the company's sustainability strategy, key performance indicators and commitments, and to raise key risks and commercial opportunities to be addressed in the company's sustainability performance and activities.

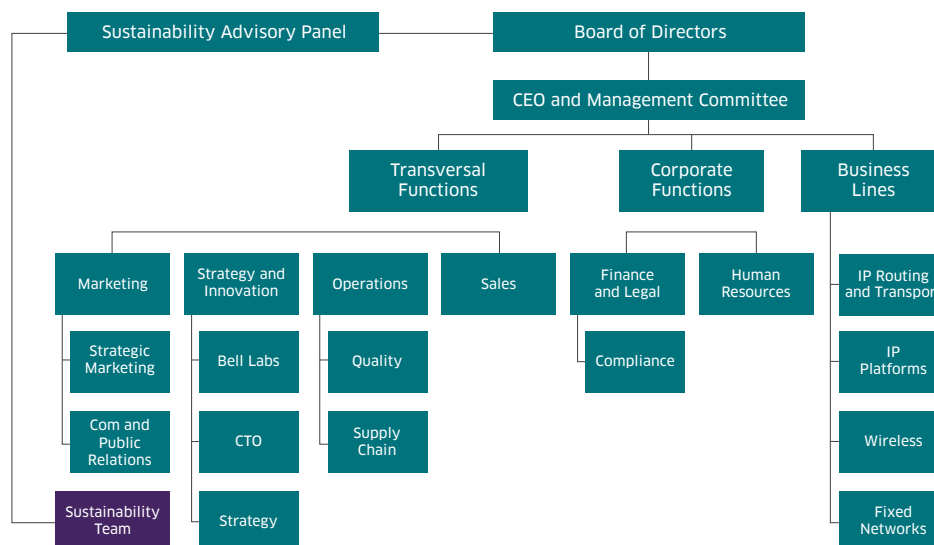
- **Sustainability Advisory Panel**

This panel engages Alcatel-Lucent material stakeholders in the company's sustainability strategy and KPIs, and provides insight and actions on key risks and opportunities. It includes key customers, an investor, a key supplier, a government representative, a representative from an NGO and a representative from a rating agency. It is led by the Head of Brand and Corporate Sustainability with the support of executive leadership members and company experts, and is moderated by an external advisor. Five meetings were held in 2014 and a full materiality assessment was performed with the members of this panel.

- **Corporate Sustainability Team**

This group defines and drives the implementation of our sustainability strategy and initiatives worldwide. It is accountable for the company's regulatory and reporting requirements and leads proactive stakeholder dialog. The Alcatel-Lucent Foundation is also part of the corporate sustainability function.

### 2014 Sustainability governance structure



# 3 Our approach to risk and crisis management

## 3.1 Enterprise risk management

Enterprise Risk Management (ERM) at Alcatel-Lucent is built on a comprehensive framework covering 50 risks in operations, finance, strategy, human resources and security, as well as legal and compliance. Topics related to sustainability — for example, respect for human rights, anti-corruption, raw material prices and environmental regulations — are either addressed directly or nested within the risk catalogue.

### 2014 achievements

In 2014, we strengthened the governance of the ERM process and alignment between our two ERM sub-processes: 'bottom-up' risk capture at the business organization level, and risk capture and aggregation at the corporate level.

Other achievements included:

1. Reducing the standard risk framework from 80 to 50 lines
2. Implementing a web-based software-as-a-service (SaaS) Risk Management Information System, covering the workflow from risk capture to action plan follow-up
3. Updating ERM for the Submarine Business Unit, Global Sales, Global Marketing and the Corporate Strategy & Innovation Office
4. Updating our corporate-level ERM risk map
5. Defining mitigating actions and monitoring them on a quarterly basis (in 2014, 98 mitigating actions covering 100% of our key risks were defined, monitored and implemented to a very high percentage)
6. Reinforcing ERM governance at the Management Committee level, with accountability for ERM added to the Management Committee charter (the full ERM was reviewed by the Management Committee on June 6, 2014 at a quarterly Segment Strategy review meeting)
7. Completing a global ERM review by the Audit & Finance Committee on March 18, 2014

Our ERM approach gives enterprise-wide visibility to the impact of all types of risks on processes, activities, stakeholders, products and services. It allows us to define effective and sustainable risk responses through:

- Risk identification and evaluation
- Setup and capture of mitigating actions for key risks

We prioritize the most significant risks according to:

- Severity of impact
- Likelihood of occurrence
- Control effectiveness

Prioritized risks identified as warranting particular attention (based on consolidated ERM results and input from select corporate stakeholders) are reviewed by the Management Committee, and annually by the Audit & Finance Committee. ERM disclosure is reconciled with 20-F risk factor disclosure.

## 3.2 ERM governance and compliance

The Chief Financial and Legal Officer reviews our ERM program on behalf of the Board of Directors and its Audit & Finance Committee. (The Chief Financial and Legal Officer reports directly to the Chief Executive Officer, a member of the Management Committee. Within Group Treasury, the Head of Risk & Insurance owns the ERM process).

In place for more than a decade, our ERM program complies with the integrated COSO II framework, (which allows companies to structure all kinds of risks and organize appropriate mitigating actions) and aligns with the recommendations of the “Autorité des Marchés Financiers” and the *Sarbanes-Oxley Act*.

Corporate risk owners and associated mitigating actions are identified for each key risk. Actions can be either recurrent (control activities) or corrective (ad hoc). Action plans are monitored on a quarterly basis by means of specific indicators. Risk owners work with the corresponding Management Committee member or his/her direct reports.

Risks and the status of mitigating actions are submitted quarterly to the Chief Financial and Legal Officer, Group Treasury, and Corporate Audit Services. Reporting on key risks and mitigating actions is complemented where relevant by the presentation of “hot risk” topics to ensure our perspective remains current.

In 2014, our risk mitigation programs placed particular focus on contingencies and financial risks associated with suppliers; on liquidity risks and risks associated with information protection; and operations in ‘risky’ countries.

Alcatel-Lucent enforces a policy to minimize industrial risks — to avoid high-frequency occurrences and to control the impact of potentially serious losses. More than 65% of our total insured values are classified as ‘highly protected risks’ (HPRs).<sup>1</sup>

<sup>1</sup> An HPR is a facility at which exposure to loss due to natural hazards (e.g., earthquakes, floods, windstorms) and industrial risks (e.g., fire) has been reduced to an acceptable level through all reasonable human elements (to avoid high-frequency risks) and physical protection measures (to reduce high-impact risks).

Contingencies and interdependencies linked to internal and external manufacturing and logistics nodes are continuously analyzed, and corrective risk engineering is conducted throughout our supply chain organization for the benefit of customers, employees, suppliers and stakeholders.

### Highlight

#### **Minimizing supply chain contingencies**

In 2014, Alcatel-Lucent conducted systematic risk assessments of its suppliers, focusing in particular on financial risks. In product design and industrialization, we deployed a concept to evaluate the strength or health of the raw materials, sub-assemblies, parts and quantities of each needed to manufacture an end product (bill of material).

Both proactive activities demonstrate how we build increased resilience into our supply chain.



## 3.3 Business continuity and crisis management

### 2014 achievements

#### **Minimizing supply chain contingencies**

Last year, we streamlined our mature Business Continuity Management (BCM) program, which covers 97% of all identified critical functions, to align with *The Shift Plan*.

Integrated into our Enterprise Risk Management framework, our enterprise-wide Business Continuity Management (BCM) program enables the continuation of business-critical functions, such as product delivery, installation, and technical support — and our ability to meet customer expectations — during significant business disruptions. It is closely linked to and supports our corporate crisis management process.

In 2012, we completed a four-year initiative to establish a standard format and centralized repository for our business continuity plans. These plans are integrated throughout the company, and are activated if and when needed. Currently, plans cover 97% of all identified critical functions — exceeding our objective of 90% coverage. The focus for 2015 will be to maintain plan coverage to sustain BCM program maturity.

Our BCM program is complemented by a robust corporate crisis-management process approved by the CEO. This process establishes an integrated approach to incident management in crisis situations and provides the framework for efficient interaction between local, national, regional, corporate and external stakeholders.

The Corporate Crisis Management team is activated during a major event that threatens people security, company image, customer satisfaction or business continuity. It provides guidance for events, such as country evacuation, serious injury or fatality, data breach, natural disaster, pandemic or a geopolitical crisis.

### Highlights

#### **Ensuring business continuity**

For the second year in a row, no major events required activation of our business continuity plans. Because hurricanes, earthquakes and local events that have challenged the company in past years are notoriously unpredictable, plans need to be kept current and ready for implementation at any time in response to a business disruption. To ensure a high level of readiness, the Business Continuity Governance Board set an annual objective to maintain more than 95% of approved plans. Business Continuity Plan (BCP) teams surpassed this target, updating 99% of approved plans during the 2014 annual review, and 100% of approved plans during the semi-annual contact update last year as well.

#### **Streamlining plan coverage**

Alcatel-Lucent business continuity plans are aligned with our corporate structure, fitting together like pieces of a puzzle to cover the entire company. As our various organizations evolve and personnel gain experience maintaining plans, similarities among plans become more apparent and opportunities to streamline coverage arise. For example, the Fixed Networks Business Line previously maintained a business continuity plan for each of the four regional customer technical support groups. During updates in 2013, many similarities were noted among the plans, leading to the creation of a single plan in 2014 covering all customer technical support functions globally. Maintaining one global plan streamlines plan coverage and promotes resilience, further simplifying operations.



## 3.4 Contingency plans for environmental and sustainability-related risks

Real-estate business continuity plans (BCPs) address environmental risks not as specific threats but rather as risk responses to the loss of critical functions. A total of 70 real-estate facilities plans are currently in place. These plans target locations with more than 500 employees (or more than 200 employees in areas with elevated risks, such as locales prone to earthquakes or political volatility) and cover all critical real-estate functions identified for a given location.

With some exceptions, BCPs are not developed per threat but instead per critical function. Therefore, BCPs respond to any threat to any system that becomes material, including environmental risks. Some plans — both centrally managed plans within the corporate crisis management process and local emergency response plans — respond to particular hazards, such as earthquakes and pandemics.

Regarding compliance, 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 are documented in business continuity and crisis-management plans to manage the appropriate response to identified key risks.

## 4 Taxation risks

Alcatel-Lucent strives to be compliant with tax law and regulations in all countries in which it operates. We publish our Tax Policy, in line with all major company policies on the group's Internet site.

We use an on-line, third party application to track both tax litigations and areas of tax uncertainty worldwide and we report on significant movements both to group management and to our external auditors, at least once every calendar quarter. We participate in the group's Enterprise Risk Management effort, and currently have one file on the group's ERM dashboard, relating to a complex tax audit that has been in progress since mid-2012. We are actively following developments at the OECD relating to Base Erosion & Profit Shifting (BEPS), especially in relation to the remuneration of intellectual property and to country-by-country tax reporting requirements.

Read more about Alcatel-Lucent Policies” [here](#)

## 5 Independence of statutory auditors and internal audit

External auditor fees are closely monitored and controlled, with budgets approved by the Audit and Finance Committee, and a process in place to approve any additional audit services fees (audit-related or not audit-related). The Audit & Finance Committee approved services audit fees (not audit-related) rendered by the two statutory auditors in 2014 were approved.

The Corporate Audit function is in charge of all internal audit engagements as well as the Sarbanes-Oxley Project Management Office. In accordance with the Audit Charter, CAS has full access to all areas of the organization to accomplish its mission. With a team of approximately 35 people, the Chief Audit Executive reports to the Audit & Finance Committee and Chief Finance & Legal Officer (CF&LO) on the status of the audit plan and specifically on the effectiveness of the internal controls of reviewed domains (including, notably, Sarbanes-Oxley compliance and results of anti-corruption reviews). The audit results and the follow-up of the audit recommendations made by the audit team are regularly shared with the Audit & Finance Committee.

In 2014, IFACI (the French branch of the Institute of Internal Auditors – IIA) renewed the internal audit certification in recognition of our team’s professionalism. This external certification confirms that Alcatel-Lucent’s internal audit function: is independent, objective, competent and rigorous; focuses on areas of major importance for the organization; constantly strives to optimize the quality of services rendered; and plays an active role in the company’s governance practices.

For more information, please see Form 20-F, Section 3.1 “Global System of Internal Control and Risk Management”.

## 6 E-notice of meeting and e-vote for the 2015 shareholders’ meeting

Alcatel-Lucent proposes to send notices of shareholder meetings by email and enable votes via Internet as a sign of commitment to eco-sustainability.

Shareholders who have agreed to this will receive the notice of meeting by email with a link to a dedicated and secure website where they can access and download the Board’s report on resolutions and the Shareholders’ Meeting notice, and can cast their vote.

A similar system also exists for the holders of American Depositary Shares (ADS)\* with access to the voting materials via a dedicated website. The company has produced a lightweight notice of meeting in compliance with the applicable law that authorizes the sending of a two-page important notice with access to a dedicated website for the Shareholders’ Meeting and to receive, if requested, a paper copy of the documents regarding this meeting.

\*An ADS represents one underlying ordinary share, and allows U.S. investors to have easier access to non-U.S. corporate issuers.

# Ethics and compliance

100%

of our business (including regions, business groups and central functions) analyzed for risks related to corruption

98%

of all employees and non-employee workers reviewed and acknowledged for the Code of Conduct

2nd

year of reporting transparency measures according to the Telecoms Industry Dialogue  
*10 Guiding Principles on Human Rights Freedom of Expression and Privacy*

## 1 Our commitment to ethics and compliance

G4-DMA ANTI-CORRUPTION, G4-SO5, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE

Our commitment to ethics and compliance is essential to the way we do business. We communicate that commitment widely and regularly.

### Our commitment

Alcatel-Lucent has a zero tolerance policy for compliance violations and reinforces full integrity in every business action from every employee. ✓

### Highlight

Alcatel-Lucent was selected as the Dow Jones Sustainability Indices (DJSI) Industry Group Leader for the Technology Hardware & Equipment Sector, achieving a score of 100/100 in the Codes of Conduct, Compliance, Corruption and Bribery category.

Since 2007, we have implemented a comprehensive Ethics and Compliance Management System to promote compliance and ethical behavior consistent with the highest standards of our customers, shareholders and employees. This system aims to prevent and detect violations of law, regulation and company policy, and to cultivate an ethical business culture throughout the company. ✓

Key elements of the Ethics and Compliance Management System include:

- a comprehensive compliance governance structure, ✓
- the Alcatel-Lucent Code of Conduct, ✓
- policies, procedures and controls, ✓
- monitoring and auditing practices, ✓

- an annual compliance risk assessment (with related mitigation plans and processes for continuous improvement), ✓
- education and training, ✓
- ethics and compliance communications focusing on maintaining a “speak-up” culture, ✓
- a Compliance Hotline and other reporting vehicles, ✓
- a global compliance-resolution process. ✓

## 2014 achievements

Key achievements in 2014 included 98% participation by employees globally in the annual Code of Conduct review and acknowledgment process by year-end. ✓

We also continued to:

- Enhance our culture of integrity by reinforcing the role of managers and establishing a strong tone at the top of the company, starting with the CEO
- Reinforce that our senior leaders ‘own’ Alcatel-Lucent’s business integrity as well as overall accountability for program implementation and results
- Increase regional leadership and oversight of ethics and compliance

## 1.1 Zero-tolerance policy

G4-56, G4-S08, G4-PR9, G4-DMA COMPLIANCE, G4-DMA ANTI-COMPETITIVE BEHAVIOR

Our zero-tolerance policy insists on 100% integrity in all business practices. Management expects all employees to comply with applicable legal and company requirements, and is resolved to address any identified violations swiftly, consistently and fairly. We also continued to phase out sales agents and consultants as part of a mandated process initiated in 2008. Alcatel-Lucent has not engaged a new sales agent or consultant since 2009.

The zero-tolerance policy is reviewed regularly at the highest levels of the company, including by the Ethics & Compliance Council and the Board of Directors.

### Highlight

In 2014, Alcatel-Lucent paid no fines (significant or otherwise) for non-compliance with laws and regulations concerning the provisions and use of its products and services.

## 1.2 Communicating ethics and compliance

G4-56, G4-DMA COMPLIANCE, G4-DMA ANTI-COMPETITIVE BEHAVIOR

In 2014, we continued to enhance our comprehensive communications campaign promoting exemplary business ethics (led by the Office of Business Integrity & Compliance). Through town hall meetings, videos, blogs, employee stories and management messages, we underscored the importance of establishing and maintaining a corporate culture of integrity. Particular attention was paid to communicating with managers, as they can significantly influence employee behavior when dealing with customers, vendors, public institution authorities and others.

## 1.3 Complying with competition and anti-trust laws

G4-56, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-S07, G4-DMA COMPLIANCE

Alcatel-Lucent has a clear policy to obtain business solely on the merits of its products, services and people. Compliance with laws that promote and protect competition in the marketplace ('competition laws' and 'anti-trust laws') is carefully spelled out in our Code of Conduct and competition/anti-trust law policy and guidelines.

We obtain information about our competitors in lawful ways only. We comply with all international trade laws, including applicable export, import and sanction laws, and regulations in the countries where we do business.

Our competition/anti-trust law policy and guidelines for employees are readily available through the company intranet. Employees whose jobs are affected by this policy participate in relevant in-person and online training programs. When in doubt, they are urged to consult the Law Division to ensure their activities are compliant.

Employee competition/anti-trust law violations can be reported via the Alcatel-Lucent Compliance Hotline without fear of retaliation, and are subject to the company's internal general compliance enforcement procedures.

Suppliers and contractors from whom we purchase goods and services are also required to comply with our competition/anti-trust law policy. To enforce this obligation, we have the right to conduct an audit confirming compliance. Any knowledge or reasonable suspicion that an anti-trust violation has occurred must be reported by the contractor or supplier via the Alcatel-Lucent Compliance Hotline. We may terminate a contractor or supplier who violates the competition/anti-trust laws, and may require the contractor or supplier to fully indemnify Alcatel-Lucent for any monetary losses caused by the violation.

### 1.3.1 Competition/anti-trust litigation and legal action

In 2014, several defendants, including Alcatel-Lucent, arrived at a pre-trial settlement in private anti-trust litigation filed in the United States. The litigation was settled without a formal decision or judgment. With the termination of this matter, Alcatel-Lucent was not involved in any pending legal action regarding anti-trust or competition laws in 2014.

## 2 Our compliance governance structure

### 2.1 Key roles and responsibilities

G4-DMA ANTI-CORRUPTION, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE

Alcatel-Lucent's global compliance governance structure assigns responsibilities for the design of the company's Ethics and Compliance Management System, implementation of program elements and assurance of overall accountability for results. To align with our business requirements, it incorporates guidance from global standards and elements consistent with evolving best practices.

## Highlight

The Alcatel-Lucent Ethics and Compliance Council was established in February 2007 and is composed of the Chief Compliance Officer and representatives from Law, Finance, Operations, Human Resources, Communications, Corporate Audit Services, Corporate Investigation Services Operations, and the Office of Business Integrity & Compliance. This Council meets quarterly and is responsible for overseeing the company-level design and implementation of an integrated ethics and compliance system.

Our centrally managed Compliance organization enhances our existing compliance resources and consolidates key compliance functions under the Chief Compliance Officer. Those functions include the activities of regional compliance leaders, execution of our Anti-Corruption Compliance Program and Privacy & Data Protection Compliance Program, and the operation of our Corporate Investigation Services organization.

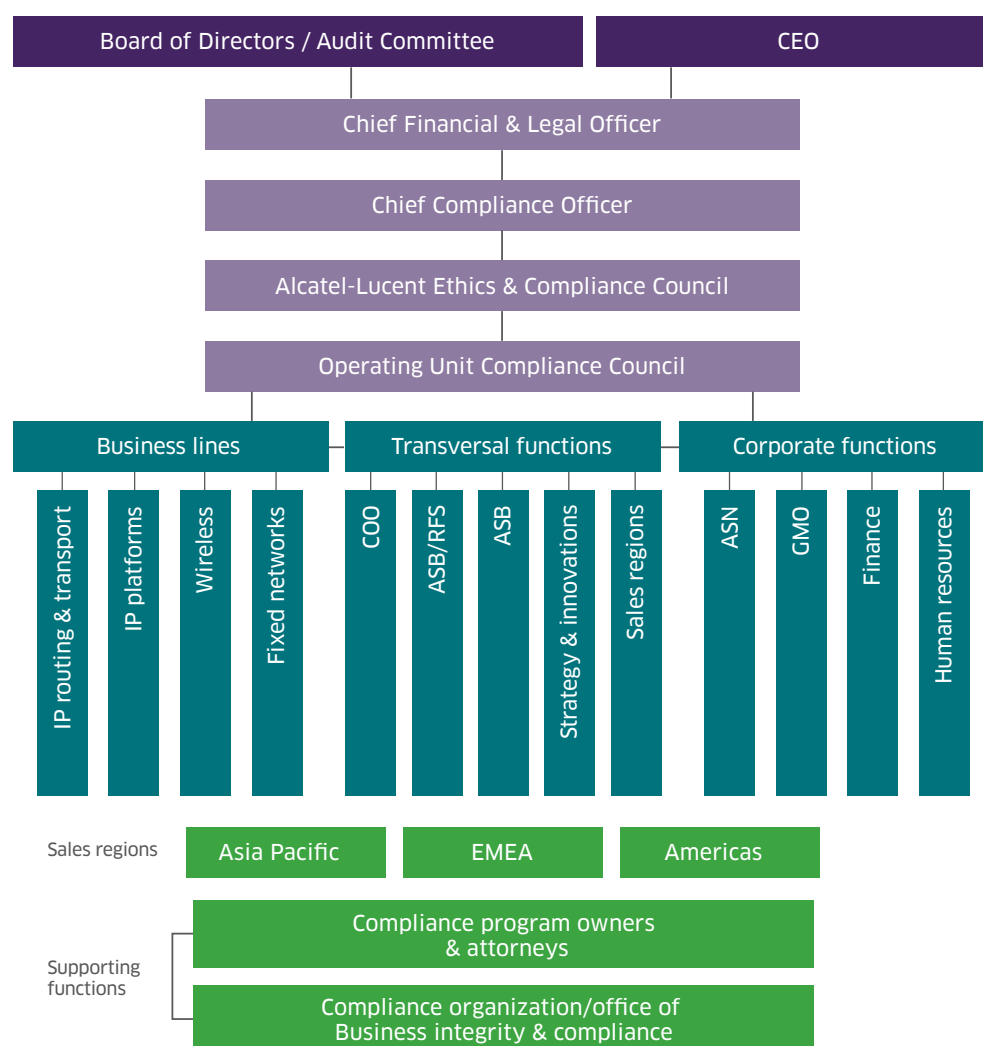
## Highlight

Our Compliance Issues Reporting Methods Initiative gives employees a number of ways to report suspected violations of law or company policy without fear of retaliation.

Key elements of our compliance governance structure include G4-DMA ANTI-CORRUPTION, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE:

- **Chief Compliance Officer:** Oversees the Ethics and Compliance Management System, setting strategic direction and ensuring operations are consistent with a culture of integrity. Reports to the Chief Financial & Legal Officer, and has direct access to the CEO, Board of Directors and Audit & Finance Committee.
- **Chief Executive Officer:** Sets tone and demonstrates the importance of business integrity consistent with our zero-tolerance policy.
- **Office of Business Integrity & Compliance:** Executes the strategic direction of the Ethics and Compliance Management System by developing and supporting implementation of key compliance initiatives, and providing ethics and compliance leadership and expertise across the business.
- **Regional Compliance Leaders:** Provide regional oversight and support to the business in operationalizing ethics and compliance initiatives regionally.
- **Ethics & Compliance Council:** Consists of senior management responsible for overseeing program status across the business, including review and approval of key compliance policies. Chaired by the CCO.
- **Operating Unit Compliance Council (and workgroups):** Accountable for implementing initiatives and ensuring measurable results. Has representation from each business unit.
- **Compliance Program Owners:** Responsible for ensuring programs are fully integrated into business operations, effectively managed and consistent in quality across the organization.
- **Law Division:** Supports enforcement of company policies by the Ethics & Compliance Council, the CCO and the regional compliance officers.
- **Compliance Issues Reporting Methods Initiative:** Provides ways for employees to report suspected violations of law or company policy without fear of retaliation.

## Alcatel-Lucent compliance governance structure at a glance



## 2.2 Role of the Board of Directors

G4-DMA ANTI-CORRUPTION, G4-DMA ANTI-COMPETITIVE BEHAVIOR, G4-DMA COMPLIANCE

Separate from — but aligned with — the governance mechanisms established through the Ethics and Compliance Management System, the Board of Directors, with support from the Audit & Finance Committee, play an important role in overseeing compliance performance.

The Chief Compliance Officer and Chief Financial & Legal Officer provide periodic updates on the status of ethics and compliance activities to the Audit & Finance Committee and the Board of Directors. These status reports occur quarterly or more often, as required. The Chief Audit Executive also regularly updates the Audit & Finance Committee on significant compliance-related audits and investigations.

# 3 Anti-corruption compliance program

## 3.1 Our approach to anti-corruption

G4-SO4, G4-DMA COMPLIANCE, G4-PR9, G4-SO3

Anti-corruption is a key compliance priority for Alcatel-Lucent. Our policy is to conduct business only on the merits of our products, services and people. We never pay, offer or promise to provide anything of value to obtain or retain business or to secure any improper advantage, and we never allow a representative or business partner to make illegal payments or promises on our behalf. Our position on anti-corruption comes from the highest level of the company, is unmistakable and definitive, and applied with zero tolerance for non-compliance. We maintain processes and training to prevent and detect potential business risk regarding bribery and corruption. Alcatel-Lucent strictly prohibits bribes in any form and continues to enhance policies, programs and procedures to include a clear requirement to comply with anti-corruption requirements.

Our Anti-Corruption Compliance Program focuses on ensuring employee awareness of and compliance with company policies and applicable laws such as the United States *Foreign Corrupt Practices Act* and the United Kingdom *Bribery Act*.

Six anti-corruption policies are at the center of our Anti-Corruption Compliance Program:

- Phase Out and Prohibition of Commercial Agents and Consultants Global Policy
- Anti-Corruption Third-Party Risk Management, Screening and Selection Policy (and accompanying online screening and approval processes)
- Third-Party Final Review Committee (escalation procedure)
- Facilitation Payments Policy
- Corporate Hospitality Anti-Corruption Policy (and accompanying online pre-approval process)
- Global Charitable Contributions Policy

### Highlights G4-SO4

- The organization's anti-corruption policies and procedures have been communicated to 100% of governance body members (10 Management committee members, including our CEO - and 11 Board members). G4-SO4
- 100 % of governance body members (10 Management committee members including our CEO - and 11 Board members) have received training on anti-corruption. G4-SO4
- 100% of employees received anti-corruption web-based training in 2013 and are aware of new policies/ procedures through training and posting on the intranet via Compliance Alerts. G4-SO4
- In 2014, 434 new business partners have been processed through Alcatel-Lucent anti-corruption screening program. 100% of them have been communicated our anti-corruption policies and procedures and have acknowledged them.
- 1346 (31%) of our suppliers assessed through anti-corruption risk screening, have acknowledged our anti-corruption and compliance policies and procedures. In addition, standard contract templates with suppliers contain a requirement to comply with the EICC code of conduct.



The Anti-Corruption Third-Party Risk Management, Screening and Selection Policy (and its accompanying approval processes) are subject to annual review and revision to capture any changes in regulatory requirements and lessons learned during the year.

To ensure widespread awareness, all anti-corruption policies and related processes are communicated to employees and non-employee contract workers through a robust program that includes:

- Posts on the global company intranet through a compliance alert process
- Compliance articles that include frequently asked questions
- Template messaging that is cascaded through the global organization
- Messaging for senior leaders
- Handbooks and other guidance documents
- Face-to-face and web-based training

## Highlights

Key pillars of our anti-corruption program include:

- Ongoing monitoring of legislative and regulatory activities,
- Annual program self-assessment and development of related enhancement plans,
- Annual compliance risk assessment with related mitigation plans,
- Regular status reporting to senior management,
- Continued implementation of a web-based tool to ensure gifts, travel and hospitality events are granted in accordance with anti-corruption policies,
- Enhanced risk management of sales and other third parties through the application of new third-party screening and selection processes, and globally implementing a third-party registry and online screening tool.

Our business partners (suppliers, sales and other third parties) also have access to our anti-corruption policies via the public Alcatel-Lucent website.

In 2014, more than 660 third-party partners were on-boarded to our Third-Party Screening Tool. Through this process, each partner received a wide range of documentation related to our anti-corruption policies, including the Alcatel-Lucent Code of Conduct and a questionnaire focused on conflict of interest.

### 3.1.1 Anti-corruption risk management and assessment

G4-SO4, G4-DMA COMPLIANCE, G4-PR9, G4-SO3

#### Highlight G4-SO4

In 2014, 100% of our business (including regions, business groups and central functions) was analyzed for risks related to corruption.

In 2014, every part of our business (including regions, business groups and central functions) was analyzed for risks related to corruption. 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. Compliance Committees composed of management from Sales, Finance, Legal, HR and Compliance have been established in the regions and business units to regularly review anti-corruption compliance. In addition, unit compliance leaders provide quarterly status reports to the Office of Business Integrity & Compliance detailing ongoing implementation of their action plans.

In 2014, we soft-launched our new Gift, Travel & Entertainment (GTE) tool, replacing the previous EZVisit tool for managing gifts, travel and hospitality events. Used to pre-approve hospitality expenditures in accordance with anti-corruption policies, the GTE tool was formally launched in January 2015.

We also invested significant time and resources in improving third-party risk management last year by upgrading our screening processes and tools. Business groups that engage most heavily with third-party resellers and suppliers (including the Partner and Alliances Program) received focused support from the Anti-Corruption Program Office (ACPO) to assess compliance with existing policies and identify areas for improvement. APCO worked with these groups to adapt our online third-party engagement pre-approval process to their specific organizational needs. In 2014, our screening scope was enlarged to include parties such as lobbyists, equity partners, lawyers and other counsels.

We performed 5,915 due diligence assessments last year and created more than 20 targeted reports on the most important and sensitive cases. Most significant corruption risks are related to business size, country (and associated Corruption Perception Index), transaction type (e.g., involvement of governments, customs and dual-use products) and partners' biographical data. There were no confirmed incidents of corruption in 2014.

In July 2014, our first Compliance Approvers Forum gave daily approvers who use the Third-Party Screening Tool the opportunity to share their experiences and compare methodologies. As a result, an approver's handbook has been created and shared with the members of the regional approvers community. The handbook will be updated periodically to incorporate organizational changes and efficiency improvements.

Our focus on third-party risk management will continue in 2015, and will include further refinement of third-party processes such as dedicated benchmarking and data-integrity management.

### 3.1.2 Participation in global anti-corruption initiatives

G4-DMA COMPLIANCE, G4-PR9, G4-SO3, G4-SO3

#### Highlight

In December 2014, Alcatel-Lucent was among the first telecommunications companies worldwide to sign the UN Global Compact's Call to Action for Anti-Corruption, an initiative marking the 10<sup>th</sup> anniversary of the 10<sup>th</sup> Principle Against Corruption.

The company has taken a leadership role in many anti-corruption initiatives to support ethical business and keep abreast of evolving requirements and best practices, including:

- Listed among the good practice case studies in the UN Human Rights & Business Dilemma Forum due to our phase-out of external agents and our transparent approach to past allegations through the 'controversies' section on our website.
- Membership in the UN Global Compact and adherence to the 21 UN Global Compact Advanced Level principles.
- Alcatel-Lucent also took a leadership role in the UN Global Compact's Anti-Corruption Working Group, with our CEO signing the UN Global Compact Call to Action on Anti-corruption as well as participating in working level meetings with a specific focus on advancing the anti-corruption agenda within the framework of the UN Global Compact.
- In 2014, Alcatel-Lucent met with Transparency International to discuss the creation of a sector initiative on anti-corruption.

## 3.2 Corporate Investigation Services

G4-DMA COMPLIANCE, G4-PR9, G4-SO3

Corporate Investigation Services (CIS) complements the Anti-Corruption Compliance Program. It includes an Anti-Corruption Competency Center that facilitates global anti-corruption risk assessments, identifying high-risk Alcatel-Lucent legal entities based on a set of predetermined anti-corruption risk attributes. These assessments indicate where proactive anti-corruption compliance reviews should be performed by Corporate Audit Services. CIS maintains the approach and methodology Corporate Audit Services uses to test the effectiveness of controls and ensure compliance with internal anti-corruption policies and procedures.

CIS also administers the company's Compliance Hotline and investigates allegations about:

- Accounting, internal control and auditing issues
- Overall compliance and Code of Conduct incidents, including anti-corruption

Legal guidance is sought in all investigations to ensure compliance with local laws and regulations.

## 3.3 Law Division

G4-DMA COMPLIANCE, G4-PR9, G4-SO3

In 2014, the Law Division helped our Compliance organization develop and implement anti-corruption policies and processes, including the hospitality pre-approval and third-party screening and approval processes.

The Law Division handles any disputes that arise with terminated sales agents and consultants. It works with the Compliance organization to actively monitor sales practices and ensure company policy is not circumvented by, for example, inappropriate use of consultants disguised as resellers.

## Highlight

### Political contributions

Alcatel-Lucent does not directly spend corporate money on political contributions. Our employees in the United States have formed a voluntary political action committee (PAC) through which political contributions were made in 2014 to candidates for federal and state office. The Alcatel-Lucent USA employee PAC operates in accordance with all U.S. federal and state laws and regulations.

Legal proceedings incidental to the conduct of our business are either adequately reserved against in our financial statements or will not result in any significant costs to the company. More information on this topic can be found in Section 6 of our 2014 20-F report, as well as Note 31 Contingencies of our Consolidated Financial Statements. The report is filed annually, but the Contingencies section is updated quarterly and any material changes are reflected in the company's quarterly financials.

## 3.4 Anti-Corruption Compliance Monitor

G4-DMA COMPLIANCE, G4-PR9, G4-SO3

We continued to support and helped successfully to conclude the activities of the Anti-Corruption Compliance Monitor, who was appointed to a three-year term in 2011 pursuant to the provisions of the 2010 Deferred Prosecution Agreement (DPA) with the U.S. Securities and Exchange Commission (SEC) and Department of Justice (DOJ). Those agreements were related to violations of the anti-bribery, internal controls, and books and records provisions of the U.S. *Foreign Corrupt Practices Act*.

In December 2014, the Monitor submitted his final report and certified that Alcatel-Lucent's compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations within Alcatel-Lucent of the anti-corruption laws, as defined in the DPA. Following receipt of the Monitor's final report, the DOJ moved to dismiss with prejudice the charges underlying the DPA, which the court granted on February 9, 2015.

## 4 Alcatel-Lucent Code of Conduct

G4-56, G4-HR2, G4-DMA NON-DISCRIMINATION, G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS, G4-SO4

### 2014 achievement

In 2014, all employees and non-employee workers were required to review the Alcatel-Lucent Code of Conduct and acknowledge their understanding of their obligation to abide by it. The company achieved 98% compliance globally for this review and acknowledgment process. Understanding of the Code is further reinforced through mandatory ethics and integrity training, and specialized training in key compliance areas.

An updated version of the Alcatel-Lucent Code of Conduct was published in 2009. All employees and members of the Board of Directors are required to review the document and acknowledge their understanding of its provisions. The revised Code establishes Alcatel-Lucent's standards for ethical business conduct and is binding on all employees' daily activities as well as the company's relations

with competitors, suppliers, shareholders, partners and customers. The standards set forth in the Code are based not only on the laws and regulations in force, but also on the notions of integrity, respect, equity, diversity and ethics.

## Key figures

The Code of Conduct is available in 22 languages on our intranet and can be viewed by third parties on our external website.

On February 4, 2004, the Board of Directors adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Corporate Controller. The document is available online at [www.alcatel-lucent.com](http://www.alcatel-lucent.com), and is a companion to our Code of Ethics Code of Conduct, which also applies to our senior financial officers.

# 5 Compliance Hotline

## 5.1 Principles of the Compliance Hotline

G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISM, G4-HR12, G4-SO1, G4-DMA NON-DISCRIMINATION, G4-HR3

### Highlight

Alcatel-Lucent's Compliance Hotline is available in 114 countries – 24 hours a day, seven days a week. Employees can use a multilingual web interface available in 11 languages to make a report. Our non-retaliation policy specifically prohibits adverse action against employees who report, in good faith, suspected violations of law or company policy.

The success of our Ethics and Compliance Management System depends on employees and third parties being confident they can raise ethical questions and concerns without fear of reprisal or retaliation. Suspected violations of law or company policy can be reported several different ways under the Compliance Issues Reporting Methods Initiative.

At the company level, a comprehensive grievance mechanism is available to all employees and non-employee contract workers through our Compliance Hotline.

Employees are encouraged to initially raise issues with their direct line manager or use the Compliance Hotline where permitted under local law. Employees and contractors may also contact their human-resources business partner or regional compliance leader, or report incidents online through our secure website at [www.alcatel-lucent.ethicspoint.com](http://www.alcatel-lucent.ethicspoint.com).

In certain countries, local laws may limit the types of matters for which the Compliance Hotline and website can be used. Regardless of location, anyone, (including our suppliers and customers), wishing to report a suspected violation of law or company policy may do so by sending an email to [compliancehotline@alcatel-lucent.com](mailto:compliancehotline@alcatel-lucent.com).

## 5.2 Management of Compliance Hotline incidents

G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS, G4-HR3, G4-HR12, G4-DMA NON-DISCRIMINATION, G4-SO1, G4-DMA NON-DISCRIMINATION, G4-HR3

All reports made to the Compliance Hotline are subject to due diligence to determine the organization best suited to respond. The majority of reports are investigated by Corporate Investigation Services with help from other bodies, as appropriate, such as Law, Regional Compliance, Human Resources and Corporate Audit Services.

A compliance resolution team is convened if an investigation determines a violation of company policy or law has occurred. The team follows an established process for resolving compliance issues that require corrective actions such as disciplinary action, training and internal control improvements. Disciplinary action can include coaching, written warnings, suspension and termination. All reported incidents are documented in a secure, limited-access central database compliant with local laws. The same process is followed if internal audits and/or compliance reviews identify violations of company policies. External reporting of such matters is considered only with the guidance and approval of the Alcatel-Lucent Law Division.

### Highlights G4-HR12

679 issues/allegations were reported to the Compliance Hotline in 2014:

- 81 allegations (44 of which were opened prior to 2014) were substantiated with “cause found” after investigation was completed. Of these, 71 resulted in disciplinary action up to and including termination.
- 44 cases involved allegations of potential harassment or discrimination (including those categorized as sexual harassment). 44 potential harassment or discrimination cases were closed in the year (15 of which were opened prior to 2014). Of the 44 cases closed, 12 resulted in a “cause found” determination.
- Zero cases involving violations related to our commitments on human rights freedom of expression and privacy

## 6 Privacy protection

### 6.1 Commitment to privacy and data protection

G4-PR8, G4-SO4, G4-DMA CUSTOMER PRIVACY

#### Our commitment

Since 2009, Alcatel-Lucent has been committed to respecting individual privacy rights and expectations, and to protecting personal data against unauthorized access, use, retention or disclosure. ✓

Alcatel-Lucent is committed to respecting individual privacy rights and expectations, and to protecting personal data against unauthorized access, use, retention or disclosure.

Since launching the P&DP Compliance Program in 2009, Alcatel-Lucent now:

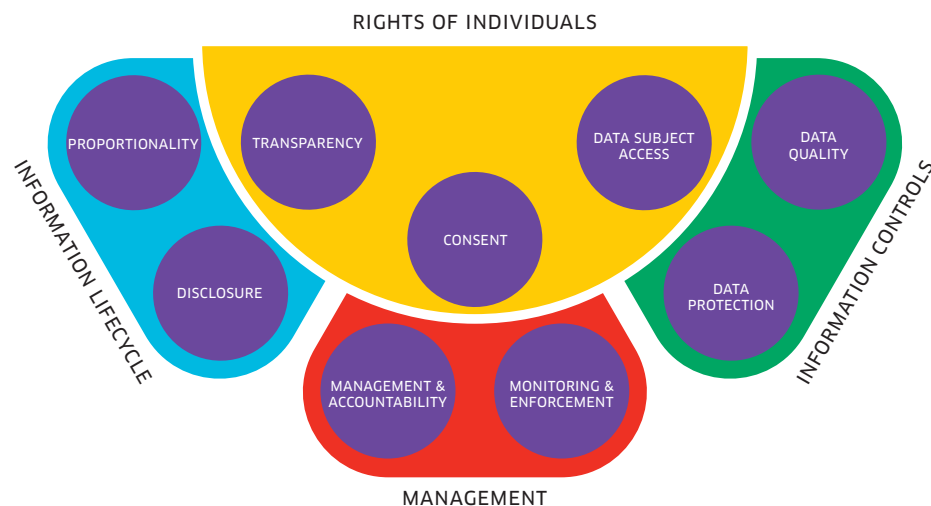
- conducts a yearly assessment and develops a related enhancement plan; ✓
- develops policies, procedures and guidelines to meet regulatory and customer requirements; ✓
- designs and deploys training modules for specific audience (e.g., HR, IS/IT, Sales, R&D) complementing the Code of Conduct to be acknowledged by the entire workforce on an annual basis; ✓
- makes available various awareness and educational resources, including FAQs and “what if?” scenarios, or on specific occasion (ex: for the annual international data privacy day); ✓
- continuously monitors data privacy regulatory developments as well as changes in regulations pertaining to areas such as telecommunication, Big Data and the Internet of Things, Cloud, Big Data...

*The Shift Plan* dominated the focus of Alcatel-Lucent’s various transformation programs in 2014, which included implementation of a new global system for human resources (HR) that takes privacy requirements into account. The new HR system will ultimately replace the legacy HR information systems identified as being among the company’s 50 most-critical applications.

A module on ‘privacy by design’ was delivered last year to help the R&D community refine its understanding of privacy compliance and better integrate privacy requirements into processes and solution lifecycles when developing new technologies, products and services. We posted an article for International Data Privacy Day that presented the Alcatel-Lucent Privacy Program and published guidelines to help business and IS/IT project managers understand why and how to embed data privacy over the course of their initiatives’ lifecycles.

We also published a revised version of our Global Privacy & Data Protection Policy online, featuring an improved layout structured according to our nine privacy principles:

## Alcatel-Lucent approach to privacy protection



## Highlight

Alcatel-Lucent has a public Global Privacy and Data Protection Policy, which can be viewed at the bottom of every page of our website or at <http://www.alcatel-lucent.com/privacy>. This policy applies to all business activities of Alcatel-Lucent S.A., Alcatel-Lucent International and all of their subsidiaries, and to all Alcatel-Lucent websites that are operated by or on behalf of Alcatel-Lucent and/or link to the Global Privacy and Data Protection Policy. This policy does not apply to consumer activities as Alcatel-Lucent does not have direct business relations with consumers. ✓

## 6.2 Governance of privacy-related activities

G4-PR8, G4-DMA CUSTOMER PRIVACY

Alcatel-Lucent has set up a comprehensive organizational structure in charge of privacy and data protection (P&DP) compliance that includes the following components:

- **Chief Privacy Officer (CPO)**  
This person is the primary senior sponsor and leader responsible for ensuring Alcatel-Lucent has a consistent and effective P&DP strategy in line with the overall business strategy, and an associated P&DP compliance program; ✓
- **P&DP Compliance Program Owner**  
This person's primary responsibility is to establish and execute the P&DP Compliance Program (and, as such, serves as chair of the P&DP Steering Committee). ✓
- **P&DP Lead Counsel**  
This person ensures that the various P&DP players have all necessary legal advice and support. ✓
- **P&DP Steering Committee**  
Established in 2010, this committee provides overall cross-functional leadership overseeing the design and implementation of the company-wide privacy program. It meets several times a year and is composed of the CPO, the Lead Counsel and other senior leaders from CTO, Corporate Security, Corporate Sustainability, Human Resources and IS/IT. ✓
- **Data Privacy Team (DPT)**  
This multi-disciplinary team is responsible for daily operational tasks and activities, supporting the various business units and their project teams in assessing and mitigating P&DP risks. It also works to ensure members of the Data Privacy Network (DPN), as representatives of the Alcatel-Lucent affiliates, have the necessary information to conduct their own compliance assessment with local laws and implement local necessary actions such as submitting filings to data protection authorities or preparing needed communications to works councils and users. ✓

The Global e-Sustainability Initiative (GeSI) and PricewaterhouseCoopers both report that data privacy is becoming more important to the ICT industry. While Alcatel-Lucent does not have direct business relations with consumers, fallout from Edward Snowden's revelations about the U.S. National Security Agency and 2014's significant increase in corporate data breaches have led citizens, consumers, end users and data-protection regulators to express increasing interest in and demand for privacy rights. This has made it important for the Internet and telecommunication services providers who are Alcatel-Lucent customers to protect personal data.



Alcatel-Lucent is not aware of any substantiated complaints about breaches of customer privacy received from outside parties or regulatory bodies, or of any identified leaks, thefts or losses of customers' personal data, in 2014. The company evaluates the effectiveness of its privacy approach by tracking:

- The number of complaints or access requests received by the Chief Privacy Officer, the Compliance Program Owner or the company's HR Service Centers.
- Its ability to respond to customers' privacy requirements when requesting information/proposals/quotations, and the number and type of substantiated complaints, if any, about breaches or other events possibly affecting customers' data.

Given the material importance of data privacy for the industry and for our customers, in 2015 we will be working directly with key customers to refine our understanding of their privacy-related expectations and helping them meet their expectations through our technology and actions.

## 7 Information security

### 7.1 Governance of information security activities

Alcatel-Lucent has established information security compliance functions under the joint direction of its Chief Security Officer and Vice President of IS/IT Transformation, who are responsible for establishing information security policies, strategies, architecture, compliance programs and transformation projects to protect valuable information assets including data, information systems and IT services.

#### Highlight

In 2014, we conducted more than 440 project reviews (inclusive of B&IT- and Business-managed projects) and more than 200 third-party reviews, with an additional 3,000+ RAS (registration, admission and status) requests. This accounts for 100% of suppliers and contractors for which a third-party connection is required. Compliance assessments were also conducted on more than 125 applications, 120 databases and 3,390 servers.

Risk mitigation plans are developed at the operating unit level. Compliance assessments are used to drive accountability and awareness of compliance and security risk management into all areas of the company.

### 7.2 Ensuring the security of information systems and databases

Our comprehensive information security policies cover all security domains, including physical security, applications and operations security, access control and identity management, security monitoring and incident response, information classification, business continuity and compliance management. The policies are accessible to all employees through the company intranet. Communications about specific information security topics are delivered on a regular basis.

We regularly audit implementation of these policies using internal and external resources. Remediation plans for audit findings are developed and implemented by information and asset owners, and IT support organizations, in cooperation with company management and the applicable audit organization. Global information security audits also guide our overall information security strategic plan.

Alcatel-Lucent currently has two entities that are certified to ISO 27001 criteria and are responsible for maintaining an information security management system based on customer requirements.

An ISO 27001 framework has been established to support further conformance or certification where such requirements are identified over time. A central function dedicated to customer security assurance has also been put in place to help drive conformance and certification initiatives in the near term.

## 7.3 Preventing hack attacks

Like many large enterprises, Alcatel-Lucent employs a defense-in-depth approach to fend off malicious attacks against its network. Firewalls, intrusion detection and prevention, anti-virus software, encryption, whitelisting and monitoring technologies are used in conjunction with strong passwords and other proven security practices to reduce the likelihood of a successful attack. We have implemented a variety of measures to counter this type of threat and will continue to enhance our defenses in 2015.

### Highlight

Our information security policy sets out fundamental principles for the protection of information resources, establishes controls for ensuring compliance with internal policies and external regulations, and strives to uphold our reputation for safeguarding the information entrusted to us by our customers. Control standards provide requirements for specific, technology-independent areas of policy, and we maintain baseline standards to provide detailed instructions for implementing security controls within a specific technology.

## 7.4 Protecting intellectual property

G4-DMA ANTI-COMPETITIVE BEHAVIOR

Alcatel-Lucent has several policies and guidelines related to the protection of intellectual property, all of which are readily available to employees through the company intranet. Employees whose jobs are affected by these policies participate in relevant in-person and online training sessions. When in doubt, employees are urged to consult the company's intellectual property attorneys to ensure their activities protect the company's intellectual property and respect the intellectual property of others.

# 8 Compliance risk assessment, enhancement and mitigation

Alcatel-Lucent continues to ensure that key compliance program areas including anti-corruption, data privacy and protection, and information security are fully integrated into business operations, effectively managed and consistent in quality across the company.

Compliance experts supported by the Office of Business Integrity & Compliance work closely with management to assess and enhance compliance programs on an ongoing basis and formally at least once a year. These reviews ensure the internal controls embedded within each program area are comprehensive, robust and reflective of the evolving nature of our business and applicable regulatory requirements. Inputs into the continuous improvement process include experience from prior audit cycles, guidance from the compliance risk assessment process, changes in the regulatory environment and compliance issues encountered by the company.

Business leaders and their respective workgroups address identified gaps and associated risks by developing, implementing and monitoring remedial action and ongoing enhancement plans. To ensure full alignment throughout the company, every risk assessment is reviewed and approved by a member of the appropriate senior management team.

## 9 Ethics and compliance training

G4-S04

Our Compliance and Business Integrity Training Program educates employees about their personal and professional responsibilities under the Alcatel-Lucent Code of Conduct, and fosters commitment to the highest levels of ethical business conduct. Courses are updated annually and as needed to reflect current business requirements and evolving regulations. All training is documented in our annual Training Roadmap and tracked to verify full participation through our Compliance Dashboard.

In 2014, the company continued to implement a comprehensive global ethics and compliance training program, deploying five specialized compliance courses that were mandatory based upon job responsibility. Targeted compliance areas included information security, national security agreements, intellectual property for R&D, and harassment and discrimination. Additional recommended training was delivered on human rights, privacy by design and competitive intelligence. This training complemented the requirement for all employees and non-employee contract workers to review and acknowledge the Alcatel-Lucent Code of Conduct.

In recent years, the company has focused on delivering targeted training to help managers become more effective compliance role models and ethical leaders. All training was supported by an extensive communications plan that informed employees of the important role they play in promoting and enhancing a culture of business ethics and integrity.

### 9.1 Anti-corruption training

Formal anti-corruption training is delivered over the web and through in-person sessions. In 2014, we updated all anti-corruption training to reflect recently enacted regulatory requirements and the resulting changes to our corporate policy, procedures and internal controls.

Fully redesigned training for external third parties was made available in various languages through the Third-Party Screening Tool. Our web-based anti-corruption training and ethics and integrity overview training were updated and are mandatory for all employees and contractors.

### 9.2 Internal communications on ethics and compliance

Under the leadership of the Office of Business Integrity & Compliance, we deploy a broad range of communications through various media to maintain our corporate culture of integrity. Last year's communications initiatives informed employees of their responsibilities, emphasized the importance of integrity and promoted a 'speak-up' culture.

The Office of Business Integrity & Compliance website consolidates essential compliance and business conduct resources in one central location, and is an important component of our communication efforts. The website received 20,994 visits in 2014.

# 10 Our commitment to human rights

G4-DMA HR INVESTMENT, G4-HR2, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-HR11, G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS, G4-HR12

We consider the United Nations Guiding Principles on Business and Human Rights — the so-called “Ruggie Principles” that led to the establishment of the UN Protect, Respect and Remedy Framework — to be a significant milestone. The framework, endorsed in June 2011, clarifies the responsibility of governments to protect human rights and the responsibility of the business community to respect human rights in their global operations and ecosystems. In 2012, Alcatel-Lucent updated its Global Human Rights Policy to align with the UN Guiding Principles on Business and Human Rights, and designated the Chief Compliance Officer as the company’s representative on human rights at the executive level. ✓

In 2013, as part of our internal processes, we developed human rights due diligence requirements for material commercial proposals and extended our human rights commitments to resellers. We also designed and deployed a multilingual employee training module to build awareness of human rights principles throughout the company. These measures are being deployed in 2014–2015. ✓

Also in 2014 – 2015, the company continues to broaden its security geographic screening processes and compliance screening of third parties, and to engage in ongoing monitoring of its supply chain to assess key aspects of human rights. (For further information, please refer in this chapter to Section 4.4.3 “Responsible purchasing”.) ✓

# 11 Telecoms industry dialogue on freedom of expression and privacy


G4-DMA HR INVESTMENT, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS, G4-HR12

Freedom of expression and users’ privacy rights are increasingly important issues for the ICT sector.

From an external perspective, in 2014, Alcatel-Lucent deepened its collaboration with the Telecommunications Industry Dialogue (ID) — a group of nine global telecommunications operators and vendors that has been meeting since 2011 to discuss freedom of expression and privacy rights in the telecommunication sector — to jointly launch the 10 Guiding Principles on Telecommunications and Freedom of Expression and Privacy. We published our second implementing measures for the 10 Guiding Principles related to our commercial activities in this report. The ID also continued its active collaboration with the Global Network Initiative (GNI) to advance freedom of expression and privacy rights in the ICT sector more effectively at a global level through joint stakeholder dialogue and learning sessions. ✓

The ID held private discussions with investors, multilateral organizations, industry peers, civil society and public institution representatives throughout the year.

Alcatel-Lucent will continue to be actively involved in the Industry Dialogue in 2015. We will hold a chairmanship role to help expand the group’s membership for a more level playing field in the telecommunications industry at the vendor level, raise visibility on vendor challenges and ensure greater global representation at the service provider level. G4-DMA HR INVESTMENT

Alcatel-Lucent also continued to participate in the GeSI Human Rights Working Group to ensure open discussion of best practices for human rights in the telecommunications sector. We also regularly engaged on a bilateral basis with investors, NGOs as well as public authorities such as the European Commission on the challenges of human rights for the sector.  G4-DMA HR INVESTMENT

## 11.1 Implementing the Industry Dialogue Guiding Principles

G4-15, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT

GUIDING PRINCIPLE	ALCATEL-LUCENT ACTIVITIES <small>G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT</small>
1. Create and revise relevant policies with Board oversight or equivalent, outlining our commitment to prevent, assess and mitigate to the best of our ability the risks to freedom of expression and privacy associated with designing, selling and operating telecommunications technology and services.	<p>Alcatel-Lucent published a revised version of our Human Rights policy in line with the UN Guiding Principles. It is available <a href="#">here</a>. Our Chief Compliance Officer (CCO) is the designated company executive for human rights, freedom of expression and privacy activities. In 2014, the CCO and Corporate Investigation Services with the assistance of the Head of Sustainability, (with involvement from the Anti-Corruption Program Office), progressively deployed company-wide implementation measures.</p> <p>These measures were reviewed by senior management and our newly launched Sustainability Advisory Panel, and included:</p> <ul style="list-style-type: none"> <li>• Screening for commercial due diligence</li> <li>• Creating legal clauses for resellers</li> <li>• Designing employee-wide training</li> <li>• Ensuring implementation across our supply chain</li> <li>• Continuing advocacy and stakeholder engagement via the Industry Dialogue and in one-on-one sessions with investors, members of civil society and public institution representatives.</li> </ul>
2. Conduct regular human rights impact assessments and use due diligence processes (as appropriate to the company) to identify, mitigate and manage risks to freedom of expression and privacy – in relation to particular technologies, products, services or countries – according to the Guiding Principles for the Implementation of the UN Protect, Respect and Remedy Framework.	<p>In 2014, we broadened our company-wide compliance and security geographic screening to identify freedom of expression and privacy risks. (Security geographic screening results are shared regularly with the company's top leaders and decision makers.)</p> <p>We also monitor potential technology, commercial and geographical risks via our export control policies, Compliance Hotline and ERM processes. A total of 311 sales channel partners were approved through this screening. All were required to complete business integrity training, including a full review of our human rights commitments.</p> <p>We continue to monitor progress related to these processes and create or modify structures as necessary, with oversight from the executive and Board of Directors. In 2015, we will focus on ensuring due diligence processes are effective, and escalate key company-wide risks of our products and geographies.</p>
3. Create operational processes and routines to evaluate and handle government requests that may have an impact on freedom of expression and privacy.	<p>As a vendor of telecommunications equipment, we usually receive government requests at the operator service level (i.e., from our customers). Our compliance processes offer mechanisms to report and evaluate requests that affect our business.</p>
4. Adopt, where feasible, strategies to anticipate, respond to and minimize the potential impact on freedom of expression and privacy in the event that a government demand or request is unlawful, or where governments are believed to be misusing products or technology for illegitimate purposes.	<p>The Alcatel-Lucent Code of Conduct encourages reporting of suspected or observed violations of law or company policy, including unlawful use or misuse of products, through our Compliance Issues Reporting Methods Initiative. Further screening will be implemented at the regional level to anticipate, respond to and minimize the potential impact on freedom of expression and privacy related to a government demand or request.</p> <p>We will also continue to work with key stakeholders (i.e., investors, NGOs and multilateral organizations) to provide awareness of unlawful or misuse of telecommunications products and technology via the Industry Dialogue.</p>
5. Always seek to ensure the safety and liberty of company personnel who may be placed at risk.	<p>The Alcatel-Lucent Code of Conduct includes a zero-tolerance commitment to protect the health, safety and security of employees during their operational activities.</p>
6. Raise awareness of and train employees in relevant policies and processes.	<p>In 2014, we deployed various mechanisms to raise awareness of and provide training on human rights. A dedicated, standalone employee and supplier training module on human rights was created and deployed through Alcatel-Lucent University in September 2014 in English, French and simplified Chinese. The training module was launched by our CCO and Head of Sustainability in a company-wide video message that explained our human rights activities to all employees and managers.</p> <p>In 2015, training on the Alcatel-Lucent Code of Conduct will include dedicated material on our human rights activities and grievance mechanisms and will be mandatory for all employees and non-employee contract workers.</p>
7. Share knowledge and insights with all relevant and interested stakeholders to improve understanding of the applicable legal framework and the effectiveness of these principles in practice, and provide support for the implementation and further development of the principles.	<p>As an individual company and member of the Industry Dialogue, in 2014 we participated in regular meetings with key stakeholders and met with investors, government and civil society representatives to share our progress and challenges relating to human rights. Where possible, we actively participated in key global forums via the Industry Dialogue, exchanged ideas at bilateral meetings and leveraged social media platforms, such as Twitter.</p>
8. Report externally – on an annual basis, and whenever circumstances make it relevant – on progress implementing the principles, and as appropriate on major events occurring in this regard.	<p>Through our Sustainability Report and associated website, we provide transparency on our implementation of the Industry Dialogue's Guiding Principles. A further summary is provided as part of our Additional Information in our Annual Financial Report on Form 20-F.</p>
9. Inform the development of policy and regulations that support freedom of expression and privacy including, alone or in cooperation with other entities, using our leverage to mitigate potential negative impacts from policies or regulations.	<p>Through the Industry Dialogue and its collaboration with the Global Network Initiative, we spoke with members of the ICT industry last year to inform the development of policies and regulations supporting freedom of expression and privacy. We also engaged in conversations with multilateral organizations including the UN Global Compact to promote greater awareness sector-wide, and participated as an active member of the Global e-Sustainability Initiative Human Rights Working Group.</p>
10. Collectively examine options for implementing relevant grievance mechanisms as outlined in Principle 31 of the UN Guiding Principles for Business and Human Rights.	<p>In 2014, the Industry Dialogue exchanged best practices and tools on grievance mechanisms. At the company level, we have a comprehensive grievance mechanism available to all employees via our Compliance Hotline.</p>

# Environment

9,000

users accessed GWATT, the Bell Labs application for modeling ICT network energy consumption, since its April 2014 launch

40%

reduction in carbon footprint in our worldwide operations since 2008

5,825

metric tons of electronic waste managed in 2014

## 1 Our Eco-sustainability strategy

### Our commitment

Lead the information, communications and technology (ICT) sector in eco-sustainable innovation by developing energy efficient, environmentally sustainable networks and solutions that meet growing bandwidth demands. In partnership with the GreenTouch™ consortium initiated by Bell Labs, we seek to make communications networks 1,000 times more energy efficient than they were in 2010.

### 1.1 Our approach to environmental sustainability

G4-16

The information and communications technology (ICT) sector has the potential to play a critical role in addressing challenges related to climate change. At Alcatel-Lucent, our long-term success depends on helping our customers respond to their environmental challenges through our innovation – and on reducing our own direct environmental impact.

For these reasons, we have built environmental considerations into virtually every aspect of our business, following a three-part approach.

- **Developing eco-sustainable networks:** Creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks.
- **Leading the telecoms industry:** Innovating in finding new disruptive research responses to today's climate change challenge through open, collaborative research partnerships and forums, such as GreenTouch™ and/or through our own Bell Labs research on energy.
- **Reducing our carbon footprint:** Reducing our absolute carbon footprint from operations by 50% by 2020 compared to our 2008 baseline. By the end of 2014, our carbon footprint had decreased by 40% compared to the 2008 baseline.

This approach relies on our strong commitment to eco-innovation and our ability to play a leading role with key stakeholders.

## 1.2 Sustainability matters to our stakeholders

Connectivity has leveled social playing fields, knocked down barriers to economic opportunity and brought far-flung communities closer together. By 2017, some 3.9 billion people will be connected to the Internet, increasing metropolitan cloud and data center traffic by an estimated 440% over today's levels — and video traffic by 720%.

Our customers have an urgent interest in establishing new, sustainable approaches to networking that will accommodate this future growth while minimizing power requirements and environmental impacts. They are also eager to seize the potential of ICTs to combat climate change.

To address the needs and priorities of all our stakeholders, we focused our efforts in 2014 on supporting energy research at Bell Labs, interacting directly with our customers to hear their feedback and concerns, and taking a leadership role in key industry forums, such as the Global e-Sustainability Initiative (GeSI), DigitalEurope and the United Nations Global Compact (UNGC). We also remained an active participant in our leading GreenTouch consortium and were actively engaged with key NGOs such as Greenpeace.

## 1.3 Our global commitments to environmental sustainability

G4-16, G4-24

Alcatel-Lucent has made a number of public commitments to encourage uptake of low-carbon ICT solutions at the local, regional, national and international levels. To meet these commitments, we actively support and participate in the following programs and initiatives:

- **GreenTouch consortium:** A research consortium led and founded by Bell Labs, GreenTouch seeks to improve the energy efficiency of ICT networks by a factor of 1,000 compared to 2010 levels. It has been recognized by the World Economic Forum as a best practice example of multistakeholder action to address the global climate change challenge.
- **United Nations Global Compact (UNGC):** For our leadership in GreenTouch and the Global e-Sustainability Initiative (GeSI), the UNGC has recognized Alcatel-Lucent as a leading ICT company in its Caring for Climate report, Guide to Responsible Corporate Engagement.
- **World Resources Institute:** An organization focused on creating a methodology for the measurement and reporting of greenhouse gases emitted by the ICT sector.
- **Broadband Commission for Digital Development:** An initiative of the United Nations created in 2010 to respond to the Millennium Development Goals, Alcatel-Lucent is directly involved in the Broadband Commission's eHealth and Climate Change Task Forces.
- **DigitalEurope:** Alcatel-Lucent is a member of DigitalEurope's Environmental Policy Group, serving as chair of its working group on chemicals and contributing to groups focused on eco-design, resource efficiency, (including conflict minerals), waste and substance-related restrictions. We have also contributed to the statements issued by DigitalEurope regarding the contribution of the ICT sector to the digital and low-carbon economies.
- **International Electronics Manufacturing Initiative (iNEMI):** Serving on iNEMI's Board of Directors as well as its Environmental Leadership Steering Committee, we are leading and participating in work groups focused on projects, such as lead-free solder assembly and eco-impact assessments of alternative substances.
- **GSM Association (GSMA):** Alcatel-Lucent is contributing to collaborative efforts on cellular industry commitments and policy recommendations through GSMA.
- **European Round Table (ERT):** Composed of approximately 50 chairs and chief executives of major Europe-based multinational companies, (including Alcatel-Lucent), the ERT identifies important issues related to European competitiveness and examines how public policies could facilitate improvements. The ERT is very active in the domains of climate change and energy policy in preparation for the 2015 United Nations Climate Change Conference to be held in Paris.



In 2014, Alcatel-Lucent continued to be one of the main contributors to the development of global environmental standards:

- We served as chair of the **Alliance for Telecommunications Industry Solutions (ATIS)** Sustainability in Telecom: Energy and Protection (STEP) committee and were a key contributor to its Telecommunications Energy Efficiency subcommittee, which develops and recommends standards and technical reports related to the energy efficiency of telecommunications equipment.
- We also served as chair of the Technical Committee of the **European Telecommunications Standards Institute (ETSI)**, actively contributing to energy-efficiency standards and leading liaisons between ETSI and other telecommunications standards development organizations such as ATIS, the International Electrotechnical Commission (IEC), the European Committee for Electrotechnical Standardization (CENELEC) and the International Telecommunications Union – Telecommunications Standardization Sector (ITU-T).
- We led the work of the **ITU-T** on defining criteria for rating the environmental performance of mobile devices, including the development of metrics and measurement methods for assessing the energy consumed by telecommunications services.
- We encouraged the **3<sup>rd</sup> Generation Partnership Project (3GPP)** to modify its Release 12 Specifications to account for different energy saving strategies, particularly related to service architectures and radio access networks. We also contributed to discussions on the use of power-saving mode for different subscription types using devices such as machine-type communications and public safety devices.
- We helped bridge the **European Commission's Joint Research Centre and the European Broadband Forum** to propose new energy consumption levels for EU Code of Conduct Release 5.

## 1.4 Governance and sustainability

Within Alcatel-Lucent, the two highest-level governing bodies responsible for eco-sustainability are the Management Committee and the Sustainability Council. Both entities' mandates include monitoring company performance and tracking progress against environmental indicators.

Three bodies are primarily responsible for environmental activities at Alcatel-Lucent:

- **The Green Operations Sustainability Team** oversees operational initiatives linked to the environment and climate change. It relies on a network of local Green Team leaders to ensure carbon footprint information is reported reliably and on time, and that local action plans are implemented properly.
- **The Environment, Health & Safety (EHS) Office** develops compliance assurance programs and policies to meet legal, customer and company requirements. It also provides technical support to local EHS representatives for the implementation of EHS programs, and uses the EHS Management System to ensure compliance, continuous improvement and performance in line with industry best practices.

**The Chief Technical Office (CTO) and Bell Labs** address environmental initiatives and goals linked to products, services and solutions. In collaboration with product and research teams, they look for ways to minimize the environmental impact of our products throughout their life cycle by developing and deploying eco-conscious design processes, practices and tools. The CTO and Bell Labs also seek to identify ways in which ICT can be used to enable a low-carbon economy.

## 1.5 Adopting carbon footprint assessment standards

The use of externally verified, standard methodologies for accurately measuring greenhouse gas (GHG) emissions is essential to assessing our overall environmental impact and evaluating net savings. Given the importance of reducing GHG emissions, Alcatel-Lucent is taking a major role in advancing the development of improved metrics and standards for emissions assessments.



## 1.6 Greenhouse Gas Protocol

G4-EN16, G4-EN17

The Greenhouse Gas Protocol (GHGP) developed by the World Resource Institute (WRI) and the World Business Council on Sustainable Development (WBCSD) sets the global standard for emissions measurement and reporting. Alcatel-Lucent has taken a leadership role in developing the GHGP Product Life Cycle Accounting and Reporting Standard, which will enable measurement of ICT-related GHG emissions in a clear and credible way. We have also provided input to both the GHGP Steering Committee and Technical Committee and, drawing on our expertise in carbon footprinting and network energy use modeling, co-authored documents pertaining to ICT hardware and telecommunications network services.

Emissions resulting from purchased or acquired electricity, steam and other types of energy are referred to as Scope 2 emissions. Alcatel-Lucent, (in partnership with other industry and government representatives), provided input in the development of the GHGP's new Scope 2 Guidance, which offers much needed clarity on how corporations should measure these kinds of emissions. The practices outlined in the Scope 2 Guidance are now required for companies that voluntarily comply with the GHGP Corporate Standard.

## 1.7 International Telecommunications Union

Alcatel-Lucent contributed to the development of the ITU's L1410 standard (Methodology for Environmental Impact Assessment of ICT Goods, Networks and Services) and is chief editor of the L1420 standard (Methodology for Energy Consumption and Greenhouse Gas Emissions Impact Assessment of ICT in Organizations). These standards will help organizations better assess the energy and environmental impacts of ICT goods, networks and services.

In 2014, we began work on a second version of L1420 that incorporates mandatory reporting of Scope 3 emissions. We also proposed a methodology to assess the environmental impact of telecommunication services based on the results of the Energy Metrics for Users project of the GreenTouch consortium. This methodology has been chosen as the basis for the newly created ITU recommendation on the assessment of energy consumption of telecommunications services.

The ITU's 2014 Green Standards Week in Beijing served as a global forum for discussion and knowledge exchange, raising awareness of the important role ICT plays in building smarter, more sustainable cities. Alcatel-Lucent was invited to share its perspective on sustainability challenges faced by the ICT industry and discuss the company's holistic life cycle approach to eco-sustainable networks.

Alcatel-Lucent is also responsible for Question 16 in ITU-T Study Group 5, (which looks at standardized reporting of GHG emissions generated by the ICT industry), and is editing the LEco-Rating recommendation for a methodology to assess the value of an eco-rating program for mobile devices.

## 1.8 International Electrotechnical Commission

In March 2014, the IEC held a joint workshop in Paris with the International Energy Association (IEA) and the International Organization for Standardization (ISO), bringing together policy makers, representatives from international standards organizations and other stakeholders engaged in promoting energy efficiency and renewable energy.

The workshop gave Alcatel-Lucent the opportunity to discuss ways of ensuring international standards will support the transition toward sustainable energy systems, and helped raise awareness of the positive role international standards can play in responding to the global energy challenge.

## 1.9 Global E-Sustainability Initiative

Alcatel-Lucent is a long-time supporter of the Global e-Sustainability Initiative (GeSI), a strategic partnership of ICT companies, associations and international organizations committed to creating and promoting technologies and practices that foster economic, environmental and social sustainability. Until November 2014, Alcatel-Lucent was also a member of GeSI's Board of Directors.

### 1.9.1 GeSI climate change project portfolio

GeSI received global recognition for updating its landmark 2008 report, *SMART 2020: Enabling a Low-carbon Economy*, with the 2012 launch of *SMARTer 2020: The Role of ICT in Driving a Sustainable Future*. Both reports examine the potential of ICT to enable other sectors' carbon emission reductions.



By applying ICT solutions to sectors such as power, transportation and logistics, buildings, agriculture, land use, motor systems, services and consumer goods, global GHG emissions could be reduced by 16.5% by 2020 — an abatement potential of 9.1 gigatons of CO<sub>2</sub>e, or seven times the ICT sector's own emissions.

Alcatel-Lucent served on the steering committee for the *SMARTer 2020* report and continues to promote the report's messages in various forums.

Alcatel-Lucent has been invited to contribute to the *SMARTer 2030* report to be published in 2015.

### 1.9.2 GeSI communications project portfolio

Alcatel-Lucent has led GeSI's portfolio of communications projects for several years and is a key participant in GeSI events each year during EU Sustainability Energy Week in Brussels, helping raise awareness of ICT's role in sustainable energy policies.

In 2014, we organized and moderated a GeSI workshop on smart water management, which offered a unique opportunity to hear directly from other sectors on how ICT-enabled energy networks have contributed to more sustainable use of water around the world. GreenTouch, the research consortium led by Bell Labs, presented research on energy-efficient networks, highlighting the need for energy harvesting and storage in ICT-enabled smart and sustainable cities and communities.

GeSI has been widely recognized for fostering sustainable practices throughout the ICT sector's long and complex supply chains. Alcatel-Lucent played a leading role in the 2014 GeSI/EICC/EcoVadis publication of a guide that encourages supplier-level companies to identify the business value of corporate social responsibility and adopt more sustainable practices.

Alcatel-Lucent also provided input on a GeSI report containing an updated analysis of sustainability issues that are considered most material to companies in the ICT industry (e.g., consumer electronics, service providers, software, equipment manufacturers). The final result of the process was a revised materiality tool, which GeSI members have since used to conduct materiality assessments of their own companies.

## 2 Developing eco-sustainable networks

### 2.1 Measuring end-to-end impact

The rapid adoption of mobile devices is driving up daily Internet traffic dramatically. By 2017, more than five trillion gigabytes of data will pass through the world's networks each year. Higher demand for bandwidth increases power requirements: in 2014, the Internet alone (not counting the devices accessing it) consumed about 80 billion watts of electricity — roughly equivalent to the output of 80 nuclear power plants.\*

In April 2014, to help the ICT industry and its stakeholders grasp the challenges implied by this massive power consumption, Bell Labs launched an application that models energy consumption of ICT networks. The GWATT (Global 'What if' Analyzer of NeTwork Energy ConsumpTion) application is a thought-stimulating tool that is intended to drive intelligent dialogue about the sustainability potential of new technologies and the relative importance of different architectures and technologies on end-to-end energy consumption. ✓

It is based on forecasts and network modeling from:

- Bell Labs networking and technology leaders ✓
- An independent consortia including **GreenTouch** ✓
- **Cisco VNI** ✓
- The **Global e-Sustainability Initiative (GeSI)** ✓

Since then, over 9,000 users have accessed the GWATT application and nearly 1,000 have used it to forecast the effect of future traffic projection on energy consumption. ✓

\*Source: <http://gwatt.net>

#### Highlight

Alcatel-Lucent is committed to respecting Principle 15 of the United Nations' Rio Declaration on Environment and Development, taking a precautionary approach to the development and introduction of new products in order to protect the environment. <sup>G4-14</sup>

#### 2.1.1 Shifting to the cloud

Network functions virtualization (NFV) promises to reduce power consumption, operating expenses and equipment costs for telecommunications companies by automating processes such as application deployment, maintenance and capacity planning.

Alcatel-Lucent's end-to-end NFV platform, CloudBand™ delivers these and other benefits to carriers — meeting their stringent performance requirements. It is particularly appealing to mobile service providers as it allows them to innovate faster and more easily, scale services up or down as needed, and optimize the delivery of services, such as voice over LTE (VoLTE), secure mobile communications and machine-to-machine communications.

Through the CloudBand Ecosystem Program — which is essentially an open community of service providers, solution partners and application vendors — CloudBand is available to the entire industry for free. The program fosters collaboration and experimentation that will accelerate adoption of NFV and create new business opportunities across the industry.

## 2.1.2 Looking at the whole life cycle

G4-14, G4-DMA TRANSPORT, G4-EN30, G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

### Highlight

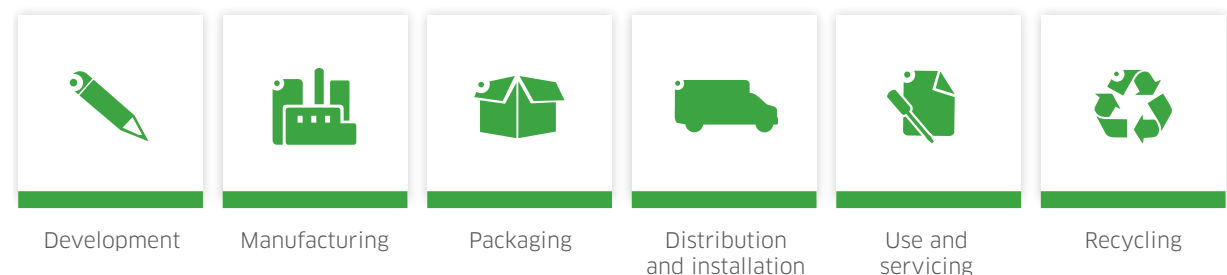
Alcatel-Lucent has created a Materials Composition Estimator to assess the approximate composition of a product subassembly — addressing a key area of interest concerning the valuation potential of end-of-life recycling of precious and semi-precious metals.

We look at the environmental impacts of our solutions and technologies at every stage of a product's life cycle. Our logistics tools quickly compare various routes for shipping components and finished goods to suggest the most cost- and energy-efficient options. We have incorporated design guidance and best practices for product developers to reduce end-of-life environmental impacts associated with disassembly, reuse and recycling.

We further minimize our environmental impacts throughout the product life cycle by:

- Extending product lifetime and value (e.g., through upgradeable hardware and software features)
- Developing equipment that consumes less space and generates less heat
- Providing more functionality per kilowatt used
- Operating on alternative energy when possible
- Ensuring a safe electromagnetic environment
- Reducing acoustic noise
- Using materials with low environmental impacts
- Providing eco-efficient product packaging and transport

### Our holistic approach to life cycle assessment



### Highlight

100% of our significant product categories are covered by and assessed for compliance with procedures pertaining to product substances content, safe use and disposal, as well as their environmental/ social impacts. G4-PR3

### 2.1.3 Life Cycle Assessment Estimator

G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

Alcatel-Lucent has pioneered a simple, accurate Life Cycle Assessment (LCA) Estimator to generate product carbon footprint information for all new product families. The results are provided in an eco-declaration for each product that conforms to the standards of the European Committee for Standardization (ECMA-370) and the International Electrotechnical Commission (IEC 62430). We also use the LCA Estimator to evaluate material alternatives, transportation routing and power profile options.

In 2014, we improved the LCA Estimator's estimation techniques and algorithms to more accurately and efficiently assess components and materials such as wires, cables, integrated circuits, plastics and metals. All improvements were incorporated into our online LCA Estimator tool.

#### Highlight

Contributing to an HDP User Group-led project, Alcatel-Lucent helped create a calculator to estimate GHG emissions and water consumption for different printed wiring board designs and constructions. The calculator is used to verify and supplement the data sets in our Life Cycle Assessment Estimator tool.

## 2.2 Innovating for a sustainable future

### 2.2.1 Bell Labs research and innovation

G4-16

#### Highlights

- More than 50 Bell Labs scientists, researchers and engineers around the world are working on green research projects, collaborating with more than 50 other companies, research institutes and universities within the GreenTouch consortium and on bilateral bases. ✓
- We remain strongly committed to partnerships with universities around the world. In particular, Bell Labs continues to build its strategic collaboration with the Centre for Energy Efficient Telecommunications (CEET) at the University of Melbourne. ✓
- 10% of Bell Labs patents are dedicated to energy-related and green innovations. ✓

Alcatel-Lucent's research division, Bell Labs, recognizes that network energy consumption is one of the major industrial challenges facing customers and the ICT industry at large. With exponential traffic growth predicted for communication networks — accompanied by increased energy costs — service providers' operational expenses will increase significantly without the development of new, energy-efficient technologies. A further concern is access to stable, reliable power, which cannot be taken for granted in the case of off-grid or poor-grid deployments in developing countries and rural areas, or where massive deployments of network equipment, such as small cells present significant operational challenges and expenses. ✓

#### Network Energy Research Program

Bell Labs' Network Energy Research Program focuses on optimizing network energy utilization, and on developing innovative solutions for Alcatel-Lucent products in the near, medium and long terms. The program's research efforts span all major areas of the network, including wireless and fixed access, metro and core networks, and optical transmission. ✓

The Energy Research program investigates technologies, architectures and solutions that:

- Reduce required energy per bit (i.e., increase energy efficiency) for data transmission, processing or storage ✓
- Reduce power wastage from inefficiencies and overhead (for example, through more efficient thermal management and cooling) ✓
- Enable off-grid deployments through new energy harvesting solutions and high-density energy storage technologies ✓

The research program also investigates innovative applications of ICT technologies, such as connected and smart city applications (e.g., smart grids and electric mobility). ✓

Based on his leadership in the areas of energy and ICT-related issues, Thierry Klein, Network Energy Research Program Leader, was invited to participate on the United Nations Framework Convention on Climate Change (UNFCCC) Momentum for Change Advisory Panel, which features ICT solutions as one its key areas of focus.

### **Zero energy networks**

Bell Labs' vision for zero energy networking foresees future access networks powered completely by local, off-grid renewable energy sources; energy waste minimized by efficient thermal management, cooling and efficient power supplies; network equipment and networks that have an energy consumption profile proportional to their traffic loads; and networks that are designed and developed for maximum energy efficiency.

More than 50 Bell Labs researchers, scientists and engineers around the world are contributing to this vision either directly through their own projects or as part of jointly funded projects with industry consortia, research institutes and universities. Bell Labs also serves on the industrial advisory boards for the INTElligent Energy awaRe NETworks (INTERNET) consortium in the United Kingdom and the EU's FP7 Massive MIMO for Efficient Transmission (MAMMOET) project.

In January 2015, Bell Labs successfully concluded its IntelliSpektrum project, which was funded by the German Federal Ministry of Economic Affairs and Energy. Collaborating with the Fraunhofer Institute for Applied Solid State Physics, the Fraunhofer Heinrich Hertz Institute and Intel Mobile Communications, Bell Labs demonstrated that today's ultra-broadband mobile networks can realize significant energy savings and performance gains by deploying a mix of macro and small cell radio base stations.

### **Supporting university collaborations**

Both Alcatel-Lucent and Bell Labs are committed to maintaining strong relationships with academic partners to conduct high-quality, high-impact green research activities, including projects to better understand the energy implications of increasing wireless access to cloud services. In particular, we are continuing our strategic collaboration with the Centre for Energy Efficient Telecommunications (CEET) at the University of Melbourne in Australia, which is delivering important insights to reduce the energy consumption of future networks while setting new benchmarks for industry-academic partnerships.

We also supported 10 PhD students in Ireland working on innovative solutions for efficient energy harvesting, high-density energy storage and efficient thermal-management solutions.

## 2.2.2 GreenTouch™ consortium

G4-16

Given that network energy consumption affects the entire ICT industry, Bell Labs' vision is based on extensive collaboration with service providers, equipment manufacturers, utility companies and academics. This collaboration is at the core of the GreenTouch consortium, which was founded in 2010. The GreenTouch consortium that Bell Labs initiated is a Global Research creating a technology roadmap to make telecoms networks up to 1,000 times more energy efficient with 48 member organizations. ✓

It seeks to develop the architectures, solutions and roadmap needed to realize this objective. GreenTouch will demonstrate its results in June 2015 in a worldwide event.

Ultimately, GreenTouch aims to create ICT networks and technologies that will enable a more sustainable Internet. In the process, it is fundamentally redesigning networks to improve their energy efficiency and reduce their overall carbon footprint for the benefit of the ICT sector and the entire world.

Members of Bell Labs hold a variety of leadership positions within GreenTouch, including:

- Chair of the Executive Board
- Chair of the Technical Committee
- Chair of the Mobile Communications Working Group
- Chair of the Marketing and Communications Subcommittee
- Co-chair of the Operations Committee
- Co-chair of the Services, Policies and Standards Working Group

### Highlight

In November 2014, one year after the Green Meter Study showed it is possible to reduce the net energy consumption of communication networks by 90% by 2020, the GreenTouch consortium released and publicly demonstrated two new technologies in November 2014 – an energy-optimized optical transceiver and a virtual home gateway. It is estimated these will reduce overall residential and enterprise energy consumption in wireline access networks by 46%. ✓

### New optical transceiver cuts metro power consumption by 50%

In November 2014, GreenTouch announced the results of a Bell Labs/CEET project to redesign a point-to-point optical transceiver for an energy-efficient access network. The redesigned equipment will provide a 30-fold increase in energy efficiency compared to today's state-of-the-art optical transceivers.

This technology will reduce the overall power consumption of the entire metro access network by 27%, saving approximately four terawatt-hours of electricity on an annual basis. If all electronic equipment in the optical link is figured into the equation, the power consumption reduction increases to 50%. What's more, these energy savings have all been obtained through an innovative design that uses off-the-shelf commercial components — important given that the access network is the most price-sensitive part of a telecommunications network.



## Virtual home gateway moves in-home networking to the cloud

GreenTouch also demonstrated a new technology, led by a team at the Institute for Research in Computer Science and Control (INRIA) in France, which replaces residential in-home gateways — the devices used to access dedicated services, such as data, voice and TV — with servers in the cloud. By replacing hundreds of thousands of in-home boxes with a smaller number of servers, power consumption in the residential access network could be reduced by 19% — equivalent to the annual electricity consumption of 833,000 households.

In addition to ‘virtualizing’ home gateways, GreenTouch also developed a new distributed architecture that allows service providers to shut down some servers during slow times — thereby conserving power — and then turn them back on only when CPU- and bandwidth-intensive services, such as deep-packet inspection or HD streaming are required.

### 2.2.3 Industry events, conferences and workshops

GreenTouch members frequently organize and participate in a number of industry events, conferences, presentations, workshops, panel discussions and trade shows, sharing project results and encouraging others to contribute to its vision for the ICT sector.

- During the 2014 EU Sustainable Energy Week, GreenTouch hosted a workshop looking at potential energy consumption and environmental impact of the ‘Internet of Everything’ — and the challenges associated with deploying and managing billions of connected devices in an energy efficient and sustainable way. As part of this workshop, Bell Labs demonstrated its patented vibration energy harvester technology.
- For Nantes Digital Week, GreenTouch was invited by the city of Nantes, France, to host a workshop on the potential for energy efficiency improvements and the impact software-defined networks and virtualization will have on the energy consumption of tomorrow’s networks.

### Highlight

- With more than 50 members from 23 countries and over 300 participants, the GreenTouch consortium is strongly focused on partnership and collaboration.
- Heading into the final phase of its five-year mission, GreenTouch is on track to achieve its mission – the demonstration of technologies and architectures that will improve network energy efficiency by a factor of 1,000 compared to 2010. Bell Labs continues to lead and is a key contributor to major GreenTouch research projects.

## 2.3 Reducing the impact of our products and solutions

We maintain high standards of product stewardship and consider the environmental impact of our products throughout their entire life cycles, from initial design to end-of-life re-use and recycling.

### 2.3.1 Improving the efficiency of raw materials use

G4-EN30, G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

Our life cycle assessment (LCA) approach evaluates the consumption of raw materials throughout the life cycles of our products. Data and results from LCA assessments inform continuous improvements to achieve more efficient use of raw materials and energy at every stage of product life: Raw material extraction, pre-processing, intermediate material and component manufacturing, final manufacturing and assembly, packaging, distribution and installation, use, and end-of-life reuse and recycling. These improvements are incorporated into our best practices for environmentally conscious product design. ✓



Examples of Alcatel-Lucent processes that improve the efficiency of raw materials use are as follows.

G4-EN30, G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

- **Designing for standardization** reduces parts inventories by increasing the use of “golden catalogs” and reuse of “golden parts”. Golden catalogs ensure adherence to the company’s list of preferred/allowed suppliers and compliance with policies on restricted substances and other factors. Golden parts are selected after comprehensive analysis against the above criteria, are validated against current usage, confirmed by preferred suppliers and finally approved by a forum of technical, business and quality experts. The primary purpose of the golden catalog for a family of materials, components or products is to minimize the variety of parts across our business lines and product divisions, which in turn reduces costs, improves quality and flexibility and accelerates time-to-market.

Golden catalogs are refreshed annually to ensure accuracy and relevance in our very dynamic environment. Product components cover approximately 4,100 golden parts. For new product development in 2014, golden parts comprised 60% of the items used in a bill of materials — a significant achievement from a standardization and complexity reduction perspective. ✓

- **Common designs and design reuse** increases parts interchangeability, provides common toolsets and reduces the need for component testing and qualification — ultimately lowering production costs and impact on the environment by reducing inventory, obsolescence and waste. For instance, our Component Selection Tool standardizes access to component portfolios across all business lines. ✓
- **Eco-efficient product designs** provide increased functionality (e.g., capacity, service, performance) per unit of electricity consumed while occupying less physical space, weighing less and using fewer types of materials. This has significantly reduced the amount of raw materials consumed in our products over their entire life cycles. ✓
- **Improved materials selection guidance** supports optimal materials selection during the design phase to deliver increased efficiency in material consumption while offsetting other material and energy flows and environmental impacts. For instance, selecting aluminum with a high metal recycled content (~65%) over painted steel (~30% recycled content) for product chassis and cabinets significantly reduces raw materials extraction requirements. It also produces a lighter-weight product that consumes less energy during shipping, installation, and end-of-life product takeback and recycling. Aluminum also needs fewer materials for corrosion and finish protection. ✓
- **Accelerated innovation** delivers technological and environmental innovations to market more quickly, increasing access to resource-efficient equipment that uses less energy and materials resources. The acceleration of our R&D cycles has hastened the development of the innovation building blocks that enable the rapid production of breakthrough technologies and intellectual property. An example of this is Alcatel-Lucent’s breakthrough Enterprise Small Cell device, which will allow operators to extend 3G, 4G LTE and Wi-Fi connectivity and coverage into the office for in-building customers. Within a year of announcing this solution, we had already demonstrated it at the Small Cells World Summit in June and are now using it in multiple customer trials. ✓
- **Product packaging** has a direct impact on the raw materials consumed and waste generated from our manufacturing processes. It also affects the amount of transport space required to deliver our products and, as a result, the energy efficiency of product transportation. We recently worked with AT&T, one of our network equipment customers, to improve packaging for plug-in cards used in their network. These cards were previously placed in an inner box that was then placed with paper informational materials in an outer shipping box. Process changes were made to maintain the informational materials electronically, thereby eliminating the paper and, more importantly, the extra shipping box. These changes also increased the number of boxes on a pallet by 130%, improving the overall transportation cube utilization. ✓

### 2.3.2 Managing materials

G4-DMA MATERIALS, G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

Minimizing and managing the environmental impacts of materials used in our products and throughout our supply chain is of paramount importance. Our supplier requirements specify our expectations for the control and tracking of material content, as well as prohibitions against materials that are banned, restricted or to be avoided in our products or packaging.

We require our suppliers to track material content information according to IEC 62474 (Material Declaration for Products of and for the Electrotechnical Industry). We maintain a robust material/substance content management process to aggressively limit the impact of hazardous materials and waste on human health and the environment. This process ensures that we:

- Meet regulatory material restrictions in all markets we serve
- Go beyond legislative material restrictions where there is a sound scientific basis for doing so, which includes abiding by regional legislative requirements on a global level and respecting material restrictions
- Invest in research and development both independently and through partnerships to minimize the eco-impact of materials
- Advocate the use and adoption of lower eco-impact materials among our suppliers, customers and in the industry at large

### 2.3.3 Restricted substances

G4-DMA MATERIALS, G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

Our EHS policies outline global mandates, requirements and standards related to the use of hazardous substances. We also maintain similar standards for our suppliers: our contracts include clauses mandating specific requirements for substances that are banned, restricted, to be avoided or reportable to us. ✓

We maintain a detailed five-year roadmap on substances we may target for banning based on future regulatory trends and proactive voluntary actions. We regularly update our hazardous substances requirements to include new requirements and targets. ✓

For example:

- **Polyvinyl chloride (PVC)**

We have voluntarily reduced our use of PVC over the last several years in recognition of its associated environmental and human health risks. By the end of 2015, our goal is to eliminate PVC from our products where it is technically, economically and environmentally feasible. Though there are challenges with PVC elimination when applied to network infrastructure equipment, we are aggressively taking action on multiple fronts, including R&D, supplier/industry partnerships, and advocating with customers and standards-development organizations. ✓

- **Lead**

Our products are fully compliant with the requirements for lead as specified in the Restriction of Certain Hazardous Substances (RoHS) Directive and the Restriction, Evaluation and Authorisation of Chemicals (REACH) Regulation. We have adopted this EU-focused compliance globally — and all new network infrastructure products implemented since 2010 have been lead-free soldered by design, well in advance of the expiration of the RoHS lead-in-solder exemption for network infrastructure equipment. That said, some lead is still used in solder in special cases, such as the repair of installed equipment and for legacy products as allowed by regulations. ✓

- **Halogen**

We continue our participation in consortia that investigate halogen-free printed wiring board materials for lead-free assembly, compatibility and reliability. ✓

We invest in R&D, partnerships and externally funded projects to identify and evaluate alternative materials with reduced environmental impact (whether through reduced toxicity or prolonged product life cycle). These include, for example, PVC alternatives, halogen- and lead-free materials, fluxes and corrosion protection. In addition, our history of leading-edge, lead-free R&D — both internally and via industry partnerships — has been crucial in establishing a critical understanding of lead-free assembly reliability and addressing key risk areas, such as device attachment, surface finishes, solder alloys and tin whiskers.

R&D projects in this area include collaboration with Tier 1 contract manufacturers (EMS), component and material suppliers, industry consortia (e.g., iNEMI, UNOVIS AREA, HDPUG) and universities. These collaborations ensure we can leverage the broadest and deepest possible technical perspectives, to help industry progress and change in reducing the environmental impact of electronics products and materials.

### **2.3.4 Complying with regional regulations**

G4-15, G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

Our products meet the following compliance requirements when they are intended to be shipped to or used in these respective regions and/or countries:

#### **European Union (RoHS)**

The EU Restriction of the Use of Certain Hazardous Substances (RoHS) Directive [2002/95/EC and its recast, 2011/65/EU] restricts the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ethers in electrical and electronic equipment placed on the EU market after July 1, 2006. (There are various exemptions, however, including an exemption for lead solder in network infrastructure equipment.) All Alcatel-Lucent products shipped to the EU after July 1, 2006, are in compliance with the RoHS Directive.

#### **European Union (REACH)**

On June 1, 2007, the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation (No. 1907/2006) entered into force, placing certain obligations on manufacturers, importers and downstream users. Alcatel-Lucent complies with the current requirements of REACH, including substances subject to authorization in Annex XIV and restrictions contained in Annex XVII.

In particular, Article 33 of REACH requires suppliers to inform recipients and consumers if a product contains more than 0.1 % (by weight) of any substance considered for inclusion in the European Chemical Agency's list of substances of very high concern (SVHC). Based on information received from our suppliers, we have no indication that any of our products, subassemblies or expansion items contains more than 0.1 % (by weight) of any of the listed substances.

#### **China**

The Chinese Ministry of Information Industries has published a regulation (Order #39) and associated standards regarding restrictions on hazardous substances. This legislation requires all electronic and information products to comply with certain labeling and documentation requirements. All Alcatel-Lucent products intended for sale to customers in China that were manufactured on or after March 1, 2007, comply with these requirements.

In accordance with China's Electronic Industry Standard Marking for the Control of Pollution Caused by Electronic Information Products (SJ/T11364-2006), customers may access the Alcatel-Lucent hazardous substances table.

## Turkey

Alcatel-Lucent products are in compliance with Turkey's Waste Electrical and Electronic Equipment (WEEE) Regulation, which was published in *Resmî Gazete* (the country's official journal of new legislation) on May 22, 2012.

AEEE Yönetmeliğine Uygundur.

## Ukraine

Alcatel-Lucent equipment complies with the requirements of Ukraine's Technical Regulation (No. 1057, December 3, 2008), which restricts the usage of certain hazardous substances in electrical and electronic equipment.

України ТЕХНІЧНИЙ РЕГЛАМЕНТ обмеження використання деяких небезпечних речовин в електричному та електронному обладнанні (від 3 грудня 2008 р. N 1057): Обладнання відповідає вимогам Технічного регламенту обмеження використання деяких небезпечних речовин в електричному та електронному обладнанні.

## Vietnam

Alcatel-Lucent products are designed and manufactured in accordance with Vietnam's Circular 30/2011/TT-BCT on the restriction of hazardous substances and maximum concentration levels of toxic substances allowed in homogeneous materials (except for the exceptions listed in the Circular).

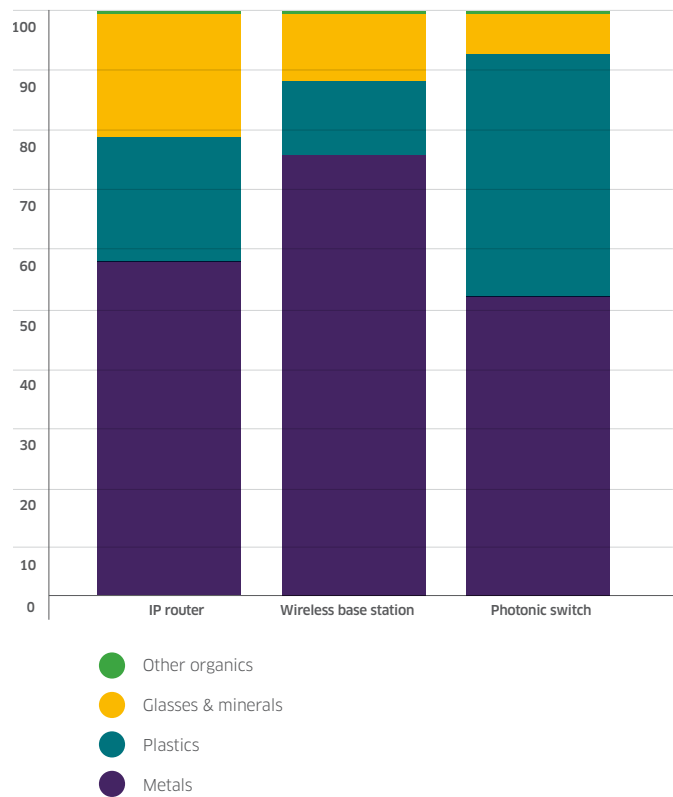
Công ty Alcatel-Lucent đảm bảo rằng rằng tất cả các sản phẩm mang nhãn hiệu Alcatel-Lucent được thiết kế và sản xuất phù hợp với Thông tư 30/2011/TT-BCT của Việt Nam về việc hạn chế các chất độc hại và nồng độ tối đa của chất độc cho phép trong các vật liệu đồng nhất (ngoại trừ các trường hợp miễn trừ được liệt kê trong Thông tư này).

### 2.3.5 Product materials content G4-EN2, G4-PR3, G4-DMA PRODUCT AND SERVICE LABELING

In 2014, Alcatel-Lucent delivered 170,202 metric tons of equipment to market. We analyze the composition of our products' component materials and recycled content to ensure they make the most efficient use of materials. ✓

The following are materials content examples for our finished products, based on the typical configurations offered to our customers:

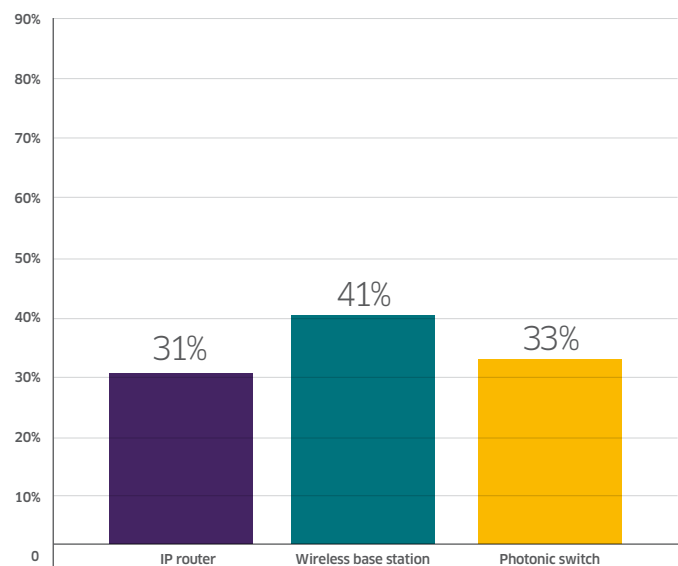
## Product materials breakdown (typical configuration) ✓



## Recycled input materials ✓

We work closely with our components and materials suppliers to use a high percentage of recycled input materials in raw materials processing and manufacturing. The following shows the percentage of recycled metals typically contained within our feedstock materials.

## Percentage of recycled metals in product (typical configuration) ✓



### 2.3.6 Ensuring product safety

G4-DMA CUSTOMER HEALTH AND SAFETY, G4-PR1, G4-PR3, G4-DMA PRODUCT AND SERVICE LABELING

Alcatel-Lucent is committed to meeting the needs of its customers and ensuring the safety of its employees and the general public. We assess the health and safety impacts of all our products at all stages of their life cycles. During the design phase, we work with suppliers to avoid the use of hazardous materials. We ensure that all materials are prepared for transportation according to nationally or internationally accepted regulations. Our technical documentation provides specific guidance for the safe use of our products, and mandatory training for Alcatel-Lucent Services personnel covers a range of topics to ensure a safe workplace.

Additionally, all Alcatel-Lucent products that emit radio frequency (RF) energy must comply with country-specific regulations for human exposure to RF emissions in the manufacturing and product-use phases. Compliance is determined either by analytical assessment or measurement of propagated RF energy. Finally, our company requirement dictates that all electronic waste is shipped to processing facilities that have passed our EHS liability assessment. Unless otherwise specified, all electronic waste is processed to recover as much of its recyclable material as possible.

#### Highlight

- All Alcatel-Lucent products including a radio transmitter are subject to RF exposure assessment. Compliance distances are assessed according to international standards and reported in the documentation of the relevant products.
- 100% of significant products are assessed for health and safety impacts.

#### Our position on exposure to the electromagnetic environment

We closely follow health and regulatory issues related to wireless communications, including those associated with the electromagnetic environment. This effort has been recognized by third parties such as the Dow Jones Sustainability Index, which since 2006 has assigned Alcatel-Lucent the highest score achievable in the electromagnetic fields category. We actively contribute to the international standardization bodies that develop exposure assessment standards. We ensure that our product portfolio — including macro cells, small cells and Wi-Fi — complies with national and international standards and regulations on RF exposure.

#### Scientific knowledge about the electromagnetic environment

Our position regarding the human exposure to RF transmissions is based on the opinion of more than 150 expert committees mandated by national and international authorities to assess the advancement of scientific knowledge. All have been consistent in concluding there is no established health effect from exposure to RF fields below the limits set by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), the international commissions recognized by the World Health Organization (WHO) or similar recommendations from the Institute of Electrical and Electronics Engineers (IEEE).

As described in the WHO's Fact Sheet 304: "Considering the very low exposure levels and research results collected to date, there is no convincing scientific evidence that the weak radio frequency signals from base stations and wireless networks cause adverse health effects." This statement applies to all mobile and wireless network technologies implemented by Alcatel-Lucent, including CDMA, GSM, W-CDMA/UMTS, LTE and Wi-Fi.

We track the evolution of the scientific knowledge on which present exposure limits are based. Expert committees, such as Europe's Scientific Committee on Emerging and Newly Identified Health Risks conclude there is no established health effect at exposure levels below the guidelines developed by ICNIRP.

## Contributing to international standardization initiatives

We support the development of global standards for exposure assessment through international standardization bodies and industry associations, such as the GSM Association. We contribute in particular to the International Electrotechnical Commission (IEC), the International Telecommunication Union (ITU) and the European Committee for Electrotechnical Standardization (CENELEC).

### 2.3.7 Packaging and distribution

G4-DMA TRANSPORT, G4-EN30, G4-DMA PRODUCT AND SERVICE LABELING, G4-PR3

#### Lean packaging

Packaging has a direct impact on the environment: not only due to the consumption of raw materials and waste generated during manufacturing and disposal, but also due to transportation-related GHG emissions. Last year we continued to reduce the amount of packaging for our products, eliminating unnecessary primary and secondary packaging as well as void space, and discontinuing physical shipments of certain items (such as hardcopy software documentation). Some of this was done with outside suppliers and some in collaboration with customers such as AT&T.

#### Efficient transport

Our new package designs have allowed us to increase the packing density of certain optical network termination units by 33% to 55% per pallet. With pallet double stacking, this has drastically reduced the number of ocean containers needed to ship these high-volume products between Asia and North America. We can now fit nearly three times as many units in every 40-foot container (up to 26,800 compared to the 8,640 previously possible): this provides considerable cost savings and a reduced carbon footprint.

Our Global Direct Order Fulfillment (DOF) Project allows us to ship products from various manufacturing and sourcing locations to customers in the most direct manner possible, reducing transit time and emissions. In 2014, we increased the number of direct shipments from 10% to 40% by year end, and will continue to increase our DOF shipments in 2015.

We are also reducing our carbon footprint by shifting from air to surface freight whenever possible. In the Caribbean and Latin America, for example, orders are now scrutinized for opportunities to coordinate customer requests and material availability dates to allow for ocean transport rather than air.

### 2.3.8 Increasing the energy efficiency of products in use

G4-EN16, G4-EN17

Given the anticipated rise in greenhouse gas emissions by the Information & Communications Technology (ICT) sector in the coming years, Alcatel-Lucent is relentlessly striving to reduce the environmental impact of its products and solutions. Numerous initiatives are underway to not only increase the energy efficiency of our products and solutions but also to decrease our total carbon footprint through more eco-efficient product design and optimized product development, with a significant focus being placed on implementing more energy saving features and eco-friendly production processes. ✓

- **Fixed networks**

Our commitment to developing energy efficient products in the fixed access domain is demonstrated in our annual Broadband Code of Conduct report, in which all products in this area had power consumption below the targets for their relevant tiers set by the European Commission Joint Research Center. We can achieve such targets by leveraging both the hardware and software on which our equipment run. In addition, we design the most critical components and chipsets in-house to ensure built-in innovation, sustainability and market differentiation, and we partner with key component



suppliers for less critical components. Our green DSL platform, which is based on the three power modes defined by the ITU (full power, low power and sleep mode) and utilizes the Intelligent Services Access Manager (ISAM), allows significant power savings in each ADSL2/ADSL2plus port. Another example can be seen in our involvement with the evolution of DSL networks, which is also driven by more-and-more small ISAM nodes closer to the subscribers. Alcatel-Lucent has built an optimum technology lowering power consumption for small VDSL2 Nodes by bringing a centralized packet treatment, thus lowering the power consumption. Such an approach is only possible for small nodes. Also, for the coming G.fast standard, we have played a key role in having low power-consumption techniques made a standard feature for this new technology. Regarding PON networks, the main progress offered by Alcatel-Lucent is on dense GPON line cards; by doubling their density, we can drop the cards' power consumption per port without compromising the well-established GPON standard. ✓

- **IP routing**

We have increased the energy efficiency of our 7750 Service Router (SR) platform by 25 % between 2012 and 2014. Pioneering advances in power efficiency are incorporated into each member of the 7750 SR family, reducing the expense of both powering and cooling when compared to products that don't use our industry leading FP3 silicon technology. Combined with eco-sensitive manufacturing processes, careful materials selection and a view to sustainable product life cycle management, the 7750 SR family also helps service providers reduce their own environmental impact, with the FP3 cutting power consumption per packet processed by 50 % compared to the previous generation of FP2. Power savings at the chip level are achieved using the 40 nm process and by expanding clock gating over a wider part of the devices. With its industry leading performance and low power consumption, FP3 is a key building block for the continued evolution of the service router product portfolio. ✓

- **IP transport**

Between 2012 and 2014, the energy efficiency of the 1830 Photonic Service Switch (PSS) platform has increased from 43 % up to 108 % on the 6 most representative configurations tested. The 1830 PSS is a metro, regional and long-haul dense wavelength division multiplexing (DWDM) platform. Optical and electrical cross-layer functionality allows for traffic forwarding to the most economical layer for improved resource optimization and the lowest power consumption. At the heart of this platform is the Photonic Service Engine, which enables high-performance 100G and an evolutionary path to 400G transport. Leveraging an intelligent control plane and integrated data, control and management planes, the 1830 PSS simplifies network management for maximum multilayer performance and efficiency. Meanwhile, the new 200 gigabit per second single carrier line card provides twice the bandwidth in the same footprint without increasing power requirements. ✓

- **IP platforms**

The consolidation of four IMS network elements — 5420 CTS, 5420 SCG, 5450 ISC and 5060 MGC-8 — into one multi-tenancy shared chassis supported by a virtualized platform has resulted in an energy efficiency increase of 45 %. Combining these applications in a single environment — while still supporting the same number of subscribers and overall performance — has also translated into a 72 % floor space gain. ✓

- **Wireless networks**

We have developed a holistic approach to increasing the energy efficiency of our radio access portfolio. At the site and system architecture levels, we promote the implementation of distributed site architectures based on remote radio head and the deployment of heterogeneous networks, leveraging features that can switch macro cell carriers or small cells on or off depending on traffic load. At the product design level, our macro base station radio modules can adjust power consumption based on traffic load. Energy efficiency also drives our small cell product designs. We focus on identifying energy-efficient hardware architectures, selecting components with low power consumption and providing increased functionality for similar power-consumption level. ✓



### 2.3.9 Helping our customers achieve their sustainability goals

Seeking to realize cost savings by reducing power consumption and simplifying network operations, Verizon Wireless will be deploying our advanced data management platform as part of its LTE expansion strategy. The Alcatel-Lucent Subscriber Data Manager (SDM), one element in a portfolio of technologies that enables rich multimedia applications, will help support the efficient growth of Verizon's LTE services by centralizing multiple application databases.

In 2014, Alcatel-Lucent signed an agreement with Telefónica to drive the adoption of network functions virtualization (NFV) in the telecommunications industry. This strategic relationship will use the Alcatel-Lucent CloudBand platform to identify and develop processes to help service providers decide which elements of their networks should be virtualized and when — and in doing so, greatly reduce operating costs through the more efficient management of physical infrastructure and the faster rollout of next-generation services.

As part of a multimillion-dollar infrastructure investment, New Zealand's Chorus will be the first Asia-Pacific telecommunications provider to deploy the Alcatel-Lucent 7950 Extensible Routing System (XRS). With its ability to handle up to 16 terabits of data per second, the 7950 XRS has the capacity necessary to deliver high-bandwidth broadband services — and do so in an eco-sustainable way, consuming just a single watt of energy per gigabit of traffic.

In support of its mobile ultra-broadband rollout strategy, TDC — Denmark's largest telecommunications company — is currently deploying Alcatel-Lucent small cell technology to expand coverage to both enterprise and residential customers. Small cells allow TDC to offer ultra-broadband access and services faster and at a reduced cost with less energy consumption. Small cells' unobtrusive design (compared to traditional cell towers) also helps preserve the country's architectural heritage.

#### 2015 target

Improve the functional energy efficiency of our radio access technology — now part of the lightRadio™ portfolio — by at least 75% between 2008 and 2015. We are on track to meet this goal.

### 2.3.10 Takeback, remanufacturing and recycling

G4-PR3

Alcatel-Lucent offers global product takeback, 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, we participate in public recovery systems.

In 2014, Alcatel-Lucent managed 5,825 metric tons of electronic waste. Of this, 327 metric tons of equipment and components were remanufactured and/or resold, of which 59,756 circuit packs and 239 configured pieces of equipment were remanufactured internally at Alcatel-Lucent.

We also avoided producing more than 6,280 metric tons of CO<sub>2</sub>e by remanufacturing new equipment and components. Approved recycling partners recycled 5,256 metric tons. Of this, 96% was recycled or resold, 2% was treated by incineration and 2% was disposed of via secure landfill. In 2014, 9 new product families were added to our remanufacturing and resale operations. The overall number of Alcatel-Lucent product families under the current remanufacturing/resale process has grown from 45 in 2008 to 103 in 2014.

Telecommunication networks operated by our customers employ significant amounts of batteries to maintain the backup power required to run a stable network. Alcatel-Lucent operates battery maintenance, installation, and removal, as well as transportation and recycling program across the United States to ensure the batteries in its equipment are properly managed and recycled. The goal of this program is to enable customers to prevent potentially harmful chemicals from lead-acid batteries from entering the waste stream and instead making them available to be used again in new batteries. Alcatel-Lucent recycled 980.6 metric tons of lead-acid batteries from customers' networks in 2014, resulting in the recovery of 686.4 metric tons of lead for use in the manufacture of new batteries.

## Circular Economy Awards 2015



Alcatel-Lucent was named a Circular Economy Pioneer at the inaugural Circular Economy Awards presented at the World Economic Forum in Davos in January 2015. The award acknowledges our achievements, leadership and innovation in product remanufacturing. Of particular note is the work of our Special Customer Operations (SCO) team, which for the past 24 years has disrupted the linear supply chain in favor of 'circular' solutions by remanufacturing displaced telecommunications equipment and providing it as a low-cost, eco-sustainable alternative to new equipment.

### 2014 achievement

5,583 metric tons (96%) of electronic waste was recycled or resold, 2% was treated by incineration and 2% was disposed of via secure landfill.

## 3 Enabling a low-carbon economy

### 3.1 The carbon-reducing capacity of ICT

The 2012 GeSI report, *SMARTer 2020*, found that ICT-enabled solutions have the potential to reduce GHG emissions by 16.5%, create 29.5 million jobs and yield USD \$1.9 trillion in savings — an estimate that is 16.5% higher than previously calculated in the *SMART 2020* report.

While the ICT industry's own footprint is projected to rise to 1.27 Gt CO<sub>2</sub>e by 2020 (compared to the *SMART 2020* estimate of 1.4 Gt CO<sub>2</sub>e), its abatement potential is seven times higher. Alcatel-Lucent was one of the most active contributors to the report, providing telecom traffic data, life cycle GHG emissions data, and methodology and communications expertise.

Alcatel-Lucent is fully dedicated to helping these sectors meet their environmental goals, providing solutions that have significant positive environmental impacts, such as:

- Smart grids for power utilities
- Intelligent transport systems for transportation and logistics companies
- Energy and building management solutions for smart cities
- Smart city services, such as remote patient care and monitoring, state and local government applications, public safety, disaster management and cloud offerings (virtualization and dematerialization)

The ICT industry is also developing methodologies and standards for evaluating the carbon-reducing potential of ICT solutions.

## Highlight

Alcatel-Lucent has worked extensively with utilities on more than 100 mission-critical networks and smart grid transformations.

## 3.2 Making the power grid smarter

The electricity value chain is shifting from the one-way delivery of power by a limited number of large generating sources to a more complex landscape with numerous generating sources, bi-directional power flows and real-time communication with customers.

Utilities are embarking on a variety of technology initiatives to modernize their power grids and adapt to this new operating environment. But transforming the traditional power grid into a ‘smart grid’ also requires a more modern and reliable communications network — an area beyond the scope of most utilities’ core business.

By providing the communications infrastructure necessary for sustainable, cost-effective operations, Alcatel-Lucent is helping electrical distribution companies improve energy efficiency and reliability, increase network visibility, enhance customer satisfaction and ensure regulatory compliance. We have worked extensively with utilities worldwide, providing more than 100 mission-critical networks and smart grid transformations.

Smart Grid solution deployed in 2014 for a large state-based U.S. utility customer:

- Increased reliability over previous technology with the ability to perform re-routing around failures and mesh networking, with no latency added. Ensures reliable control and monitoring of the grid, and achieves cost savings by reducing late night/emergency truck rolls
- Increased capacity by enabling dynamic bandwidth and eliminating issues with network congestion
- Collapsed different networking functions into one device, creating a small equipment footprint that resulted in lower power consumption, simpler operations, less rack space, less spares required
- Reduced risks and costs associated with storm/water/lighting damage that could cut communications and damage equipment, by migrating from copper to fiber cabling

- Provides a foundation for future smart grid applications, enabling utility to deploy state-of-the-art RTUs
- Enabled a gradual transition from legacy control applications at utility's desired pace – one network can support and link both legacy technology and state-of-the-art technology migration
- Has the potential for future benefits as microwave network is upgraded; MPLS routers are microwave aware and will enable the utility to collapse what used to require two to three racks of equipment into two to three shelves.

#### **IP migration for smarter operations**

One of Europe's largest transmission system operators (TSO) has embarked on an ambitious project to replace technologies and services in its national electricity network that are nearing their end of life. By converging its various networks into a single IP/MPLS infrastructure, the TSO will be able to reduce the cost and complexity of operation and maintenance, better manage the increasing number of connected sites and devices, and enable improved fault isolation and system safety measures. This network will also help the TSO meet the European Union's '20-20-20' energy savings objectives.

In France, Réseau de Transport d'Electricite (RTE) is leading the Smart Substation project of the Environment & Energy Management Agency (ADEME), which aims to design, build, test and operate two fully digital smart substations in Northern France by 2015. The project will assess the benefits of smart substations, including reduced environmental impact, better integration of renewable energy and more flexible transmission capacities.

In both cases, Alcatel-Lucent is offering its telecommunications expertise and supplying the communications network powering these initiatives.

### **3.3 Smart grid research and development**

Some 24% of today's total carbon emissions are attributable to the power sector. The most recent GeSI report, SMARTer 2020, states that ICT adoption in the power sector could yield 2.0 Gt CO<sub>2</sub>e in abatement (or 22% of total estimated abatement total) by playing a critical role in the creation of a more dynamic power market with supply and pricing responding to changes in demand. This will result in a 3% decline in overall carbon emissions attributable to the electric power sector.

Our smart grid research, development and customer support teams continue to be engaged in a number of smart grid-related activities.

#### **3.3.1 One architecture for any smart grid**

Deploying separate, purpose-built networks for every existing or emerging application is unsustainable — which is why we developed an integrated communication network architecture that can support all smart grid applications. We have also developed a methodology for transforming utility networks, which we demonstrated last year by helping utilities in the United States and Europe transition to an integrated network based on our architecture.

Our 2014 book, *Communication Networks for Smart Grids — Making Smart Grid Real*, presents an application-centric approach to the development of smart grid communication architecture and network transformation, explaining how electric power companies can transform their networks to meet the challenges of tomorrow's smart grids. We also wrote a comprehensive whitepaper on Smart Grid *Traffic Estimation* methodology for the Utilities Telecom Council.

### 3.3.2 Smart grid data analytics

Our Data Mining and Analytics System (DMAS) became fully operational in 2014. By processing near-real-time and archived data — meter readings, weather data, demographic information and more — DMAS can help utilities determine hourly, daily, weekly, monthly and yearly demand predictions for each customer. This allows utilities to improve their rate management, demand response, voltage alarms, customer usage monitoring, usage anomaly detection and asset management.

In the case of Chattanooga, Tennessee's EPB, DMAS was used to pinpoint transformers under stress and identify appropriate maintenance measures. As anticipated, the identified transformers failed during a large storm — but repairs were able to happen much faster.

We are now looking at extending the DMAS algorithms to new applications, developing newer algorithms and deploying them on our Motive platform. We have also developed a Data Analytics for Utilities offering under the Bell Labs Consulting service.

### 3.3.3 Software-defined networks and network functions virtualization for smart grids

Alcatel-Lucent continues to innovate in the area, having developed a software-defined network (SDN) architecture for utility networks that supports all applications (in particular, machine-to-machine applications).

## 3.4 Building smart cities

G4-S01

By 2025, our world will be home to at least 37 'mega-cities', each with a population of more than 10 million people. By 2050, an estimated seven out of 10 people will live in an urban area.

These growing urban populations, combined with constrained financial and natural resources, are shaping the need for smarter, greener cities — placing pressure on governments and municipalities to invest in sustainable infrastructure.

The 'smart city' vision is one of modern urban development, recognizing that today's information and communication technologies can drive economic competitiveness, environmental sustainability and general livability. Smart cities aim to leverage the latest broadband telecommunications infrastructure, (including machine-to-machine communications and the Internet of Things), to foster economic growth, improve peoples' lifestyles, create opportunities for urban development and renewal, support eco-sustainability, improve political and representative processes, and give access to advanced services.

Alcatel-Lucent has defined a holistic, layered architecture for standards-based Internet of Things application enablement to address and improve smart city sustainability, scalability, security, availability, service creation and operations support. The sustainability of smart cities can be further improved through the deployment of a cross-vertical machine-to-machine communications platform and by helping municipalities migrate to a common shared network infrastructure, which will ultimately optimize operations and resource consumption, provide greater flexibility in data center interconnections and reduce the overhead costs of cities' vertical silos.

## Consultancy activities

Bell Labs Consulting has developed business cases for a U.S. state-wide data communication network to motivate representative verticals to migrate their traffic from their present mode of networking operations to this network. In addition to economic advantages, which reduce networking costs, the verticals will be able to receive additional benefits, such as:

1. Increased network availability and reliability
2. Higher data rates as required
3. With MPLS services (VPNs) traffic of different applications can receive application-specific quality of service (QoS) treatment

This will result in a better utilization of the existing state network and in an extension/better sustainability of the smart city applications in the state.

## JCDecaux

G4-S01

The unique density and coverage of street furniture in city centers makes them an ideal medium to usher in the development of a smart city ecosystem. By incorporating our small cells technology into the street furniture developed by JCDecaux, the world's leading outdoor advertising company, we're helping increase mobile networks' coverage density, boosting capacity in saturated areas and offering high-speed access for all. Our teams are now working to optimize the aesthetic integration of the small cells into the furniture to provide cities and telecom operators with a solution that keeps urban landscapes uncluttered while making efficient use of existing power resources.

## Schneider Electric

G4-S01

In 2014, we powered the headquarters for France's Schneider Electric — known as La Hive (Hall de l'Innovation et Vitrine de l'Energie) — with our Motive machine-to-machine communications platform. It is a veritable showcase for the company's solutions and services for building energy management and optimization. Opened in 2008, La Hive has demonstrated significant energy savings in a short space of time: its average annual consumption fell from 150 kWh/m<sup>2</sup> in 2009 to 78 kWh/m<sup>2</sup> in 2012, a reduction of 47%.

## Calgary, Canada

G4-S01

Considered Canada's most wired city, Calgary worked with Alcatel-Lucent to revamp its existing network architecture with an IP/MPLS network to achieve its smart city initiatives. In 2014, we continued to build and update the city's network. The new infrastructure consolidates multiple former segregated networks, resulting in optimized operations along with reduced network footprint and resource consumption — and serves as a foundation for further smart city initiatives in Calgary.

## National Physical Laboratory

G4-S01

The National Physical Laboratory is the national measurement standards laboratory for the United Kingdom and the largest applied physics organization in the country. It asked Alcatel-Lucent to help increase the speed and reliability of its network. Our data center and mobility solutions enabled a more reliable network — including more than 3,000 end points for use by 700 staff — with increased capacity for large amounts of research data. The state-of-the-art, efficient technology also resulted in a smaller carbon footprint.

UPMC is Western Pennsylvania's leading health system and a recognized leader in the application of ICT to revolutionize patient care and improve safety through telemedicine and cloud-based services. As part of a long-time strategic partnership with Alcatel-Lucent, UPMC is deploying our 7950 XRS core router and 100G solutions to deliver critical data, video and voice services to more than 20 hospitals, 3,400 doctors and 55,000 employees — making its entire enterprise smarter and more efficient. Going forward, UPMC will deploy the Alcatel-Lucent 7850 Virtualized Services Gateway in conjunction with the Nuage Networks Virtualized Services Platform.

## 4 Reducing our carbon footprint

### 4.1 Tracking and reporting on carbon emissions

G4-EC2, G4-DMA ENERGY, G4-DMA EMISSIONS, G4-EN15, G4-EN17

#### 4.1.1 Commitments and achievements

G4-DMA ENERGY, G4-EN3

##### Reducing absolute emissions

We have made a commitment to reduce our absolute carbon footprint (CO<sub>2</sub>e) from our Scope 1 and Scope 2 operations by 50% by 2020 (compared to our 2008 baseline). According to the 2014 operational data available at the time of the filing of this document, the carbon footprint associated with our operations showed an approximate 40% reduction from 2008 levels. ✓

While Scope 3 activities are not part of our 50% reduction target, we have considerable influence over emissions from our supply chain. Annual emissions related to product logistics amount to more than 114,671 metric tons of CO<sub>2</sub>, for example. We have taken concrete steps to reduce these emissions by adopting a regionalized manufacturing model, shipping products to our customers in the most direct manner possible and leveraging the load capacity of a lead logistics provider. Through these actions, we have decreased our annual logistics-related emissions by 23% from 2013.

We have also invested in videoconferencing systems at key locations to reduce travel-related emissions. By the end of 2014, 340 videoconferencing hubs had been installed across our global facilities, with employees using the videoconferencing network a cumulative average of 2,933 hours each month. Although business travel equates to less than 1% of our total Scope 3 footprint, we have seen a 37% decrease in these emissions since we began tracking them in 2008.

#### 2014 achievements

In 2014, we reduced the carbon footprint of our worldwide operations (Scopes 1 and 2) by 12% from 2013 levels, and maintained our levels for a large range of Scope 3 emissions as in previous years. Since 2008, we have reduced the carbon footprint associated with our worldwide operations by 40% – more than 334,353 metric tons of CO<sub>2</sub> equivalents – moving confidently toward our ultimate goal of 50%.

#### 2020 target

Alcatel-Lucent has committed to reducing the absolute carbon footprint of its operations by 50% by 2020 (compared to 2008 levels).



## Greenhouse Gas Protocol

G4-15, G4-DMA ENERGY, G4-EC2, G4-DMA EMISSIONS, G4-EN17

Alcatel-Lucent reports emissions from all sources, including facilities, fleet operations, mobile sources of combustion and all other Scope 1 and 2 sources that result directly from business operations. We also report Scope 3 emissions from outsourced activities, such as leased vehicles and vessels, product logistics, company business travel, contract manufacturing, employee commuting, purchased goods and services, and product use.

### Highlight

#### Greenhouse Gas Protocol

We follow the Greenhouse Gas Protocol (GHGP) to determine which elements to measure and report on. At this point, we are reporting on 10 of the 15 GHGP categories. Based on our current business activities, three of the categories are not applicable to Alcatel-Lucent and we continue to assess the remaining two categories for our ability to capture and publish meaningful data.

## Carbon Disclosure Project

G4-EC2, G4-DMA ENERGY, G4-DMA EMISSIONS, G4-EN17

In 2014, Alcatel-Lucent participated in the Carbon Disclosure Project's supply chain and investor questionnaires, scoring 97 out of a possible 100 points on "disclosure" and being assigned the B band on "performance".

Our response to the investor questionnaire defined how our long-term business success depends on two things: using our technical innovations to help our customers respond to their climate change challenges and reducing our own direct environmental impact. We are currently taking a three-part approach to addressing climate change across all of our business activities:

1. **Developing eco-sustainable networks:** We are creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks. Increasing the energy efficiency of our products is part of our design principles; for example, our 7950 XRS Core Router is helping network operators save more than 50% in power and space costs over a five-year horizon of network growth.
2. **Enabling a low-carbon economy:** We are helping businesses and consumers reduce their respective environmental impacts with innovative applications and solutions.
3. **Reducing our carbon footprint:** Our target is to reduce our absolute carbon footprint from operations by 50% by 2020 compared to our 2008 baseline. (By the end of 2014, our carbon footprint has decreased by 40% compared to the 2008 baseline.)

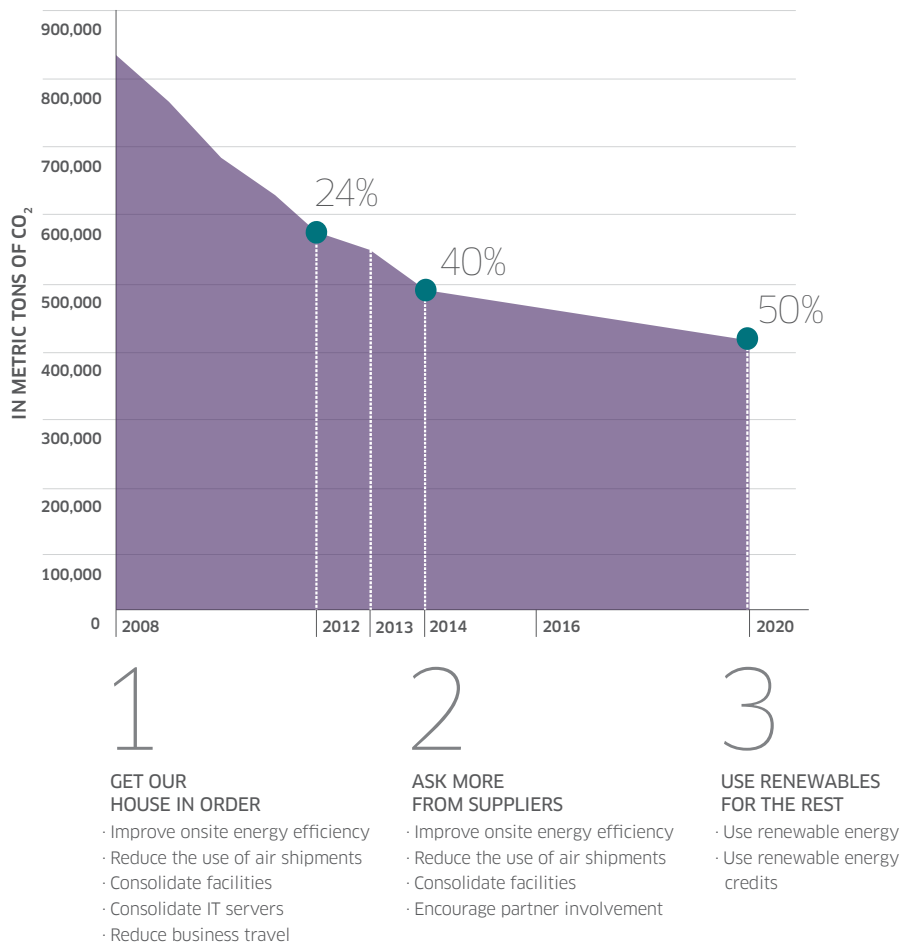
We also invested in an enterprise carbon accounting tool in 2011 that helped streamline and automate our GHG data-collection process, identify additional opportunities for reductions and reveal best practices for reducing the carbon footprint of our operations and supply chain partners. All of this has helped maintain our leadership position in carbon footprint measurement and reporting.



## Targets G4-EC2, G4-DMA ENERGY, G4-DMA EMISSIONS

- Reduce carbon emissions directly related to our business operations through initiatives such as cutting electricity usage and investing in building infrastructure. We also influence our supply chain's energy consumption, and will continue to bring greater efficiency to our product transport and logistics activities while reducing business travel through the use of technology.
- Engage and audit suppliers, ensuring they follow the EICC Supplier Code of Conduct and helping them reduce carbon emissions.
- Increase our use of renewable energy sources, credits and offsets (if necessary).

### Alcatel-Lucent three-phase plan to reduce its carbon footprint by 50% by 2020



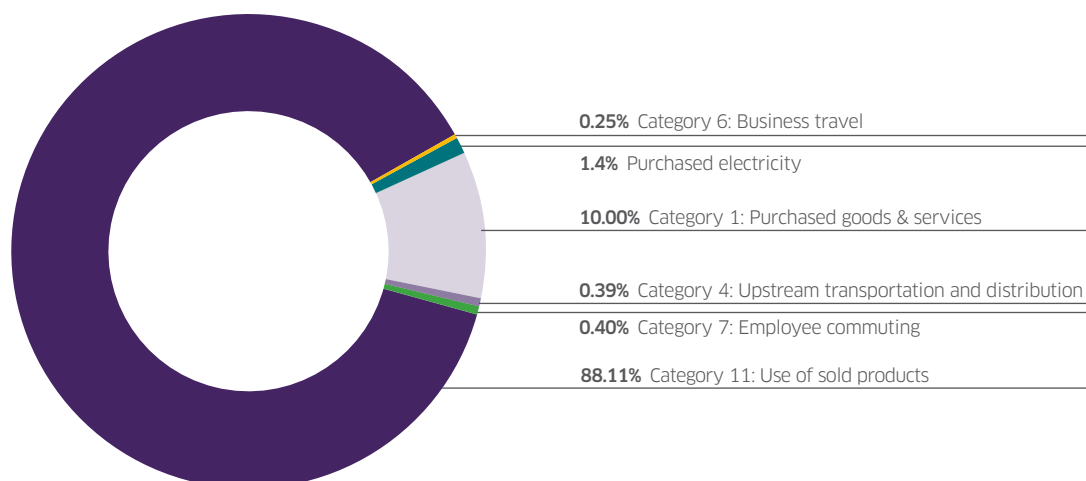
#### 4.1.2 Scope 1, 2 and 3 emissions

G4-EC2, G4-DMA ENERGY, G4-EN3, G4-EN4, G4-DMA EMISSIONS, G4-EN15, G4-EN16, G4-EN17

Alcatel-Lucent is reducing GHG emissions through a global approach to sustainability, targeting all direct and indirect carbon footprint contributors. We report emissions from facilities, fleet operations and mobile sources of combustion, as well as others resulting directly from our business operations. Alcatel-Lucent also reports Scope 3 emissions and strives to continuously improve reporting activities by working with suppliers and business partners.

Scope 3 emissions often represent the largest opportunity for GHG reductions. They include upstream activities, such as the production of goods and services purchased by the company, as well as downstream activities, such as consumer use and disposal of products sold. A comprehensive approach to GHG emissions measurement, management and reporting — including Scope 1, Scope 2 and Scope 3 emissions — has enabled us to focus on the greatest opportunities to reduce emissions within our entire value chain.

## 2014 Carbon footprint (all scopes included)



Scope 1 (Core direct sources)		%	t CO <sub>2</sub> e
Stationary source fuel combustion		0.12	34,948
Mobile source fuel combustion		0.16	47,116
Direct emission of GHGs		0.00	844
Scope 2 (Core indirect sources)			
Purchased electricity		1.40	403,857
Purchased hot water / steam		0.02	6,079
Purchased chilled water		0.00	36
Scope 3 Sources (Optional indirect)			
Category 1: Purchased goods & services		10.00	2,893,456
Category 3: Fuel- and energy-related activities not included in Scope 1 & 2		0.11	30,637
Category 4: Upstream transportation and distribution		0.39	111,565
Category 5: Waste generated in operations		0.00	817
Category 6: Business travel		0.25	73,574
Category 7: Employee commuting		0.40	115,741
Category 9: Downstream transportation and distribution		0.01	3,106
Category 11: Use of sold products		88.11	25,483,000
Category 12: End-of-life treatment of sold products		-0.98	-283,000
		100.00	28,921,777

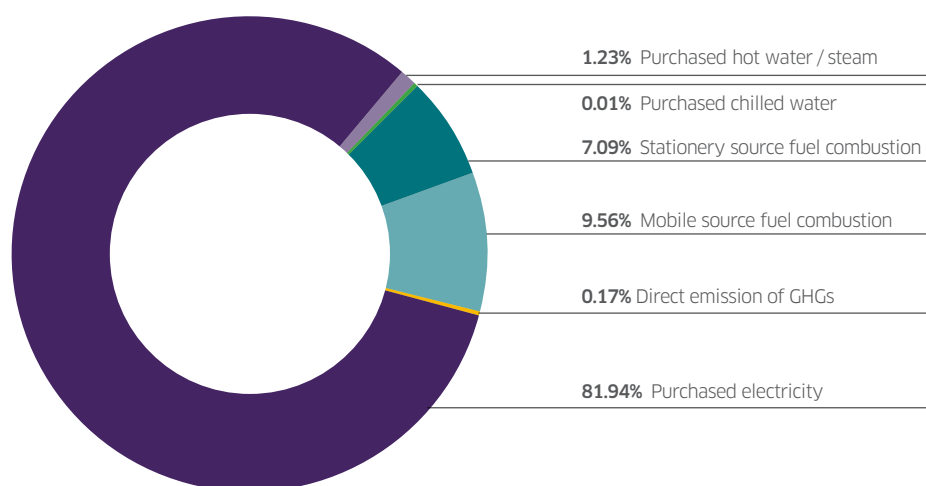
### 4.1.3 Real Estate team







G4-EN15, G4-DMA EMISSIONS G4-EC2

Regional Real Estate team leaders and building managers ensure carbon footprint data is provided on a regular and reliable basis for major Alcatel-Lucent facilities worldwide, and that local action plans to reduce environmental impact are implemented. Our Real Estate team, organized into three regions, works with Operations Sustainability and energy experts who share knowledge and provide structure, direction and access to best practices.

Along with reporting energy usage data, Real Estate team members identify opportunities to reduce energy consumption and emissions, ranging from straightforward behavioral changes and short-term payback initiatives to longer-term measures.

#### 2014 Carbon footprint (scopes 1 and 2)



Scope 1 Core direct sources		%	t CO <sub>2</sub> e
	Stationery source fuel combustion	7.09	34,948
	Mobile source fuel combustion	9.56	47,116
	Direct emission of GHGs	0.17	848
Scope 2 Core indirect sources			
	Purchased electricity	81.94	403,857
	Purchased hot water / steam	1.23	6,079
	Purchased chilled water	0.01	36
		100.00	492,881

#### 2014 achievement

The 48 energy optimization projects identified in 2013 are still in progress at 22 of our largest facilities around the world.

## Highlight G4-DMA EMISSIONS, G4-EN15

### **Reducing our emissions at sites around the world**

Alcatel-Lucent has made reducing GHG emissions a top priority at 534 sites worldwide, which account for approximately 90% of the company's Scope 1 and 2 emissions. Emissions at these sites have been reduced by more than 40% since 2008 thanks to the efforts of dedicated site leaders and regional Real Estate teams.

## 4.2 Living our best practices

G4-EN17

### **4.2.1 Electricity consumption**

G4-EN3, G4-EN4, G4-EN17

Electricity accounts for 82% of our worldwide operational carbon footprint. In 2014, we reduced our electricity consumption by 7% with an associated 8% reduction in CO<sub>2</sub>e from the previous year. We will continue to implement projects and invest in our facilities to achieve ongoing energy reductions. ✓

## Highlight

### **Energy optimization projects**

We have made several major capital investments to further reduce energy consumption and related emissions in our buildings. In 2014, various energy optimization projects were underway or completed in our largest facilities, including projects related to efficient illumination, occupancy sensors, time-of-day adjustments and alternative energy use. ✓

### **Use of alternative energy**

Approximately 22% of our electrical power now comes from renewable sources – and we are committed to further expanding our use of this type of energy. In Belgium, Austria and Switzerland, 92% of the electricity we purchase (based on total building area) comes from hydroelectric sources. As availability and financial conditions warrant, we will expand our direct purchases of renewable energy.

### **Free cooling at our Netherlands laboratory**

Faced with a building capacity load issue, the Real Estate team needed to find an efficient way to upgrade the cooling system of a highly complex raised-floor laboratory in our facility in the Netherlands. By reversing the flow of air in the existing piping — bringing in cool natural air and sucking out the hot air beneath the floor — the laboratory now receives ‘free’ cooling when the outside temperature is less than 9° C, cutting electricity consumption by 15%.

### **A total transformation at Murray Hill**

The Real Estate Master Plan has dramatically transformed approximately 300,000 square feet at the Bell Labs Global Headquarters in Murray Hill, New Jersey. With the ongoing support and cooperation of our business partners and the more than 2,000 employees on site, two large buildings were demolished and 10 labs were relocated in 2014. The buildings were replaced with the new Bell Labs Nobel Laureate Garden, which honors Alcatel-Lucent's distinguished Nobel Prize winners, and a stunning natural amphitheater, which provides employees with an outdoor work environment to collaborate with their teams and our customers.

In addition to creating this new, exciting space for our employees, this component of the Murray Hill transformation is expected to decrease facility utility consumption by 22 %.

## 4.2.2 Greening our network

G4-EN17

The Business & Information Technology Transformation (B&ITT) function within Alcatel-Lucent actively supports the company's commitment to carbon footprint reduction. In addition to managing our videoconference network, the B&ITT team is keenly focused on reducing the number of data centers across our operations. In 2014, the B&ITT team consolidated and closed 81 data centers worldwide, and optimized the layout and operations of 20 others:

- Europe, Middle East and Africa: 48 data centers closed, 14 optimized
- Americas: 17 data centers closed, five optimized
- Asia-Pacific: 24 data centers closed, one optimized

## 4.2.3 Employee commuting and business travel

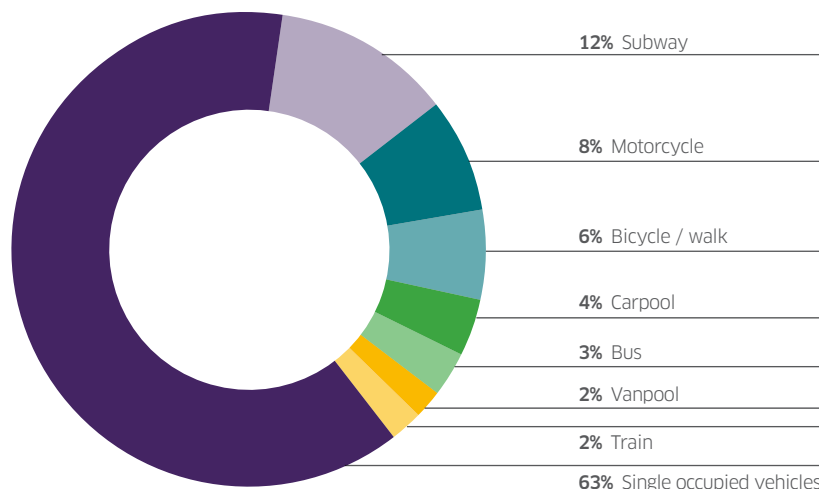
### 2014 achievement

In 2014, a survey was sent to 16,787 employees around the world to learn more about the commuting habits of Alcatel-Lucent employees. With a response rate of 21%, the survey enabled us to estimate the carbon emissions associated with employee commuting. In addition, our efforts related to environmental protection were rated as "good" or "excellent" by 55% of employees.

Overall, 46% of our employees telework at least one day per week – and some countries have even higher rates, such as the Netherlands (83%), Argentina (69%), Belgium (68%), Australia (62%), the United States (61%), Mexico (56%), Spain (55%), France (55%) and the United Kingdom (47%).

We asked our employees to document every mode of travel they use in a typical workweek to gain a better understanding of the actual carbon footprint impact associated with their commute. From this survey, we determined employee commuting resulted in the emission of 115,741 tons of CO<sub>2</sub>e in 2014. We also learned that the average distance between an employee's home and the office is 21 kilometers, with an average one-way commuting time of 41 minutes.

Employees used the following modes of transportation in 2014 based on total commuting distance per year:



In addition to looking at the environmental impact of day-to-day commuting, we continue to focus on finding alternatives to business travel that will both reduce emissions and demonstrate the advantages of our advanced multimedia communications solutions. The use of videoconferencing, for example, has helped reduce our emissions from business travel by 37% since 2008. As a result, business travel now contributes to less than 1% of our overall Scope 3 carbon footprint emissions.

#### 4.2.4 Protecting biodiversity

G4-EN17

##### On the ground

Alcatel-Lucent continues to assess its real estate portfolio, creating natural habitat enhancements at company-owned locations and for remediation/clean-up projects.

##### In the community

In partnership with the Fundades Group (a non-profit organization that works to improve the quality of life of vulnerable people, especially those with disabilities), Alcatel-Lucent Peru held a paper and plastic recycling campaign to raise funds for educational scholarships for underprivileged children in Lima.

##### Under the sea

We ensure that when we lay submarine cable on the ocean floor, we comply with specific environmental standards and obtain all necessary permits from authorities. The cables we lay are small — about 17 mm in diameter — and are designed to have no impact on the environment.

We also work to ensure our redundant and out-of-service undersea cables can still provide a source of environmental benefit. A new program led by Alcatel-Lucent Submarine Networks has already recovered and recycled some 4,000 kilometers of cable from the bottom of the Atlantic — freeing up undersea routes for newer cables while making marine maintenance operations easier and more cost-effective.

#### 4.2.5 Paper products

G4-EN17

##### Key figure

In 2014, we reduced carbon emissions from paper usage by 42% from 2008 levels. We plan to continue that trend by further decreasing our consumption of paper and increasing our utilization of recycled paper.

#### 4.2.6 Conserving water

G4-EN17

Water use within Alcatel-Lucent is limited to cafeteria services, landscaping, toilets, facility cleaning and cooling. All facilities and cleanups comply with local legal requirements for water discharges; contaminants of concern, such as metals and volatile organic compounds, are removed prior to discharge.

We measure water consumption and have reduced our water use by 45% since 2007, associated with a 9% reduction from the 2013 level. On a worldwide basis, consumed water per employee has been reduced by 6% from 2013.

##### 2014 achievement

We reduced our water consumption by 9% compared to 2013 – and by 45% since 2007.

In 2014, we moved to a water conservation philosophy. Having reduced our water consumption by 45 %, assessed that our water usage is specifically tied to our facilities plan and employee roadmap, and concluded that we do not require a significant amount of water for our business processes or operations, we established a per headcount water usage expectation of 32 cubic meters per employee using 2013 water consumption. We will continue to:

- Install sub-meters within targeted facilities, where it makes sense
- Track water consumption by usage category (e.g., domestic, irrigation, process) and facility type (e.g., office, laboratory, warehouse, and manufacturing)

Though our water discharges are not significant, we have implemented or initiated projects to reduce their environmental impact. In our Murray Hill facility, we continue to implement a unique project using hydrogen peroxide — and other sites in our portfolio are currently investigating the feasibility of this approach.

#### 4.2.7 Waste

G4-DMA EFFLUENTS AND WASTE, G4-EN17, G4-EN23

All hazardous and electronic waste resulting from our operations must be shipped to waste-processing facilities approved by our Environment, Health & Safety (EHS) Office. EHS liability assessments are conducted on the facilities being considered for use by Alcatel-Lucent, with regional approval lists posted internally on our supply chain web portal and EHS SharePoint. Each facility's compliance with regulatory and our own internal requirements is assessed by EHS compliance audits and ISO certification audits, with any corrective action plans monitored by the EHS Office to ensure results.

We also require all Alcatel-Lucent and joint-venture facilities and operations that generate or manage waste and waste byproducts — including hazardous waste and electronic scrap — to evaluate the possibility of reusing Alcatel-Lucent-branded equipment for maintenance or resale purposes, and to reduce waste and scrap generation by applying pollution-prevention and waste-minimization principles and mechanisms at both the process and facility levels.

The waste data we report includes the total weight of all hazardous, non-hazardous and electronic waste generated by our operations, as well as the total weight of waste recycled, resold/reused, treated and landfilled on a yearly basis. (Treatment typically involves incineration without energy recovery.) In 2014, our totals for hazardous and non-hazardous waste were as follows:

- Generated: 17,277 metric tons
- Recycled: 13,283 metric tons (77 %)
- Treated: 1,490 metric tons (9 %)
- Landfilled: 2,504 metric tons (14 %)

We have reduced the amount of waste generated by 34.5 % (i.e., 9,096 metric tons) between 2008 and 2014. In 2012, we established an objective to reduce the amount of landfilled waste to 15 % by 2015 (down from 36 % in 2009). ("Waste" refers to all hazardous and non-hazardous waste from our operations, excluding electronic waste.)

##### Total estimated amount of landfilled hazardous and non-hazardous waste

2012	22%
2013	24%
2014	14%

Note: Waste data based on total extrapolated hazardous and non-hazardous waste production, recycling and landfilling weights.

## 4.2.8 Discharges, emissions and releases

G4-EN17, G4-DMA EFFLUENTS AND WASTE

In compliance with local laws and regulations, we maintain reporting processes for air emissions and water and soil discharges that seriously harm the environment in the countries in which we operate. No air emissions or water and soil discharges above any legal reportable quantities took place in 2014.

## 4.2.9 Noise

G4-EN17

We monitor our operations and activities with regard to occupational noise and community noise regulations. In 2014, no noise-related issues were reported or regulatory citations written regarding either community or occupational noise.

## 4.3 Encouraging eco-awareness among our people

G4-EN17

We seek to inspire our employees to be aware of environmental issues by:

- Using blog posts, audio podcasts and Twitter sessions to share updates on our sustainability progress
- Offering EHS web-based training
- Holding an Earth Day awareness campaign through the Alcatel-Lucent intranet as well as on-site events
- Distributing EHS employee news via email, our internal Engage social media platform and our EHSMS intranet website
- Renovating our real estate facilities worldwide ensuring all new offices implement the highest cost-effective eco-standards including heating, cooling and recycling

In 2014, Alcatel-Lucent University delivered more than 23,118 training hours on EHS issues. (It should be noted that these training hours do not take into account other EHS-awareness channels such as workplace ergonomic guidelines, the EHS topics covered in mandatory Code of Conduct training or any of the other communication vehicles mentioned above.)



# Our people

1.2 million

hours of training delivered through Alcatel-Lucent University

10

women in each region every year are now offered coaching, mentoring and networking opportunities through our TOP10 Women program

24%

of our workforce are women

## 1 Our people

G4-DMA EMPLOYMENT, G4-LA6

Our total worldwide employee headcount at the end of 2014 was 52,673. ✓

### Our commitment

We are committed to creating a diverse and highly skilled global workforce that meets our customers' demands for reliable, quality service. We provide employees with a stimulating work environment of continuous learning, and foster diversity and open dialogue by sharing knowledge and celebrating differences.



We are shifting our strategy, our organization and our ways of working to shape Alcatel-Lucent into a company where people thrive and contribute to ongoing transformation. We remain committed to a diverse workforce that breaks down barriers, creates new connections and collaborates innovatively. As part of this effort, we are introducing a new HR Information System (HRIS) and new global processes, and redefining HR roles and responsibilities to align with *The Shift Plan*.

Our human resources policies and practices ensure that the ongoing transformation of Alcatel-Lucent is aligned with changes affecting our customers, markets and the world at large. Because we operate worldwide and serve customers who do business on a global scale, our approach to human resources management and development is likewise global.

### Highlight

Alcatel-Lucent has a global workforce of more than 52,673 employees, representing more than 100 countries worldwide.



*“To be a company admired for excellence — and to support our continued growth and transformation — we must ensure we have the right talent. That means a highly skilled, agile workforce ready to embrace change and innovation. We want to build a high-performance culture where leadership matters, recognition is key and our values drive every action.”*

**NICOLE GIONET**

GLOBAL HUMAN RESOURCES LEADER

Our people-focused goals for 2014 were to:

- Shift our culture toward performance and accountability
- Finalize implementation of our new operating model
- Refocus on talent

## 2 Our values

G4-56

*The Shift Plan* we implemented in 2013 defined four new values to support our vision, form our culture and shape our company for the future:

- **Speed:** Focused analysis, rapid decision making and diligent execution give us the agility and flexibility to win in a fast-paced industry
- **Simplicity:** Removing complexity and challenging existing practices enable us to reduce waste and unnecessary efforts
- **Accountability:** We take responsibility for our objectives and actions — and the consequences of our results
- **Trust:** We believe in the expertise, reliability and integrity of everyone we work with

We continued to communicate these values in 2014 through:

1. An employee “Global Day of Learning” session in January
2. A digital “Wall of Values” on our intranet homepage with examples of how employees are putting the values into action every day
3. A fun quiz to test employee knowledge of the values
4. A redesigned electronic “Thank You ecard” highlighting the values

Also last year, our Chief Quality Officer described how our values are the foundation of the “Alcatel-Lucent Way” — our overarching approach to achieving best-in-class quality — on our internal radio program, *On the Air*. One of the primary criteria for our 2014 CEO Recognition Award was the ability to display at least one of the values in the successful completion of a program or project.

## 3 Employee health and safety

### 3.1 Commitment to employee health

G4-DMA EMPLOYMENT, G4-LA6, G4-DMA OCCUPATIONAL HEALTH AND SAFETY

#### Commitment

Our Environment, Health and Safety (EHS) Policy commits us to operating in a way that protects the environment, as well as the health and safety of our employees, contractors, customers and communities in which we do business. Meeting this commitment is a primary management objective, as well as an individual and collective responsibility.

Safety can be sustainable only when we commit ourselves and effectively partner with those companies that work with us towards the common end goal – one where we believe that we shall do whatever it takes to be safe and where every employee is able to go home every night.

### 3.2 Zero tolerance for safety violations

G4-DMA EMPLOYMENT, G4-LA6, G4-DMA OCCUPATIONAL HEALTH AND SAFETY

Employee safety is crucial to our success. We have a zero-tolerance approach to safety violations that applies to all employees, as well as directly supervised contractors and subcontractors. That zero-tolerance approach requires strict observance — without exception — of all legal safety requirements, Alcatel-Lucent EHS requirements and end customers' safety requirements. In all cases, EHS hazards must be identified, risks assessed and appropriate controls put in place. Only competent, experienced and, if required, appropriately certified employees may perform certain specified activities.

We honor our zero-tolerance commitment by harmonizing global safety requirements, setting clear expectations and establishing leading key performance indicators (KPIs).

Our safety focus in 2014 was “high-risk” operations and given that a majority of this work is outsourced, we turned the spotlight onto our subcontractor community for projects that involved working at elevated heights and/or electrical safety. We launched a global initiative to qualify and mentor subcontractors involved in these types of high-risk work and to send a clear message of “zero tolerance” across the community. Through our qualification process, we held all subcontractors accountable to the same company standards we apply internally and mentored those who needed guidance to raise their bar regarding safety awareness. To date, more than 1,100 subcontractors have been evaluated by the Global Procurement and local EHS teams to ensure they are qualified to meet our business needs.

#### Highlight

##### **Implementing our new health and safety qualification process**

We established a health and safety qualification process for suppliers that perform high-risk activities, such as working at heights or on high-voltage devices. By the end of the year, we had used the process to evaluate 870 high-risk suppliers – qualifying 716 who best fit our standards. We also audited 71 installation or service subcontractors in North and South America, Europe, Africa, the Middle East and Asia.

Employees who violate our safety principles are subject to consequences, up to and including dismissal.

We honor our commitment to employee safety by:

- Identifying EHS hazards and assessing risks
- Putting appropriate controls in place
- Assigning competent, experienced and, if required, appropriately certified employees to perform specific work activities
- Harmonizing EHS requirements globally, setting clear expectations and establishing KPIs across the company

### 3.3 Tracking absenteeism

G4-DMA EMPLOYMENT, G4-LA6, G4-DMA OCCUPATIONAL HEALTH AND SAFETY

We track and manage employee absenteeism at the country level according to all relevant local legal requirements and regulations. This ensures the fastest, most appropriate actions can be taken to respond to fluctuations outside the norm for that country. At a global level, we publish the number of days of absence due to work-related accidents, (including occupational diseases) per employee. ✓

In the context of *The Shift Plan*, since 2014, Human Resources has been implementing a new global, unified information system. Once this system is in place, we will monitor and report more indicators related to the non-predictable absences that may have an economic impact for the company. ✓

### 3.4 Reporting on and addressing occupational accidents

G4-DMA EMPLOYMENT, G4-LA6, G4-DMA OCCUPATIONAL HEALTH AND SAFETY

Our reporting requirements for serious incidents and occupational accidents ensure all business groups provide the information to support effective trend analysis and root-cause identification — data that is used to continuously improve our safety performance as we strive to reach our goal of zero lost workdays due to injury or illness. ✓

An occupational accident is any unexpected occurrence in the course of, or in relation to, work which may result in:

- an occupational injury (e.g., a cut, fracture, sprain, amputation that can occur from a single exposure to the work environment).
- or illness (is any work-related health condition that includes both acute (e.g., contact dermatitis) and chronic (e.g., chronic obstructive pulmonary disease) diseases that either develop over a period of time from single or multiple exposures (e.g., poison ivy, lead poisoning, asbestosis, etc.) or from repetitive stress (e.g., carpal tunnel syndrome).

	FREQUENCY RATE FOR WORK-RELATED ACCIDENTS (INCLUDING OCCUPATIONAL DISEASES)	NUMBER OF DAYS OF ABSENCE DUE TO WORK-RELATED ACCIDENTS (INCLUDING OCCUPATIONAL DISEASES) PER EMPLOYEE
2012	1.21	0.07 ✓
2013	1.19	0.06 ✓
2014	1.14	0.04 ✓

Notes: The workforce considered for work-related accidents, (including occupational diseases, such as work-related stress), are employees, students, trainees and apprentices. Regarding the number of days of absence due to work-related accidents (including occupational diseases per employee), because of the specificities or local regulatory frameworks, all establishments do not use the same methodology to calculate this number. Adjustments have been performed by the consolidating entity for countries reporting in calendar days instead of working days to ensure the homogeneity of the disclosed data. ✓

While our high-risk work is connected to field activities, we also stress proactive safe work procedures and ergonomics for office employees.

We have revised our ergonomics guidelines to better suit today's work environment for our office employees (e.g., the increasing use of laptop versus desktop computers). In keeping with a changing work environment that encourages telecommuting, virtual ergonomic evaluations are the natural next step. Because we do not have heavy industrial manufacturing processes, we are not required to calculate or follow an indicator on the severity of occupational accidents. Global occupational accident trends focus on an employee's professional activity and the corresponding risks associated with it. Improvements are made at the program level based on trends identified, irrespective of the number of lost workdays. It has always been our approach to view the potential of the occurred accident and what we can learn to prevent its further occurrence. ✓

## 3.5 Injuries and fatalities in 2014

G4-DMA EMPLOYMENT, G4-LA6, G4-DMA OCCUPATIONAL HEALTH AND SAFETY

Subcontractors are a critical part of our team as we deliver products and solutions to customers. We continue to focus on ensuring that they are properly qualified and they follow all applicable safety laws, procedures and regulations. We believe in zero tolerance for safety violations and strive to ensure each of our employees, contractors and subcontractors go home safely at the end of his or her day. The delivery of our products and services does include some high-risk activities. In 2014, we had two work-related subcontractor fatalities, one being from a motor vehicle accident in Egypt and the other an electrocution in India. A root-cause analysis indicated that non-compliance with our Zero Tolerance Principles was a contributing factor in each case. As such, these subcontractor companies are no longer working for us. In 2014, we had no work-related reportable employee fatalities.

Any fatality is tragic and none is acceptable from the company's perspective. As such, we continue to drive home our policy of zero tolerance and work with all of our subcontractors to foster a safety culture. As part of this ongoing effort, we have also begun to collect subcontractor data on lost workday cases and near misses, so that we can use this information to continuously improve our safety programs. In addition, we have launched a campaign centered on completing all work safely: "Right First Time, Safe Every Time".

## 3.6 Integrating SA8000 assessments

G4-DMA EMPLOYMENT, G4-LA6, G4-DMA OCCUPATIONAL HEALTH AND SAFETY

As part of our 2011 corporate responsibility targets, Alcatel-Lucent put forward the objective to achieve SA8000 certification in Brazil and Mexico by year-end 2012 and to extend certification to other countries worldwide by 2014.

In 2012, we worked with our local experts to roll out SA8000 assessments in our major facilities in Brazil and Mexico, most notably Sao Paulo and Cuautitlan Izcalli.

In 2013, we rolled out an SA8000 assessment program in six major facilities in China, India, Mexico, Poland, Romania and Turkey. Alcatel-Lucent's internal auditors also received training from our partners Business for Social Responsibility (BSR) and Social Accountability International (SAI) on the SA8000 standard and the skillsets required to successfully implement the assessment.

In 2014, we integrated SA8000 as part of our Quality Business Management framework with the creation of a cross-disciplinary governance structure composed of members from Quality, Sustainability Operations, Corporate Sustainability, EHS and Human Resources. Alcatel-Lucent Poland achieved SA8000 certification from TUV Rheinland and we are continuing a targeted rollout in key locations globally. We have also extended this approach to our Tier 1 supply chain partners in high-risk countries.

## 3.7 Increasing employee health and safety awareness

G4-DMA EMPLOYMENT, G4-LA6

In 2014, we made EHS training available more broadly and more accessible through a series of health and safety courses delivered by Skillport and hosted on our Learning Management System. Our corporate EHS office also created an EHS SharePoint platform that makes health and safety information more readily available by enabling local EHS coordinators to input, utilize and customize course content according to their specific needs; our travel services website also keeps employees informed of risks associated with serious diseases.

### 3.7.1 Electromagnetic environment training

To ensure a healthy and safe work environment for our employees, we place high priority on training and guidance.

For example, we provide dedicated employee training to support the safe deployment of wireless products in the field. We have also initiated an internal program in all EU countries to address the key principles of EU Directive 2013/35/EU on electromagnetic fields exposure at work, which will be translated in EU Member States by July 2016.

#### Highlight

##### Local EHS initiatives in 2014

###### *Taiwan*

Alcatel-Lucent provides the optical network for the Taiwan Power Company (TPC). In March, the Ministry of Economics' State-Owned Enterprise Commission (SEC) audited the project and gave it an "A" grade. Our EHS and Quality organizations played crucial roles in providing project documentation and onsite inspections.

To improve railway infrastructure and service quality, the Taiwan Railway Reconstruction Bureau (RRB) deployed a new Alcatel-Lucent optical network as part of its Island-wide Railway System Safety Improvement Project. In June, the Taiwan Ministry of Transportation and Communication (MOTC) audited the project and gave it an "A" grade. The scope of the audit included performance review, project documentation, onsite quality and EHS inspection.

###### *China*

In June, Alcatel-Lucent Shanghai Bell again received the Environmental Credit Corporation Award from the Shanghai Pudong Municipal Government for our continued contributions to environmental protection.

## 4 Diversity and equal opportunity

G4-DMA NON-DISCRIMINATION, G4-HR12

As a global enterprise, we actively seek to ensure that our employees reflect the diversity of our business environment. Our Global Human Rights Policy clearly confirms our responsibility to ensure equal opportunities for employees and to recognize and respect the diversity of people and ideas. Our commitment to advancing equality and non-discrimination is also reflected in specific initiatives against harassment and discrimination. ✓

## Highlight

Our corporate diversity strategy aims to build an inclusive culture that empowers every employee to succeed. The strategy's initial focus is to improve gender diversity globally. We are committed to developing and using the talents of all employees, and to increasing the proportion of women on our leadership teams. In 2014, women made up 24% of our global workforce.



*"I am honoured to be the Business Sponsor for Gender Diversity at Alcatel-Lucent, in addition to my current duties as Chief Legal and Financial Officer role. It is my strong conviction that only a diverse organization that can leverage and be inclusive of all talents and ideas can be successful and perform on a sustainable basis, and that a plurality of viewpoints is essential to innovate at all levels, not only in R&D, but also in all other areas of our business, including marketing, customer service and delivery, and corporate functions."*

**JEAN RABY**

CHIEF FINANCIAL AND LEGAL OFFICER

## 4.1 Gender diversity

G4-DMA EMPLOYMENT, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

### 4.1.1 Our strategy

G4-DMA EQUAL REMUNERATION FOR WOMEN AND MEN, G4-DMA EMPLOYMENT, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

Women make up 24% of our workforce and represent a significant proportion of our end users. Yet women do not have comparable representation on our management teams. We have made it a business imperative to nurture the skills and talents of women, and build management teams that reflect the diversity of our company.

At the end of 2011, we implemented a global strategy and action plan that assigned responsibility for gender diversity at the organizational, corporate and country levels, and identified actions to be carried out in five focus areas: ✓

- Awareness building: In 2014 we continued our work with a series of interactive sessions on gender diversity, addressing 500 managers and leaders to help them understand why diversity is a business imperative for Alcatel-Lucent and to build their awareness of workplace gender dynamics – all with the aim to better tap our existing talent and improve organizational performance. ✓

Over the course of the year, we conducted gender diversity workshops in 30 countries across five continents.

- Leadership: We continue to try and ensure women are better prepared to develop their careers and move up within our company.
  - Supporting female leaders: In 2014, we launched the Top10 Women Program to support women's career development, offering to 10 participants in each region a mix of business sponsorship, executive coaching, Top10 mentoring and networking over a one-year period. ✓
  - Leadership Pipeline: As of December 2014, women account for 22% of our Leadership Pipeline. ✓

- Staffing/recruitment: 33% of external hires over the past year were women, an increase of 10 percentage points from the previous period. ✓
- Work/life balance: To support a better work/life balance for employees – women as well as men - we now have teleworking policies in all key countries worldwide. Our internal networking and learning platforms are being used to educate employees on the benefits and best practices of teleworking, helping to make flexible work practices more prevalent for men and women alike. ✓
- Equal pay for equal work: We continue to comply with legal obligations, including for gender pay, in the countries in which we operate. As mentioned in the first bullet, our awareness-building sessions on gender diversity, attended by 500 managers in 2014, create a foundation for renewed success in this focus area. ✓ G4-DMA EQUAL REMUNERATION FOR WOMEN AND MEN

### 4.1.2 Key initiatives

G4-DMA EMPLOYMENT, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

#### StrongHer

A key gender diversity initiative to be highlighted is StrongHer, a gender empowerment program launched in 2011. This global grassroots movement helps female employees unleash their potential and amplify their contribution to business. StrongHer advocates for more balanced representation between women and men across all organizational levels and job functions within the company. Led by employees and dedicated to employees, StrongHer offers networking, personal development, and gender awareness support. ✓

#### Highlight G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

ITU and UN Women have named the StrongHer initiative as one of the 6 winners of the Gender Equality Mainstreaming - Technology (GEM-TECH) Award, recognizing outstanding achievements and commitment to gender empowerment in the information and communications technology industry. ✓

**StrongHer** was launched by six women working for Alcatel-Lucent in France and includes 1,250 members in 51 countries.

#### TOP10 Women

The TOP10 Women leadership program provides customized career-development support to 10 women in each region every year. Launched in 2012 in Asia-Pacific and extended to all regions in 2014, TOP10 Women offers participants a mix of business sponsorship, executive coaching, mentoring and networking support. Participants are selected by the company's executive committee and come from different organizations, with diverse talents, backgrounds and experience.

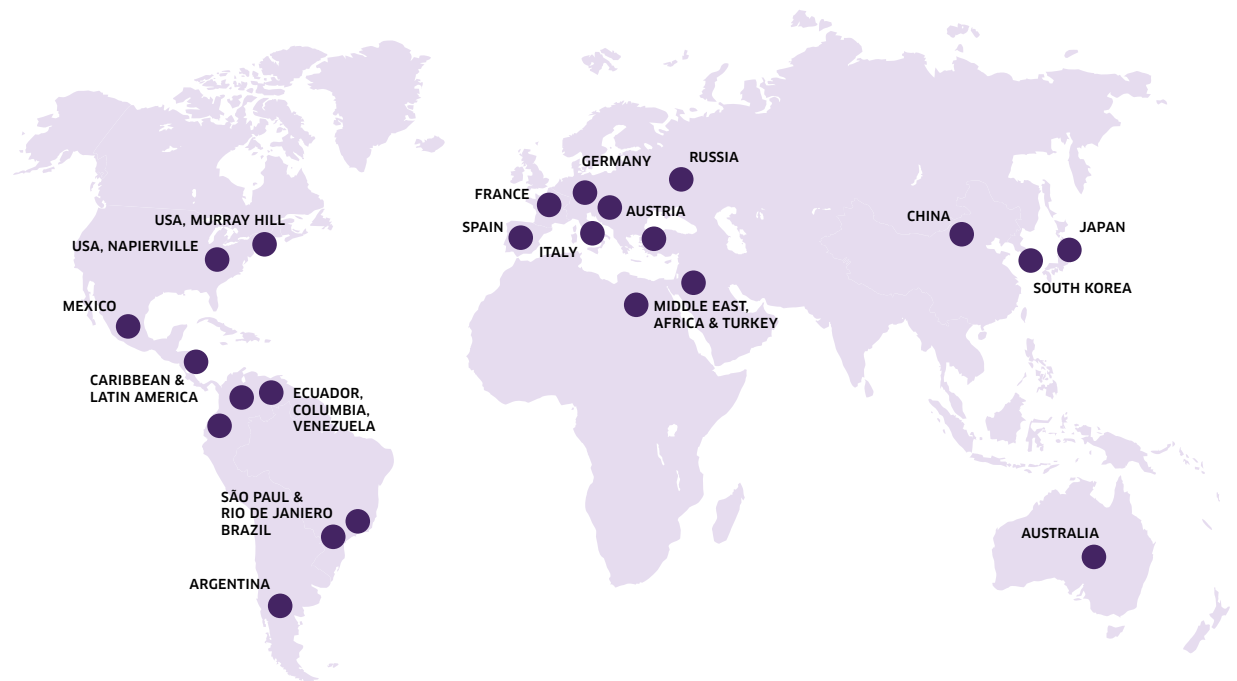
During the year-long program, which is customized to each person's unique needs, participants take part in monthly mentoring sessions that develop leadership skills. They also attend a three-day retreat that includes leadership development sessions and mentoring from our executives.



## International Women's Day

Each year, we mark International Women's Day with events that highlight women's contributions at Alcatel-Lucent, show our commitment to improving gender diversity within our organization, and demonstrate the positive business effect gender diversity has on our company and industry.

On March 8, 2014, we held International Women's Day events in more than 35 countries. The events included discussions about women's career development, drop-in sessions for school-age girls to learn about careers in technology, and webcasts about leadership and executive presentation skills for women.



## Women's Empowerment Principles G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

Alcatel-Lucent is a signatory of the United Nations CEO Statement of Support for the Women's Empowerment Principles (WEP). This worldwide initiative was launched by the United Nations, UNIFEM (now UN Women) and the UN Global Compact. Our gender initiatives were also included in the UN's *Companies Leading the Way: Putting the Principles into Practice*, a publication that lists examples of actions and initiatives that companies are undertaking to empower and advance women. We are an active participant in the WEP Leadership Group, including past participation supporting digital media and the WEP CEO Award Committee. ✓

PRINCIPLE	ACTION
Principle 1: Leadership promotes gender equality	At the beginning of 2014, under the leadership of our CFO and Diversity Sponsor, we renewed our global commitment to, strategy and action plan for assigning gender diversity responsibility at the corporate and regional levels. We established a comprehensive global strategy focused on women's leadership development and increased awareness of gender dynamics – and addressed the Leadership Pipeline, staffing/recruiting, work/life balance. We also support award-winning employee initiatives, such as StrongHer and participate in lead organizations, such as UN-WEP.
Principle 2: Equal opportunity, inclusion and non-discrimination	As a global enterprise, we actively seek to ensure our employees reflect the diversity of our business environment. Our Global Human Rights Policy clearly confirms our responsibility to ensure equal opportunities for employees and to recognize and respect the diversity of people and ideas.

PRINCIPLE	ACTION
Principle 3: Health, safety and freedom from violence	As stated in our Environment, Health and Safety (EHS) Policy, we are committed to operating in a way that protects the environment, as well as the health and safety of our employees, contractors, customers and communities in which we conduct business.
Principle 4: Education and training	As part of our global strategy and action plan, in 2014 we extended the TOP10 Women program to EMEA and Americas; (it had been piloted in APAC since 2012). We also provide dedicated training for managers and employees through our "Global Day of Learning," and promote employee-driven initiatives, such as StrongHer.
Principle 5: Enterprise development, supply chain and marketing practices	Alcatel-Lucent strives to maintain a diverse supply chain and has high expectations for performance in this area. For the seventh year in a row Alcatel-Lucent was named among the Top Corporations by the Women's Business Enterprise National Council (WBENC).
Principle 6: Community leadership and engagement	The Alcatel-Lucent Foundation contributes to digital inclusion through philanthropy in the communities where our employees and customers work and live. The Foundation develops and promotes programs and activities that prepare youth (with a focus on young women) to participate and innovate in the connected world. In 2014, The Foundation supported two Signature Programs and 37 multi-year programs in 24 countries with some 23,000 youth (58% girls) benefiting from our ConnectED training alone in 5 countries.
Principle 7: Transparency, measuring and reporting	The Alcatel-Lucent 2014 Annual Financial Report on Form 20-F reports the percentage of women on the company's Board of Directors and in our overall headcount, recruitment figures, and Leadership Pipeline. These data are reproduced in the Social Indicators section of this report. Each of these indicators is externally verified on an annual basis.

### 4.1.3 Gender diversity by the numbers

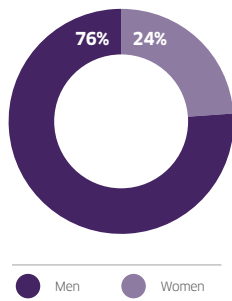
G4-LA1, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

Gender diversity statistics help measure our progress toward increased female representation in leadership roles. As of December 2014, women represented 24% of our overall workforce and 16.2% of our leadership team.

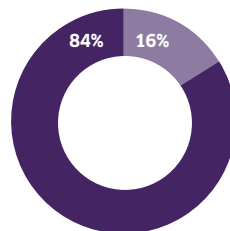
We have developed a unique metric — the **Female Capital Gap** — through which we can compare our ability to leverage male and female talent across our organization. The Female Capital Gap measures opportunities lost when companies fail to fully leverage the leadership potential of its female employees. The metric compares a company's current situation with that of a company where the percentage of women in leadership roles equals the percentage of women in the workforce.

As of December 2014, Alcatel-Lucent's Female Capital Gap is 28%. We know improvement will not happen overnight, but are committed to developing innovative solutions that will help us reduce this gap over the long term.

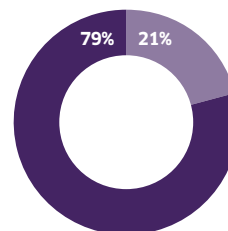
Overall gender diversity  
(December 2014)



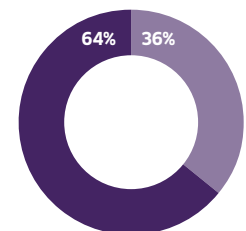
Gender diversity  
in leadership



Gender diversity  
in technical roles



Gender diversity  
in non-technical roles



Men Women

G4-LA1

#### 4.1.4 Awards and recognition

G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

##### UNESCO

Alcatel-Lucent and UNESCO have agreed to work together to promote gender diversity through partnerships with universities, social networks and corporations. Over two years, we will draw on the model provided by our StrongHer social network to increase the representation and participation of women in professional life.

##### ITU

Our StrongHer program earned a 2014 Global Achiever Award from GEM-TECH, a joint UN-ITU initiative aimed at reducing the gender divide in technology. This award recognizes StrongHer's worldwide achievements in unleashing female talent in the technology domain.

### 4.2 Geographical and cultural diversity

G4-DMA EMPLOYMENT, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

Alcatel-Lucent operates on all continents around the world. Our workforce reflects that geographical and cultural diversity through a balanced split between Europe, the Middle East and Africa (38%), Asia-Pacific (33%) and the Americas (29%).

### 4.3 Commitment to non-discrimination

G4-DMA NON-DISCRIMINATION, G4-DMA EMPLOYMENT, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

Our commitment to advancing equality and non-discrimination is reflected in specific initiatives against harassment and discrimination in several countries (in particular, France and the United States). We continue to offer to our employees, individuals and managers, awareness resources on best practices to support lesbian, gay, bisexual and transgender people (LGBT) in the workplace. ✓

For the thirteenth consecutive year, Alcatel-Lucent was recognized by the Human Rights Campaign Foundation with a perfect score on the Corporate Equality Index, which rates American workplaces on LGBT equality. ✓

### 4.4 Integration of disabled people

G4-DMA NON-DISCRIMINATION, G4-DMA EMPLOYMENT, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

We are committed to fostering the integration of people with disabilities into our workforce and creating access solutions for them. ✓

##### Mission Handicap

Designed in 2006 to better integrate disabled employees into the workplace, the Mission Handicap program in France has been established in order to meet the legal quota of 6% of disabled employees in French companies. If the company does not comply with this legal requirement, it is forced to pay or make a contribution every year to the AGEFIPH organization for the employment of disabled workers. The amount of this contribution depends on the gap to reach the 6% target. Mission Handicap includes several action plans focused on areas, such as hiring activities, equipment adaptations, tool or facility accessibility, training of employees, (including managers and colleagues), and communications and awareness sessions for all employees. The program has just been renewed for another three years in 2015. At year-end 2014, disabled employees made up 3.2% of the Alcatel-Lucent workforce in France; we aim to reach 4.6% by the end of 2017. ✓

A non-profit association created by Alcatel-Lucent in France, @talentEgal helps disabled post-graduate students gain employment by providing them with training, internships or other work experience. In 2014, @talentEgal helped 28 disabled students. ✓

### Support for disabled employees in Spain

In 2014, Alcatel-Lucent continued its collaboration with Spain's AMÁS group, which creates and promotes centers and institutions that work toward the recovery and rehabilitation of those with mental illness. ✓

### Equal opportunity in Germany

We reaffirmed our commitment to providing equal opportunities for disabled employees in Germany. Company and employee-elected representatives for severely handicapped employees continue to work together to coordinate processes and actions in areas, such as training and awareness, job postings, recruitment, working environments and external partners. Through these efforts, we have sustained a permanent disabled quota of more than 5% since 2012.

## 4.5 Generational diversity

G4-DMA EMPLOYMENT, G4-DMA DIVERSITY AND EQUAL OPPORTUNITY

In Germany, we have implemented annual vocational training programs to increase diversity and fill the talent pipeline with young professionals. Activities include efforts to integrate Gen Y employees into daily business activities and use their talents to stimulate innovative thinking and action. An annual program taps into and develops the technical and business talents of students from Baden-Württemberg Cooperative State University.

# 5 Developing our workforce

## 5.1 Workforce planning

G4-DMA EMPLOYMENT, G4-DMA TRAINING AND EDUCATION

In 2014, we continued *The Shift Plan*, our three-year plan launched in 2013. The strategic workforce planning is the operational execution of the strategic direction in terms of workforce evolution. Its targets have been defined for the workforce necessary to execute our business strategy in the context of *The Shift Plan*. ✓

We continue to strengthen our capacity for short- and long-term workforce planning across the different business segments of the company. With respect to our product portfolio and financial performance, it is strategically essential that we align our workforce by:

- Translating the strategic Shift Plan into an executable workforce plan. ✓
- Adopting a bottom-up approach that takes into account country legal and social constraints, as well as business needs, in order to reach a realistic, feasible strategic workforce planning implementation in the countries we operate. ✓
- controlling and monitoring the country net headcount evolution by means of variations, such as recruitment, attrition, transfer, mobility; ✓
- planning our headcounts geographic distribution for the future in a consistent manner at global, country and sites levels, and in line with the company real estate plan. ✓

## 5.2 Alcatel-Lucent University

G4-DMA EMPLOYMENT, G4-DMA TRAINING AND EDUCATION, G4-LA9

Giving employees the opportunity to develop their knowledge and skills is essential to achieving optimal productivity, professionalism and motivation.

The mission of Alcatel-Lucent University is to improve the performance of our employees, partners and customers and build the skills required for business success through:

- learning and development initiatives, which are aligned with the strategic priorities of our company. ✓
- state-of-the-art learning facilities and e-learning components. ✓
- technical certifications for customers, partners and employees offering professional standing in key technologies. ✓
- accreditation programs targeting key Alcatel-Lucent job positions for employees. ✓
- a learner-centric approach that enables individuals to achieve proficiency in areas relevant to their particular organization, job role and career interests. ✓

All learning hours are tracked through a formal learning management system that provides auditable learning volume reports. ✓

The University has introduced a personal, community-based learning application called My Personal Learning Experience (or My PLE), which allows students to better drive and manage their own learning programs. Designed around learning communities where students can share best practices, My PLE makes it easier for students to learn from their peers and from content experts — which, in turn, help to make learning more relevant to the job. ✓

## 5.3 Achievements

G4-DMA TRAINING AND EDUCATION, G4-LA9

In 2014, Alcatel-Lucent University delivered a total of 1.2 million hours of training to more than 91,000 total students<sup>1</sup> across 169 countries: 47% were external learners and 53% were internal learners<sup>2</sup>. ✓

<sup>1</sup> The total of students includes all internal learners plus external customer learners.

<sup>2</sup> External learners include customers and partners. Internal learners include employees and contractors.

In 2014, the University delivered an average of 11 hours of training per internal learner. About 73% of internal learning was delivered online in 2014, an increase of 3% from the year before. ✓

GENDER	AVERAGE HOURS PER LEARNER
Female	8.91
Male	11.39
<b>Grand Total</b>	<b>10.80</b>

EMPLOYEE CATEGORY	AVERAGE HOURS PER LEARNER
Administrative & Technician	7.88
Apprentice	2.05
Manager & Professional	11.08
Student & Trainee	10.36
<b>Grand Total</b>	<b>10.80</b>

We have approximately 560 students in the application and completion process for professional accreditation in the areas of job skills and project management. In addition, we have 379 employees who passed the LTE certification exams, and 940 who passed Fixed Ultra-Broadband Access certification exams. ✓

## 5.4 Personalized learning

G4-DMA TRAINING AND EDUCATION, G4-LA9

In 2014, Alcatel-Lucent University continued to shift toward a learning model centered on individual employees by providing an immersive learning experience focused on each student's professional development objectives. We maximize our investment in learning by concentrating on outcome (e.g., learner competence/proficiency) rather than volume.

At the heart of the shift is "My Personalized Learning Experience" (My PLE), a social-networking-based learning platform that incorporates self-paced and interactive training, and enables employees to better manage their learning programs. Designed around learning communities, My PLE makes it easier for students to learn from peers and content experts internally, which, in turn, helps make learning more relevant to the job.

Since its introduction in April 2013, more than 23,000 employees have subscribed to My PLE, accessing up to 4,380 learning communities and 3,500 learning objects each day. Students have tested their knowledge in specific areas of expertise by completing as many as 1,000 assessments per day.

## 5.5 Certification and accreditation

G4-DMA TRAINING AND EDUCATION

To drive employee development in key strategic areas, Alcatel-Lucent University offers global certification and accreditation programs focused on building competencies and skills. These include three major certification programs: Service Routing, LTE, and Fixed Ultra-Broadband Access. In 2014, 327 employees attained Service Routing certification, 379 attained LTE certification and 940 attained Ultra-Broadband Access certification.

People@Alcatel-Lucent is a global professional accreditation and development program that develops and deploys learning programs for corporate-priority jobs in concert with our Strategic Workforce Plan. It is a group-wide initiative that spans services, pre-sales and sales, and R&D. People@Alcatel-Lucent uses a job-oriented approach to reinforce the links between training and workforce planning. In 2014, 562 employees completed the program and applied for professional accreditation.

## 5.6 Technology-enabled learning

G4-DMA TRAINING AND EDUCATION

Alcatel-Lucent University uses the Learning Management System to deliver training to all employees. New forms of online learning are constantly being introduced, including community learning, which is largely implemented through Engage, the company's social networking platform.

In 2014, Alcatel-Lucent University intensified its commitment to provide more online learning for employees. Technology-enabled learning methods, such as virtual classroom training and other self-paced learning methods, improve access to — and the affordability of — training. Technology-enabled learning now accounts for more than 73% of the total employee training hours delivered by the University.

Students also have access to a variety of learning opportunities and resources through the SkillPort portal, including skills-related e-learning and e-books.

## 5.7 Learning to support *The Shift Plan*

G4-DMA EMPLOYMENT, G4-DMA TRAINING AND EDUCATION

Alcatel-Lucent University is playing a key role in the implementation of *The Shift Plan* by equipping employees with the knowledge and skills they need to execute the plan in a timely and effective manner.

### **The finance shift**

The Change Management team is ensuring our transition to a new finance operating model is smooth and that business benefits are realized. Alcatel-Lucent University is helping support all aspects of this transition, recommending learning formats for the various geographies and ensuring optimal use of learning infrastructures. New training modules, including a general presentation on our operating model, Global Finance Service Organization (GFSO) and new interaction model for Project Managers were delivered in 2014. In 2015, Alcatel-Lucent University will rollout and help the finance team to deliver the training.

### **The HR shift**

In collaboration with HR transformation leaders, Alcatel-Lucent University designed and implemented training to support the company's HR partnership program with Accenture, which will improve HR efficiency and contribute to *The Shift Plan* cost structure. This HR training helps employees use our new HR service delivery and operating model and includes courses targeted at specific roles and covering core, technical and behavioral competencies. The overall learning strategy is technology-rich, based on a learner-centric and community-of-learning approach defined through three proficiency levels.

### **Sales teams**

Through a series of innovative learning interventions that combine proven methodologies and practices with "live" deals, Alcatel-Lucent University supported sales teams and enhanced their sales readiness for an impending deal. Results were seen in the areas of deal pursuit, competitive differentiation and executive engagement. Deal and opportunity reviews were singled out as one of the most effective ways to pursue competitive differentiation, resulting in taking a learning intervention from classroom theory to customer application.

### **Customer quality managers**

Early in 2014, we launched a quality plan to help us attain better levels of customer satisfaction. The plan's first stage involved changing our approach to customer satisfaction surveys to focus on top revenue-generating customers, to target decisionmakers and key influencers, to conduct surveys face-to-face, and to concentrate on what needs to be fixed. In collaboration with the Corporate Satisfaction Team, Alcatel-Lucent University designed a learning program to help customer quality managers conduct interviews with customers' executives and identify revenue-blocking issues. The two teams partnered to design and implement a learner-centric learning track, which was complemented by live webinars among peers. In 2014, 25 customer quality managers completed the program.

### **Managers**

Our managers play a critical role in helping us achieve our *The Shift Plan* targets. The People Manager Essentials (PME) Program focuses on five key roles: direction setter, change leader, motivator, performance manager and coach. Each two-day, in-person PME Program workshop is available to all managers.

Starting in September 2014, 29 workshops were delivered in France, Germany and Switzerland. Managers play key roles in our transformation. In 2014, we piloted four PME workshops to reinforce manager fundamentals. The workshops focus on five key manager roles: direction setter, change leader, motivator, coach and performance manager. Additional workshops will be delivered throughout 2015 to more than 4,000 managers worldwide.

## 5.8 Going Green initiative

G4-DMA TRAINING AND EDUCATION

Alcatel-Lucent University's ecology-friendly, non-print policy is helping reduce our carbon footprint by focusing on technology-enabled learning and providing PDF course materials. In 2014, more than 73 % of employee student hours were delivered via eLearning and 63 % of all classes used electronic materials.

# 6 Talent development

## 6.1 Leadership identification and development

G4-DMA EMPLOYMENT

### 2014 achievements

In 2014, our leadership development focused on reconnecting leaders with being leaders to drive performance and our continued transformation. LeaderSHIFT workshops were delivered to 170 Top 200 Leaders from January to June 2014. People Manager Essentials workshops to reconnect managers with their people management responsibilities were delivered to 576 managers with further waves planned in 2015.

### 6.1.1 Leadership Profile

Our Leadership Profile translates company values and business priorities into the behaviors employees and managers must embody to excel in their jobs. The Profile's central objective is to establish a common, company-wide understanding of the leadership characteristics required for Alcatel-Lucent's success. The Leadership Profile also aims to identify organizational and individual strengths and development needs, and increase individual and team effectiveness. It is reflected in our leadership-assessment tools, including the Leadership Index, People Manager Index, and 360 degree evaluations. Further refinements are planned to reflect our focus on growth and innovation.

### 6.1.2 Leadership Pipeline

Alcatel-Lucent continues to invest in the identification and development of leadership potential. In 2014, we refocused and completed business talent reviews to identify future leaders and refresh our existing pipeline of high-potential talent (Emerging Leaders, High Potentials and Future Top leaders). A total of 1,045 future leaders and 2,756 critical talents were identified to support the company's talent needs moving forward.



Focusing on preparing future leaders and bringing diversity to the company's Top 200 leadership roles, the Leadership Pipeline relies on three pillars:

- Identification of leadership talent in a consistent way across the company;
- Movement of talent across geographical, functional or business boundaries;
- Development of leaders using a broad variety of methods.
- Human resources professionals, in partnership with their business leaders, ensure the execution of this strategy by supporting managers and talent through the identification, movement and development phases.

### 6.1.3 Leadership Development

Alcatel-Lucent's leadership development offer was redesigned in 2013 to better address the company's short- and long-term needs. In 2014, 75 future leaders attended customized and dedicated development tracks focusing on the company's business needs, as well as the individual's leadership-development needs, preparing them to take on bigger leadership roles.

In 2014, we introduced talent segmentation to focus on groups crucial to *The Shift Plan's* success, and to provide targeted development strategies for each. A key shift in emphasis now has business leaders taking more ownership of their talent with the support of HR.

The segments are:

- **Top 200:** This new segment focuses on our Top 200 leaders' effectiveness in driving our cultural shift and improving organizational performance. Last year, an executive committee talent review focused on Top 200 performance, potential and succession, and a 1.5-day LeaderSHIFT workshop addressed how to be 'leaders of leaders'. As well, a quantitative assessment, the Leadership Index, was used to measure effectiveness across 12 leadership dimensions.
- **Leadership Pipeline:** Corporate development programs continue to be offered and refined to reflect ongoing change and future leaders' different levels of readiness. In 2014, 100 participants completed these programs.
- **Critical Talent:** This was reintroduced as a talent segment to highlight 'high performance, high value and high impact' talent, with a focus on retention.

## Highlight

To increase employee engagement and motivation, a Leadership Index (measuring leadership effectiveness based on 12 leadership dimensions) was piloted in tandem with a series of LeaderSHIFT workshops for our Top 200 leaders and launched in 2014. A total of 162 senior level leaders were measured in early 2014 and participated in a re-measure in November 2014. The positive perception score (i.e., the percentage of direct reports and one layer below who strongly agree and agree with the effectiveness of the Top 200 leaders) increased from 77% to 79% on average, while 58% of overall scores increased during this period. This initiative reinforced the importance of leadership in continuing to shape the new Alcatel-Lucent culture.

Our approach to leadership development continues to center on five key principles:

- Increasing individual self-awareness and recognizing personal leadership style
- Building on strengths rather than focusing on gaps
- Having each individual take ownership of her/his own development and having leaders take ownership for managing their talent
- Customizing leadership development to individual needs and organizational requirements, including introduction of leadership assessment tools and emphasis on coaching and feedback
- Addressing group leadership challenges and building leadership communities

## 6.2 Passeport Avenir

For the ninth consecutive year, Alcatel-Lucent participated in Passeport Avenir, a public/private partnership dedicated to supporting young people from troubled urban areas in France. The program uses sponsorships and mentoring to help young people enter top-rated French business and engineering schools and universities. It also encourages participants to improve their English by arranging for lessons with English-speaking mentors.



In 2014, 80 Alcatel-Lucent employees volunteered their time to mentor students and provide networking opportunities. Passeport Avenir workshops and events included:

- A job fair that gave students the opportunity to meet recruiters and discuss internship and apprenticeship opportunities. Alcatel-Lucent HR teams gave Passeport Avenir students advice on how to look for internships and prepare for job interviews.
- The “We Made It” contest, which gave 10 French students the opportunity to spend a week at Alcatel-Lucent Shanghai Bell in China. The students learned about China’s economic development and French companies’ development in the region. They also had opportunities to visit other companies, including Coca Cola and HP, connecting with professionals and students and learning about Chinese and local Shanghai customs and culture. A coffee meet-up was also arranged at Alcatel-Lucent Headquarters in Boulogne-Billancourt, France, where students spoke with Séverine Lèbre-Badré, our VP of Communications, Public Relations & Corporate Sustainability.

## 6.3 Capital Filles

Alcatel-Lucent once again contributed to Capital Filles, an apprenticeship program that relies on female volunteers from participating companies to help girls discover the benefits of scientific, technological, industrial and business studies. Fifty-five female employees volunteered as mentors. To date, 10 companies across France have joined Alcatel-Lucent and Orange to help extend Capital Filles’ reach to all regions of the country.

# 7 Talent attraction and retention

As a technology company, Alcatel-Lucent values expertise and promotes technical careers for innovators and technical experts, particularly those engaged in R&D.

## 7.1 Technical Ladder

G4-DMA EMPLOYMENT

The Technical Ladder initiative provides employees with:

- A better view of their career paths to identify areas of focus and expertise
- Career opportunities and development
- Recognition of their technical excellence and innovation

## 7.2 Performance management

G4-DMA EMPLOYMENT

The Alcatel-Lucent performance management process, OurTalent Dialogue, focuses on the importance of continuous, person-to-person dialogue between managers and employees to support direction setting, goal clarity and performance feedback. This allows employees to drive their own performance and manage their career development in alignment with the company's business strategy. The performance management approach also provides for employees to have continuing conversations with their managers on developmental areas to ensure continued growth and to manage their career development. In 2013, we launched an additional review of our Top 200 leaders, seeking to improve their level of awareness of *The Shift Plan* and help them evaluate their needs to assist Alcatel-Lucent in achieving its short- and long-term objectives.



In 2014, we implemented a targeted learning approach for our people managers to ensure further skill growth in the areas of direction setting, coaching, motivating, managing performance and leading change. This learning effort will continue throughout 2015. Our performance management approach will continue to support managers to ensure a better understanding of the linkages between management and leadership attributes — and how they promote explicit and open accountability to further ensure employee performance and engagement.

## 7.3 Employee mobility

G4-DMA EMPLOYMENT

Providing employees the opportunity to explore new career opportunities and pursue professional development in leading-edge technology is essential to building and retaining our talent. By increasing the visibility of the skills and competencies required for career growth and advancement within Alcatel-Lucent, the Internal Job Opportunity Market creates an open and fair internal market for employees seeking roles that best fit their skills, competencies and motivations. Increased access to employee profiles that highlight key skills and competencies also allows more employees to be considered for

new projects and opportunities. Since its launch in 2011, the Internal Job Opportunity Market has been a successful talent sourcing program and tool that has allowed us to build the pipeline of qualified internal resources required to fill many of our roles internally across the globe.

Accompanied by platform upgrades, regional job market newsletters, a dedicated recruiting team and ongoing talent discussions with employees, the Internal Job Opportunity Market has resulted in multiple success stories across all regions in which we operate.

When we need to hire externally, we aim to attract the most competent talent while respecting our diversity hiring policies.

## Highlight

Our goal is to continue to reduce the number of expatriate employees by leveraging local talent and ensuring expats transfer their knowledge and skills to local teams. This enhances our global capabilities and enables expats to return home.

## 7.4 Remuneration

G4-DMA EMPLOYMENT

Our policy is for all employees to be fairly paid regardless of gender, ethnic origin or disability. We remain committed to providing our employees with a competitive compensation package in line with those of other major companies in the technology sector. We place particular emphasis on ensuring the development of our employees, rewarding the skills that drive innovation and ensuring long-term employee engagement through appropriate policies, processes and recognition tools.

Our compensation strategy also aligns with *The Shift Plan* and strives to strike a balance among the following elements: speed, simplicity, trust and accountability. This includes the implementation of common bonus plans, sales incentives and equity grants to ensure a consistent, global approach to compensation; the clear communication of performance achievement levels and policies; and having employees set and review yearly performance targets with their managers.

In 2014, a new variable incentive plan, (excluding the sales population), was implemented featuring corporate, business unit and individual key performance indicators to enable employees to have greater visibility into and influence over their achievements and rewards.

The grants of long-term incentives (that is, stock options and performance shares) are decided by our Board of Directors upon recommendation of the Compensation Committee. Their implementation serves several purposes, including:

- Involving employees in Alcatel-Lucent's results and in the achievement of *The Shift Plan*
- Encouraging and rewarding performance
- Attracting and retaining talent in a highly competitive industry where quality and employee motivation are key factors for success

Employees benefiting from equity may dispose of the shares and/or options at the end of the vesting or acquisition period to the extent the presence and/or the performance conditions are met.

Employee compensation evolution (that is, wages and salaries) over the last three years is set forth in Note 23 of our consolidated financial statements.

# 8 Talking with employees

## 8.1 Communication at Alcatel-Lucent

G4-DMA EMPLOYMENT

### 8.1.1 Internal communication and dialogue

Motivated, committed employees are critical to the success of our business. Our high-performance, high-speed culture requires us to provide regular, up-to-date information to our workforce. We have put in place a variety of tools and programs to foster active, ongoing and targeted dialogue between management and employees to ensure everyone understands the company's priorities and how they can contribute to our overall objectives.

#### Highlight

We have defined values – speed, simplicity, accountability and trust – that support our vision, shape our culture and define our company. Implementing and sharing these values enables us to achieve our shift and be a company admired for excellence.

### Supporting strong leadership

We hold an annual end-of-year leadership meeting that brings together 200 of our top leaders to review the strategy and goals for the coming year. The theme of the 2014 meeting, held in November in New Jersey, was “Inspire”. In addition to this annual meeting, our CEO holds monthly one-hour conference calls with our Top 200 leaders. The first half of each call is devoted to hot topics and the second half to live Q&A.

#### Highlight

Employees have the opportunity to interact with our CEO and other members of the leadership team at “all hands” and “town hall” meetings held whenever executives travel to different company sites. Our CEO took part in more than 20 of these meetings – in as many countries – in 2014.

The implementation of *The Shift Plan* in 2013 required line managers to play an even bigger role in driving their teams through change, supporting employee engagement and managing performance. In 2014, we started a company-wide People Managers Essentials Program. In addition to training and coaching sessions provided by Human Resources worldwide, we started building a communication platform dedicated solely to managers. It includes a digital “playbook” describing the roles and behaviors expected of Alcatel-Lucent managers, a monthly information bulletin, and a virtual community for managers to share best practices and dialogue with subject matter experts.

One of the many roles that managers play is to embody the company's corporate values of speed, simplicity, accountability and trust. In 2014, to help all employees better understand these values, we created a digital “Wall of Values” featuring real examples of how employees are putting these values into action in their daily work as well as a quiz to test employees (in a fun way) on how well they know the values.

## **Communicating the progress of *The Shift Plan***

As 2014 was the second year of *The Shift Plan*'s implementation, we continued to keep employees informed of its progress with monthly updates. In addition, from the Results Delivery Office, we asked for employee feedback on their understanding of *The Shift Plan* through four six-question surveys throughout the first half of 2014. The results of these surveys helped us pinpoint areas that needed better explanation and adapt our communication accordingly. We also published an intranet feature article dedicated to Alcatel-Lucent in Action, an online report that recapped a year of *The Shift Plan* in images, figures, videos and personal perspectives.

## **CEO Recognition Award**

In 2014, we changed the application and selection process for our annual CEO Recognition Award when we posted the nearly 140 submissions to Engage, our social networking platform. Using Engage in this way allowed every employee to read, comment on and debate the submissions, and to vote for their favorite project directly. In total, nearly 15,000 employee votes were cast. Our CEO announced the winner from the top five employee-voted projects in a December ceremony that was broadcast on our newly upgraded audio/video webcasting platform. The ceremony combined live image feeds from four different Alcatel-Lucent locations on one screen.

An unexpected byproduct of the changes to the CEO Recognition Award process was that it activated some newfound employee interest in Engage, with many people logging onto Engage just to participate in the event. Our award-winning social networking platform now boasts more than 46,000 registered users who posted more than 39,000 documents, discussions and updates in 2014, including regular blog posts by our corporate HR director that were read by thousands of employees.

## **Communication on multiple platforms**

We continue to offer the Text-Me SMS service, which was launched in 2013, to push timely information (on quarterly results, for example) to subscribing employees on their mobile phones. 2014 also saw the continuation of our *On the Air* radio program. Now in its 20th episode, the program highlights the latest company news, innovations, leadership interviews and questions from employee listeners. The program is available from the corporate intranet homepage and as a downloadable MP3 format for mobile listening.

In early 2014, the company deployed Microsoft Lync, a unified communications platform that includes online meetings, instant messaging, audio and video calls, and document-sharing capabilities. We also created a Digital Workplace Infocenter on our intranet homepage to help employees select and optimize the way they use the many communication tools at their disposal.

## **Enabling a flexible workplace**

In May 2014, our corporate headquarters moved from central Paris to the western suburb of Boulogne-Billancourt. The new site features “flex-desks” that allow employees to sit wherever they want (within their team’s designated zone) when arriving at the office. This new way of working is leading to a more dynamic and agile environment for employees. Other sites around the world underwent moves or renovations that adopted similar open, agile flex-desk environments.

These are just a few examples of the programs and tools we have deployed to foster timely, transparent internal communication — in every direction — at Alcatel-Lucent, which undoubtedly contribute to attracting and retaining talent.

### 8.1.2 Employee engagement

We emphasize leadership effectiveness to drive cultural change. This strategy is based on Towers Watson Global Workforce Study 2014, which states that an effective leader + an effective manager = 72% highly engaged employees.

#### Highlight

The CEO Recognition Award process reignited employee interest in our company social media platform, Engage, which now boasts more than 46,000 registered users. Over the course of last year, users posted more than 39,000 documents, discussions and updates in 2014 – including regular blog posts by our corporate HR director.

## 8.2 Recognition and reward

G4-DMA EMPLOYMENT

We completed a second year of the Award of Excellence program in 2014, rewarding outstanding employee achievements in support of corporate- and organization-level business objectives. Up to 8% of Alcatel-Lucent employees are eligible for this award, which has an average payout equivalent to one month's salary. The Award of Excellence completes a strong corporate recognition ecosystem that also includes:

- The annual CEO Recognition Award, which recognizes individuals and teams that provide exemplary models of our corporate values
- The Night Out Awards, which offer a one-time cash award in recognition of superior employee achievements
- Thank-you e-cards, which enable employees and managers to show appreciation for effort and support

## 8.3 Union discussions

G4-24, G4-S01, G4-DMA EMPLOYMENT

We strive to foster an open dialogue with employees on the decisions that directly affect them. Discussions with employee representatives concerning organizational changes and workforce reductions are managed on a regional and/or country basis. During the launch of the Alcatel-Lucent Performance Program in 2012 and *The Shift Plan* in 2013, we regularly engaged with our social partners on the impact of these initiatives in full compliance with local rules and regulations. These discussions have continued throughout 2014 in conjunction with the ongoing implementation of *The Shift Plan*.

### Dialogue with trade unions

We inform or consult with union representatives before making any major change in the organization. Matters affecting individuals, particularly those involving relocation or the transfer of work to a new location, may require up to six months of discussions.

### European Committee

The European Committee for Information and Dialogue (ECID) is a dialogue body where senior management and European employee representatives can share their views. Composed of 30 members as well as a Coordinating Committee led by the ECID Secretary (France) and four other representatives, (Germany, Italy, Belgium and Romania), the European Committee meets at least twice a year. In 2014, it met on April 2 and October 9 to discuss the implementation of *The Shift Plan* and the company's

strategy in terms of competition and product lines. An extraordinary meeting was also held on May 16 to present to ECID the strategy for the Enterprise activities (Huaxin) and 2G/3G wireless business (HCL). In addition to these meetings with the ECID, Alcatel-Lucent management and the Coordinating Committee met three times to discuss specific points, such as the financial results for 2013 (February 5), the relations developed by the Group with Accenture and Wipro (March 4th), and the potential involvement of ECID members in the elaboration of our Sustainability Report (October 10).

### **French Committee**

In France, a group-level committee representing unionized employees has been operating since 1981. Composed of 30 trade union representatives, the French Committee (Comité de Groupe France) meets at least twice a year; in 2014, it met on July 2 and December 9.

### **8.3.1 Collective agreements**

G4-11, G4-24, G4-SO1

Some of the major collective agreements signed in 2014 include the following.

#### **France**

- Accord Handicap is a three-year collective agreement (2014–2016) covering not only the employment of people with disabilities but also their day-to-day life inside the company. This agreement was signed on December 18, 2014, by all unions (CFDT, CFE-CGC, CGT).
- Accord Egalité Professionnelle is a two-year collective agreement (2014–2015) on gender diversity, helping women break through the “glass ceiling” while balancing their personal and professional lives. It was signed on July 3, 2014 by CFDT.

#### **Netherlands**

- Two collective bargaining agreements were signed in July 2014: Collective Bargaining Agreement on Employment Conditions (focusing on the duration of Collective Bargaining Agreement, salary increases, salary ranges, vacation days, retirement, and illness and disability) and the Social Plan (redundancy plan).

#### **Belgium**

- Two collective bargaining agreements were signed in Belgium: one on April 9, 2014, regarding the collective bonuses in application of the National Collective Bargaining Agreement N°90, and another on October 13, 2014, implementing the use of electronic luncheon vouchers.

#### **Italy**

- Two agreements were signed in July 2014 on social tools: CIGS (Cassa Integrazione Straordinaria) and voluntary mobility.
- Three agreements were signed in July 2014 regarding the outsourcing of enterprise services (September, signed also with company executives), the outsourcing of the field force with Com.Tel (October) and the outsourcing of R&D OMSN with S.M. Optics (November, signed also with company executives).
- Two agreements were signed with Fondirigenti about financed training: one on October 30 for company executives and another on October 17 for all employees, including those on CIGS.



## Spain

- A restructuring plan set for 2013 was extended on conditions and terms for 2014. The Comisión de Seguimiento (Monitoring Committee) established in collaboration with workers' representatives continued tracking headcount reductions set by Alcatel-Lucent's organizations, and they are looking also for alternatives for reallocating employees in the company. Close to 90% of employees concerned were internally reallocated. A first collective agreement was reached with workers' representatives for the legal entity ALUTECSS. Flexible work and teleworking policies were included in this agreement. An Equality Plan has also been set up in this legal entity.

## United States

- On April 29, 2014, Alcatel-Lucent, USA Inc. entered into the Real Estate 2014 Effects Agreement with the Communication Workers of America (CWA). This provides certain benefits to eligible CWA-represented employees as a result of the outsourcing of real estate maintenance functions.
- On June 8, 2014, Alcatel-Lucent, USA Inc. entered into a new collective bargaining agreement with the CWA, valid from May 25, 2014, to May 26, 2018. This agreement covers wages, benefits and other conditions of employment for CWA-represented employees and includes the 2014 Installation Effects Agreement.
- On July 31, 2014, Alcatel-Lucent USA Inc. entered into a Postretirement Medical and Dental Benefits and Group Life Insurance for Retired Employees Extension Agreement with the CWA and the International Brotherhood of Electrical Workers (IBEW). This agreement, valid from 2017 through 2019, extended an existing Postretirement Medical and Dental Benefits memorandum while reducing the company subsidy by \$40 million annually. It also extended the coverage provided under the Group Life Insurance Plan for Retired Employees until December 31, 2019.

## Australia

- The major collective agreement currently in place is the Employment Partnership Agreement (EPA) of 2009. The EPA had a three-year term, which is automatically extended until a new EPA is signed. Negotiations for a new EPA commenced in 2013 between Alcatel-Lucent Company Bargaining Representatives (CBRs) and Employee Bargaining Representatives (EBRs), and have been ongoing to converge to an agreement.

### Percentage of total employees covered by collective bargaining agreements in 2014

G4-11, G4-S01

SAMPLE OF MAIN COUNTRIES WHERE WE OPERATE	PERCENTAGE OF TOTAL EMPLOYEES COVERED
France	100%
Italy	100%
China	100%
Belgium	100%
Netherlands	100%
Norway	100%
Sweden	100%
Finland	100%
Spain	100%
Germany	58%
Romania	100%
Poland	100%
Slovakia	100%
Czech Republic	100%

### 8.3.2 Workplace health and safety agreements

G4-S01

Examples of collective agreements signed in 2014 include:

- **Romania:** a new health insurance plan for all employees came into effect on April 1, 2014, and included the establishment of a local medical office at headquarters in Timisoara (with a doctor on premises each day during working hours) as well as extended medical coverage, with all costs borne by Alcatel-Lucent.
- **Italy:** an agreement was signed with the ASL of Vimercate on work-related stress.
- **Spain:** a report was signed with safety worker representatives and safety managers on work-related stress and psychosocial risk assessments. Also, an upgrade of the services provided by the partner on work/life balance was reached. Six psychologist sessions are now free of costs for employees (and are available at half of the market price for family members).

## 9 Flexible work

G4-S01

### 9.1 Teleworking

Teleworking reduces commuting time and costs, real estate costs, operating expenses and our overall environmental impact.

To demonstrate our support for an agile workforce and a better work/life balance for our employees, teleworking policies have been put in place across all regions in Alcatel-Lucent. We have been working with our main trade unions in Europe since 2008 to define collective agreements on teleworking. As a result, employees in France, Belgium, Spain, Italy and Germany, for example, may telework if an organizational analysis of the employee's job activities is positive and there is mutual agreement between the employee, his/her manager and the HR function.

#### Highlight

All countries where Alcatel-Lucent has a substantial employee presence now have teleworking policies. Overall, 46% of our employees telework at least one day per week.

During the last two years, we extended the number of countries with teleworking policies by defining agreements across the Middle East, Africa and Asia-Pacific, including in China and India. Building on our expanded teleworking deployments, a global teleworking policy was developed in 2013, respecting all local laws in this matter.

Overall, 46% of our employees telework at least one day per week – and some countries have even higher rates, such as the Netherlands (83%), Argentina (69%), Belgium (68%), Australia (62%), the United States (61%), Mexico (56%), Spain (55%), France (55%) and the United Kingdom (47%).

## 9.2 Employee services

As part of our efforts to create the best work-life balance for employees, multiple company-organized or company-financed services are available at Alcatel-Lucent workplaces around the world.

### Spotlight on: France

#### Childcare

Alcatel-Lucent has a partnership with France's Crèche Attitude program, which reserves places in nearby child-care facilities for employees' children. We have 26 places for the Paris region and six places near our Ormes location.

#### Concierge

We provide a number of concierge services at our Villarsaux site, including dry cleaning, shoe repair and postal. All employees at these sites, including those working for other companies, can use these services.

## 10 Global human rights

G4-56

### 10.1 Our approach ✓

G4-DMA HR INVESTMENT, G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS

#### Highlight

Our Global Human Rights Policy addresses the four primary roles we play in our business operations and ecosystem: employer, supplier of telecommunications infrastructure, business partner and corporate citizen. ✓

Following the 2012 update to our Global Human Rights Policy to ensure alignment with the UN Guiding Principles on Business and Human Rights (the so-called "Ruggie Principles"), in 2014 we dedicated our efforts to implementing company measures according to the 10 Guiding Principles of the Telecommunications Industry Dialogue on Human Rights Freedom of Expression and Privacy. These principles are designed to ensure proper treatment of our workforce and external stakeholders around the world, and to address our corporate role as a supplier of telecommunications infrastructure that supports transparency on freedom of expression and privacy. In parallel, we continue to dialogue with key industry stakeholders, including our customers as well as civil society, on our common responsibilities to human rights around the world. ✓

## 10.2 Excerpt from the Alcatel-Lucent Global Human Rights Policy ✓

G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA HR INVESTMENT, G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS

It is the policy of Alcatel-Lucent to protect and enhance the human dignity of everyone who works for the company 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 as embodied in internationally recognized principles and guidelines, including: the UN Declaration of Human Rights; the Ten Principles of the UN Global Compact; the UN Guiding Principles on Business and Human Rights; the International Labor Organizations (ILO) Declaration of Fundamental Principles and Rights at Work; and the OECD Guidelines for Multinational Enterprises, (which refer to the UN Principles). We also respect and comply with all human rights legislation, regulations or standards in the countries in which we operate.

As an employer, Alcatel-Lucent G4-DMA HR INVESTMENT, G4-DMA HUMAN RIGHTS GRIEVANCE MECHANISMS:

- Prohibits 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.
- Helps ensure that employment with Alcatel-Lucent is by freedom of choice.
- Upholds freedom of association and the right of any individual to be fairly represented by a labor organization of their choosing, pursuant to local laws.
- Offers employees remuneration packages that meet or exceed the legally required minimum.
- Complies with maximum hours of daily labor set by local laws and complies with overtime pay legal requirements.
- Supports 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.
- Prohibits:
  - 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.
  - 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.
  - Retaliation or other adverse actions against those who report, in good faith, suspected violation of the law or policy.

As a *supplier of telecommunications infrastructure*, we offer products and services in compliance with international standards, and support transparency in the way telecommunications technology is used by sovereign countries.

As a *business partner* we maintain the highest levels of business ethics, personal integrity and compliance with suppliers, subcontractors and business partners — and expect them to adhere to these in their practices as well. G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES

We ask suppliers and subcontractors to respect human rights by complying with the Alcatel-Lucent Suppliers Code of Conduct (Electronic Industry Citizenship Coalition Code of Conduct Revision 3) and all applicable human rights laws and regulations, and ensure these are respected throughout the supply chain. G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES

As a *corporate citizen* we respect and comply with all human rights legislation, regulations and standards in the countries where we operate, and conduct business and sales activities in strict compliance with international conventions regarding human rights. G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES

We respect indigenous rights and civil society in the countries where we operate, and act in full recognition of our social and environmental responsibilities. We also play an active role, via the Alcatel-Lucent Foundation, in charitable activities and support our commitment to social responsibility.

Violations of this policy by employees may be reported using the appropriate compliance issue reporting mechanism, as described on the Office of Business Integrity & Compliance website.

# 11 Reorganization and restructuring

## 11.1 *The Shift Plan*

*The Shift Plan* is an industrial, operational and financial plan to refocus Alcatel-Lucent as a specialist in IP and cloud networking as well as ultra-broadband access, and to deliver innovation that shapes the future of the industry and ensures profitable growth. Launched in June 2013, *The Shift Plan* is a three-year plan. It entails the following:

### **Industrial**

*The Shift Plan* reflects fast-changing trends in the telecommunications industry, where service providers and large-scale Internet concerns handle ever-expanding volumes of data as the market migrates from networks built largely for voice communications. Under *The Shift Plan*, Alcatel-Lucent is adapting to the evolving market by placing its IP, cloud and ultra-broadband portfolio at the center of its operations. Alcatel-Lucent's Bell Labs will serve as the innovation engine to facilitate growth in these key areas. R&D will be concentrated on IP networking and ultra-broadband access; with an 8% increase in R&D from 2013 through 2015, these areas will represent 85% of our R&D investment in 2015. Our customer focus will be placed on new products and platforms for the most profitable market segments, (including Tier 2 to Tier 4 service providers), and on addressing the telecommunications needs of web-scale and extra-large enterprise customers.

### **Financial**

*The Shift Plan* aims to restore the company's profitability and competitiveness in the marketplace. This will include a reduction of its fixed-cost base by €1 billion between 2013 and 2015 through the adoption of direct-channel operations, a refocusing of R&D capacity, and the additional consolidation of sales, general and administration (SG&A) functions. Other actions will be undertaken to reduce the company's real estate footprint and drive efficiencies in project delivery, back-office IT systems, supply chain management, manufacturing and procurement.

These actions will lead to a reduction of 10,000 jobs by the end of 2015 (compared to a year-end 2013 baseline) distributed as follows: 4,100 positions in Europe, Middle East and Africa; 3,800 in Asia-Pacific; and 2,100 in the Americas.

Further exceptional cash inflows of at least €1 billion are expected from the selective monetization of assets, including potential disposals, over the period of *The Shift Plan*. On a cash basis, *The Shift Plan* is expected to be self-funding over the 2013–2015 period. The plan also includes a €2 billion reprofiling of the company's debt over 2013–2015 by actively capitalizing on attractive international debt market opportunities. Once the company has clearly demonstrated the successful execution of *The Shift Plan*, it plans to seek a reduction of its debt by approximately €2 billion.

### Operational

A new operating model has been put in place with full profit-and-loss (P&L) and cash accountability for businesses.

Since the launch of *The Shift Plan*, four employee surveys have been conducted. Two of them were performed in 2014 (February and June) to measure the extent to which employees understood and embraced *The Shift Plan*. The result of the latest survey is that 58% of respondents said the company's new operating model and the business benefits of its new direction were clear, they understood how to prioritize their work, and they had access to all the necessary information about *The Shift Plan*.

## 11.2 2014 highlights

The 2014 targets of the Performance Program have been replaced by new targets as part of *The Shift Plan*. At the end of 2014, the company is fully on track to achieve its 2015 targets as part of *The Shift Plan*.

- With regard to the headcount reductions envisaged by *The Shift Plan*, the process of distributing information to and negotiating with the unions is ongoing and we are on track with our target. At the end of 2014, our workforce comprised 52,673 people, a decrease of 6,843 compared to the previous year, taking into account the sale of our Enterprise activities.
- Alcatel-Lucent has been repositioned as a specialist in IP and cloud networking along with ultra-broadband fixed and mobile access, with key wins and market share gains in these areas.
- Fixed costs savings for the year were €340 million, of which €30 million was in Q4, in line with the €340 million target for the year as a whole.
- LGS Innovations LLC was sold to Madison Dearborn Partners and CoVant on March 31, while Alcatel-Lucent Enterprise was sold to China Huaxin on September 30.
- A strategic partnership for cyber security services was finalized with Thales on December 31.
- Our balance sheet has been strengthened with 2014 closing on a net cash position of €326 million.
- Early repayment of the senior secured loan taken out in January 2013.
- Debt reprofiling has been fully completed.

# Society and philanthropy

575,000 km

of undersea cables  
that carry the world's  
communication  
between continents

23,000

number of youth from  
marginalized communities  
in five countries around  
the world who have  
benefited from our  
ConnectedED Global  
Signature Program

1.4 Tb/s

the speed record set by  
Alcatel-Lucent and BT  
using Flexgrid architecture  
to boost the capacity of  
existing fiber networks

## 1 Our approach to digital inclusion

G4-DMA ECONOMIC PERFORMANCE, G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

### Our commitment

We are committed to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide. We address digital inclusion through innovative products and solutions in ultra-broadband access, IP networking and cloud – enabling global connectivity. This will change the way billions of people live and work, and connect economies to new opportunities.



Digital inclusion is about giving people everywhere access to information, education and economic opportunities while encouraging environmental sustainability and innovation.

Digital inclusion and broadband access are key pillars of Alcatel-Lucent's product and solution portfolio, reinforcing our commitment to making global communications more innovative, sustainable and accessible for people, businesses and governments

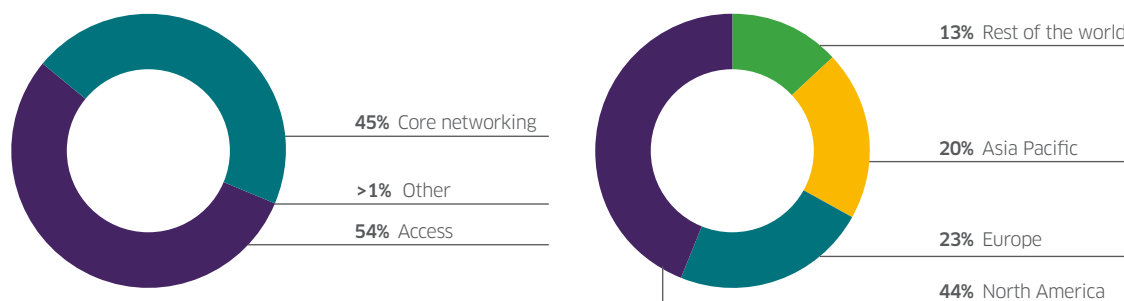
worldwide. Our mission is to invent and deliver trusted networks to help our customers unleash their value through our leading IP networking, ultra-broadband access and cloud expertise. Our approach to digital inclusion focuses on: ✓

### Technology and innovation

Our continued focus on IP networking, cloud and ultra-broadband access under *The Shift Plan*, along with the innovation assets of Bell Labs and other partners, (including our customers and industry peers), enable us to continue to challenge and shape the future of the industry by making communications more innovative, sustainable and accessible. Specific technology areas of advancement include ultra-broadband wireless and fixed access (e.g., VDSL vectoring, small cells), IP routing, and transport and IP platforms. ✓

## Breakdown of 2014 revenues

G4-DMA ECONOMIC PERFORMANCE, G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES



### Ultra-broadband access

In 2014, Alcatel-Lucent worked with governments, public authorities and regulators worldwide — particularly in emerging countries — to promote the benefits of ultra-broadband access plans and to support digital inclusion. We also worked with a number of international organizations and institutions. ✓

### Education and promotion

In 2014, Alcatel-Lucent maintained a very active role in the United Nations Broadband Commission, the International Telecommunications Union (ITU) and the Affordable Internet Alliance to dialogue with public authorities and regulators in developing and emerging economies.

### Philanthropy

The Alcatel-Lucent Foundation updated its mission in line with *The Shift Plan* to help prepare youth from disadvantaged communities to participate and innovate in a connected world. ✓

Through employee volunteerism, focused partnerships with non-profit organizations and in-kind donations, the Alcatel-Lucent Foundation helps increase youth digital literacy and proficiency and empowers them to unlock the economic and social progress enabled by broadband networks.

By supporting digital inclusion, we strengthen our ties to the communities we serve — developing new markets for our products and services, and bettering people's lives around the globe. Our philanthropic activities continue to target the key democratic principle of universal access through information and communications technology (ICT). Working with communities and universities in the domains of energy, health and education, we provide access to information, foster freedom of expression and encourage socio-economic development.

As a company, we have learned there is no single formula for achieving digital inclusion: it is the combination of targeting products, solutions, research and actions to different stakeholders, including public authorities and NGOs, complemented by very selective philanthropy for citizens in disadvantaged communities.



# 1.1 Why digital inclusion matters

G4-DMA ECONOMIC PERFORMANCE, G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

Internet access has the potential to create new opportunities and drive social progress in today's populous, urbanized world — fuelling economic growth by improving education, information and human health.

According to Bell Labs and the World Economic Forum, Internet access contributes to higher GDP, which in turn boosts countries' Human Development Index (HDI) scores. (HDI is the combination of GDP, life expectancy and education). A 1% increase in HDI can mean educational access for 440,000 more children and 15-month longer life expectancies.

Yet today Internet access is not equally available to all. Just 31% of the population in emerging markets is online, compared to 77% in the developed world. There is also a gender gap, with 16% fewer women than men using the Internet in developing countries.<sup>3</sup>

3 2013 ITU Facts and Figures: <http://www.itu.int/en/ITU-D/Statistics/Documents/facts/ICTFactsFigures2013-e.pdf>

Many governments specifically anticipate a shortage of skilled professionals able to engineer and contribute to the growth of the digital economy. According to the Digital Agenda for Europe, an estimated 90% of EU jobs in the near future will require ICT skills of some kind, yet the EU's 2014 *Digital Agenda Scorecard* found that 39% of the workforce had no or low digital skills. In the United States, the digital skills gap is estimated to cost roughly \$1 trillion in lost productivity per year. Closing the access and skills gap is therefore economically and socially essential.

By mid-2013, more than 134 countries had aggressive national plans for affordable, universal, high-speed access and wireless services. Yet even with clear goals, challenges remain. Europe, for example, has defined its digital agenda but is struggling to realize the benefits. There is a growing quality gap between the capabilities of the latest devices (e.g., smartphones) and the quality of the networks that support them. The European telecommunications industry is in critical need of a better Internet network strategy more favorable to investment — particularly for the latest-generation ultra-broadband fixed and mobile infrastructures.

## Highlight

### Ultra-broadband for Africa

Alcatel-Lucent has carried out telecommunications projects in Africa for close to 40 years, including the building of 10 4G LTE mobile networks and six undersea cable projects. We are accelerating development of ultra-broadband access networks in Africa, bringing connectivity to users through better technology.

# 2 Technology and innovation

Alcatel-Lucent is committed to meeting the global need for universal high-speed Internet access. Our research within Bell Labs and our portfolio of products are focused on tackling obstacles to digital inclusion such as affordability and accessibility. Our ultimate vision is of an ultra-connected society enabled by ultra-broadband in which everyone can connect to everything, and where information, resources and experiences are instantly available.

Combining ultra-broadband solutions with our core networking portfolio, we allow service providers to cost-effectively extend broadband coverage to more people — achieving national goals and generating lasting social, economic and environmental benefits.

## 2.1 University and research collaborations

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

To deliver on our commitment of universal access, we develop research partnerships with universities and institutes around the world. For example:

- In Mexico, Bell Labs is collaborating with the Tecnológico de Monterrey to research cloud computing. Engineering students are applying their knowledge under the supervision of Bell Labs researchers and professors.

In Japan, Alcatel-Lucent Japan is allied with NTT and Fujitsu to advance server technology with the goal of creating a server architecture that combines the common accessibility of communications networks with carrier-grade reliability, scalability and maintainability.

- In the United States, Alcatel-Lucent successfully demonstrated standards-based priority and pre-exemption technology for the application of 4G LTE mobile ultra-broadband for public safety authorities and first responders. This project is part of the Public Safety Communications Research Program, a joint effort of the U.S. National Institute of Standards and Technology and the National Telecommunications and Information Administration.

## 2.2 Ultra-broadband for fixed operators

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

Our high-capacity fiber and copper access solutions help service providers meet growing demand for ultra-broadband.

We are present in most major fiber deployments worldwide, having deployed 100G fiber technology in more than 210 customer networks in 70 countries. We have also deployed the world's first commercial network of 400G technology, helping operators lower the cost of fiber deployment.

### Highlight

#### Breaking barriers

In January 2014, Alcatel-Lucent and BT demonstrated speeds and spectral efficiency on an existing fiber connection. The two companies achieved a data rate of up to 1.4 Tb/s and spectral efficiency of 5.7 bits per second per Hertz (b/s/Hz). This was the fastest speed ever achieved in commercial-grade hardware in a real-world environment, and is equivalent to transmitting 44 uncompressed HD films in a single second. Key to the accomplishment was Alcatel-Lucent's novel 'Flexgrid' architectural approach, which can increase network capacity using existing optical fibers, reducing the cost of laying more fiber as demands grow. This helps make networks more affordable and scalable to efficiently meet consumer needs.

On the copper access side, VDSL2 vectoring reduces broadband investment costs by delivering high-speed broadband over existing copper lines, helping meet eco-sustainability targets and making mass-market broadband more available. To date, Alcatel-Lucent has shipped more than 10 million VDSL2 lines and completed more than 65 commercial trials.

## 2.3 Ultra-broadband for mobile operators

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

The mobile Internet and its devices can connect more people in the developing world to cloud-based services, bringing them the benefits of the digital economy. Developing countries are now driving the growth of mobile subscriptions, accounting for 78% of the world's total.

By deploying virtualized mobile networks, network operators can enable more affordable and rapid service innovation and capture the promising new opportunities of the cloud.

We support this at Alcatel-Lucent, using software-defined networking (SDN) and network functions virtualization (NFV) to integrate the network and the cloud. We are virtualizing our mobile portfolio applications — including evolved packet core (EPC), IP multimedia subsystem (IMS) and radio access network (RAN) — and extending them to the cloud. Mobile operators can deploy these network applications to innovate more quickly, accelerate deployment and expand into new, underserved markets. This makes the benefits of cloud technology available to more people, driving economic growth and improving the availability and quality of healthcare, education and other services.

In February 2014, Alcatel-Lucent entered a co-innovation agreement with Telefónica to speed up the adoption of network virtualization infrastructure using the CloudBand NFV platform.

### Highlight

Delivering broadband mobility to billions worldwide

- More than 109 million voice over LTE (VoLTE) licenses shipped
- More than 130 small cell contracts with 75 operators in 53 countries
- More than 70 LTE contracts in 35 countries, including two of the world's largest LTE contracts
- 16 commercial Nuage Networks™ SDN customers
- 5 commercial CloudBand™ NFV customers and 18 trials
- Service Router Portfolio deployed with 650+ service providers
- 36 customers have selected the 7950 Extensible Routing System (XRS)
- Motive® customer experience solutions for ~260 of the world's leading service providers
- ~100 subscriber data management deployments for 1 billion+ subscribers
- 115 IMS customer projects, 45 with live commercial traffic
- ~35 active network intelligence deployments for 150 million+ subscribers

## 2.4 Bridging the digital divide

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

Last year, Alcatel-Lucent worked with customers and partners around the world to realize the socio-economic benefits of ultra-broadband access, IP networking and digital technology:

- **United States:** PEG Bandwidth, a leading provider of wireless infrastructure solutions, is using Alcatel-Lucent mobile backhaul technology to deliver high-bandwidth services to under-served areas in the U.S.

- **Uruguay:** We supplied Claro Uruguay, a division of global wireless leader America Movil, with an end-to-end 4G LTE network operationalized in February 2014.
- **Tunisia:** We continued our work under a three-year agreement to transform Tunisia's voice and data network, paving the way for ultra-broadband services using VDSL2 Vectoring technology.
- **Switzerland:** Alcatel-Lucent's fiber-to-the-home technology will help Swisscom connect nearly a third of Swiss households to high-speed broadband services by 2015, meeting escalating demand for video streaming, teleconferencing and online gaming.
- **Indonesia:** We helped government-owned service provider Telkom Akses expand Indonesia's national broadband infrastructure to 15 million subscribers by 2015 as part of the TITO (Trade In Trade Off) Access Modernization Project.
- **China:** We struck an agreement with China Mobile — the world's largest mobile service provider, with more than 750 million subscribers — to provide the technology for an all-IP ultra-broadband network, paving the way for future NFV and cloud-based services.

### Submarine network solutions

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

Our undersea cable systems provide cost-effective access to broadband connectivity. Over the past century we've built one of the most successful track records in the industry, with the largest installed base of undersea cable systems.

Alcatel-Lucent signed several contracts for cable upgrade deployments in 2014, including:

- Upgrading the EASSy submarine cable system, a 10,000-kilometer subsea system linking South Africa to Sudan.
- Expanding the undersea infrastructure of Vanuatu-based Interchange Limited to deliver ultra-broadband access. The new 3,000-kilometer cable system will link the Pacific islands of Vanuatu, the Solomons and Papua New Guinea.
- Strengthening undersea ultra-broadband connectivity between Singapore and France over a 20,000-kilometer system operated by the Sea-Me-We 5 consortium, with Alcatel-Lucent deploying a new 100 Gbit/s undersea cable system.
- Alcatel-Lucent signed a contract with the Libyan International Telecommunication Company to build a 1,000-kilometer undersea cable system linking Tripoli to Benghazi — providing much-needed broadband connectivity to help revive the Libyan economy.

## 3 Education and promotion: Raising awareness of ultra-broadband access

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

In 2014, Alcatel-Lucent maintained an active role in the United Nations Broadband Commission, the International Telecommunications Union (ITU) and the Alliance for Affordable Internet to dialogue with public authorities in developing and emerging economies.

## Highlight G4-EC7

### **Making the Internet more affordable**

The Alliance for Affordable Internet (A4AI) works to advance Internet access in the developing world. Combining advocacy and research, it aims to make entry-level broadband services available to individuals for less than 5% of their average monthly income. Alcatel-Lucent is a member of the A4AI Affordability Working Group, whose 2013 Affordability Report (published in January 2014) found that entry-level broadband can cost 40% of the monthly income of those living on less than U.S. \$2 per day. This lack of online access constrains economic and social progress. In March 2015, A4AI published an updated Affordability Report.

## 3.1 Having an impact around the world

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES, G4-SO1, G4-EC7

A robust telecommunications infrastructure fosters equality by democratizing information and enabling the promotion of fundamental human rights. Alcatel-Lucent positively affects the communities in which it operates by following policies and procedures that emphasize hiring local personnel, evaluating local suppliers, minimizing environmental impact and, through our digital inclusion strategy, developing actions that enhance people's lives.

### Our commitment

Improvements to a country's communication capabilities create opportunities, promote economic and cultural wellbeing, and ultimately provide the infrastructure to support democratization. We are committed to enabling such improvements along with reliable, affordable and widely available communications services that contribute to economic and social development.

We measure the impact of our actions according to a range of social, environmental and economic indicators. For example, we assess the success of our philanthropic initiatives based on number of beneficiaries, number of volunteers and volunteer hours, improvements to quality of life, improvements in people's technology-related skills and more.

Alcatel-Lucent has a positive impact on communities by hiring local personnel, working with local suppliers and minimizing environmental impact. We enable communications around the world due to our large installed base of network equipment: from small cells deployments in 53 countries and the 570,000 kilometers of undersea cables connecting every continent to our subscriber data management products that oversee more than a billion subscribers around the world. We have also extended the lifecycle and capacity of 10 million copper lines with innovations, such as VDSL2 that allow service providers to connect more people faster using existing infrastructure.

We also use modeling to evaluate the impact of our actions, such as the Bell Labs model used in February 2012 by Alcatel-Lucent and key national stakeholders in New Zealand to assess the impact of ultra-fast broadband (UFB) and Rural Broadband Initiative (RBI) investments. The study showed that by enabling applications, such as teleworking, videoconferencing, remote patient monitoring, online training and even remote sheep herding, UFB and RBI would add more than \$5 billion to New Zealand's GDP over a 20-year period. The study also found that the combined consumer surplus from using high-speed broadband applications significantly outstripped the GDP impact of building the UFB and RBI networks.

### 3.1.1 Multi-stakeholder mHealth partnership in Senegal

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES, G4-EC7

The ongoing work we have engaged in over the past four years with partners such as the United Nations, development banks, NGOs and private sector companies in the field of mHealth and mLearning resulted in the 2014 launch of an ambitious national mHealth project in Senegal to combat diabetes via mobile technology. This project was realized through a partnership with the World Health Organization, ITU, several Senegalese government departments, NGOs and private-sector companies including Sanofi, Orange and BUPA. We are now working on bringing the project to other countries, such as Mexico and Ghana.

### 3.1.2 Forging the future of healthcare in Pennsylvania

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES, G4-EC7

UPMC, a massive Pennsylvania-based health enterprise integrating 22 hospitals, 400 doctors' offices/ outpatient sites, and a 2.2-million-member health insurance division selected the Nuage Networks SDN platform for its backup network — supporting increased demand from its various user groups and ensuring the most effective handling of critical information.

## 4 Philanthropy

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES, G4-SO1

### Building a generation of digital innovators

The Alcatel-Lucent Foundation contributes to the company's commitment to digital inclusion by supporting philanthropy that serves and enhances the communities where our employees and customers work and live. Its prime mission is to prepare youth, and especially young women, to participate and innovate in the connected world. It supports charitable activities dedicated to digital literacy and promotes access to education and digital tools through employee volunteerism, focused partnerships and in-kind donations in communities around the world. ✓

### Highlight

The Alcatel-Lucent Foundation develops programs that prepare youth, especially young women, to participate and innovate in the connected world. Pursuing two strategic priorities – digital literacy and fostering innovative thinking among youth – the Foundation seeks to ensure the next generation benefits from the opportunities of the digital economy. Leveraging Alcatel-Lucent's innovative technology, employee expertise and skills, and global presence, the Foundation's contributions include employee volunteerism, partnerships with non-profit organizations, and in-kind donations to communities around the globe.

**Alcatel-Lucent**   
Foundation

In 2014, the Alcatel-Lucent Foundation adopted a new mission statement to prepare youth — with a focus on young women — to participate and innovate in a connected world. In line with *The Shift Plan*, this mission focuses our actions for maximum impact, drawing on the company's strengths, including its technologies and skilled global workforce.

Through the Alcatel-Lucent Foundation, we want to make sure the next generation is ready to benefit from the new opportunities offered by the digital economy — and is able to innovate on top of the network. We promote universal access to opportunity through information and communications technology (ICT) as a key democratic principle.

## 2014 achievements G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-SO1, G4-DMA LOCAL COMMUNITIES

In 2014, the Alcatel-Lucent Foundation:

- Provided USD \$1.7 million to carefully selected charitable programs around the world, touching the lives of 60,000 beneficiaries. These beneficiaries benefited from both Alcatel-Lucent's in-kind expertise as well as the Foundation's own activities and programs, such as Campus in the Cloud and ConnectEd. ✓
- Facilitated the engagement of 5,000 employee volunteers, who gave 41,000 hours volunteering. ✓  
Nearly 10% of our entire employee base
- Created and deployed a group-wide strategy to guide corporate philanthropic activities in line with *The Shift Plan*. ✓
- Supported two Global Signature Programs and 37 multi-year programs in 28 countries

## 2015 target

Develop a program to foster an innovative and change-maker spirit among youth in our key geographies.

The Alcatel-Lucent Foundation measures results using the London Benchmarking Group (LBG) standards to assess the overall impact of its philanthropic activities. G4-DMA INDIRECT ECONOMIC

IMPACTS, G4-DMA LOCAL COMMUNITIES



We have deployed a volunteering management web tool called “We Care” to better monitor and structure our reporting on volunteer activities company-wide. The tool was launched in July 2013 starting with a pilot implementation in the United States. ✓

## 4.1 Governance

The Alcatel-Lucent Foundation is organized under the laws of the U.S. State of Delaware and is a non-governmental, non-profit, private organization. As of December 31, 2014, the Alcatel-Lucent Foundation Board of Trustees includes a chairperson, 11 company executives, an executive director and an external trustee:

- Chair: Philippe Keryer (replacing Janet Davidson as of December 10, 2014)
- External trustee: William Reese (CEO of the International Youth Foundation)
- Alcatel-Lucent trustees: Barbara Landmann (Vice Chair), Richard Campbell (Treasurer), Alex Yip (Secretary and Legal Counsel), Sandy Motley, Theodore Sizer, Radwa Hafez, Christine Diamante (ex officio), Frederic Chapelard, Marco Malfavon, Jeanmarie Grisi and Guiyang Lin
- Director: Elisabeth Eude

## 4.2 Global Signature Programs

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7, G4-DMA LOCAL COMMUNITIES

### 2014 achievements

From its inception in April 2011 to September 2014, the ConnectEd Global Signature Program prepared 23,000 young people (58% women) from marginalized communities in Australia, Brazil, China, India and Indonesia for the world of work.



In 2014, the Alcatel-Lucent Foundation supported two Global Signature Programs:

1. ConnectEd is a digital education partnership between World Education and the Alcatel-Lucent Foundation to provide educational and digital skills training opportunities for youth in disadvantaged communities worldwide. Launched in April 2011, this three-year program puts a special focus on the use of technology to transform youth education, work and life. Deployed in five countries (Australia, Brazil, China, India and Indonesia), ConnectEd was completed at the end of March 2014 for 4/5 countries while continuing in Indonesia until the end of 2014. From April 2011 to September 30, 2014, the program provided training to 23,000 youth, 58% of them girls. ✓
2. Campus in the Cloud is an Alcatel-Lucent employee in-kind initiative that aims to bridge the knowledge gap for those who have no or little access to education by leveraging our in-house skills, talent and communications technology. Launched in 2013, this program encourages employees to share their knowledge by creating short educational videos on their work, giving advice on career advancement and how to prepare for the world of work. These videos are then shared with the beneficiaries of Alcatel-Lucent Foundation programs. Campus in the Cloud now offers 43 content items in six languages — and will continue to be a focus program in 2015. ✓

### The employee connection

Alcatel-Lucent employees are encouraged to volunteer with our Global Signature Programs — to create bonds with beneficiaries, serve as role models and increase the social impact of our actions.

### 2014 achievements

In 2014, 1,900 Alcatel-Lucent employees volunteered 3,800 hours of their time to ConnectEd.

Volunteering highlights from 2014 include:

- Christine Diamante, Head of Brand and Corporate Sustainability, video-mentored two young Australian women from YWCA New South Wales via the ConnectEd program.
- Frederic Chapelard of the Alcatel-Lucent Foundation Board welcomed students of YABIM (the Indonesian beneficiary of ConnectEd) at the Alcatel-Lucent office in Jakarta.
- Our Indonesian employees organized an Education Fair for 1,335 students at the premises of YABIM, our local ConnectEd partner.
- Marco Malfavon, Head of Communications for the Americas, hosted a mentoring session with students from ConnectEd in Brazil.



- Thirteen employees contributed to Campus in the Cloud, increasing the total content of the platform to 43 videos in six languages, some of which were used by our non-profit partners and the ConnectEd program. These included a video by French employee Andrew Skobinsky on how to prepare for a job interview, which was used by ConnectEd in India, and a video by Spanish employee Ana de Armas on the importance of education.
- As part of the ConnectEd program, volunteers from Alcatel-Lucent Shanghai Bell read to migrant students and their parents at two schools in China to demonstrate the pleasure and importance of reading and storytelling.

## 4.3 Grassroots Programs

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES

The Alcatel-Lucent Foundation funded 37 grassroots programs in 28 countries in 2014, representing 55% of the countries in which Alcatel-Lucent has significant presence. These programs benefited 33,200 children and young adults from disadvantaged communities, 59% of them young women. The Foundation selects programs based on alignment with our mission and strategy, levels of employee engagement, impact to beneficiaries and cost-efficiency.

Examples of our work from 2014 include:

- **China**

To help bridge the digital divide in China's less developed provinces, Alcatel-Lucent Shanghai Bell donated 40 computers, desks and chairs to a high school in Tibet — and in doing so helped build the highest elevation Internet classroom in the world. Alcatel-Lucent volunteers also gave students a computer lesson to equip them with basic digital skills and knowledge.

- **United States**

2014 marked the seventh year of Mindbender Academy, a STEM (science, technology, engineering and math) camp for 400 middle school students supported by Alcatel-Lucent employees.

At Junior Achievement's Finance Park, 21 Alcatel-Lucent employees taught eighth-grade students from a New Jersey middle school how to make real-life choices about their monthly expenses.

- **Egypt and Morocco**

Alcatel-Lucent volunteers mentored students in both Egypt and Morocco, helping them develop skills and become responsible citizens. On October 28, 2014, Alcatel-Lucent was recognized by the Egyptian Minister of Education for its contribution to the country's "Adopt a School" program.

- **Kenya**

Alcatel-Lucent supports Kenya's Loitoktok project, an integrated food security and livelihood program that will directly benefit some 9,500 people in the Inkisanjani community.

- **France**

The "We Made It" program helps promising students from low-income surroundings develop their understanding of business. In 2014, 10 Chinese families of Alcatel-Lucent Shanghai Bell employees accommodated the 10 selected French students participating in the program.

- **South Africa**

The Alcatel-Lucent Foundation proudly supports the Valued Citizen Initiative, which helps youth graduate from high school and attend university so they can realize their full potential. In May 2014, employees in South Africa hosted 10 high school students through the "Take a Girl Child to Work Day" campaign.

- **Venezuela**

Volunteers from Alcatel-Lucent Venezuela once again supported SUPERATEC, a program that helps young women from underserved communities increase their job opportunities by developing work skills and increasing their familiarity with social networking and digital office tools. In 2014, we supported 150 participants.

## 2014 achievements

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES

The Alcatel-Lucent Foundation funded 37 grassroots programs in 28 countries. These programs benefited 33,200 children and young adults from disadvantaged communities, 59% of them young women.

## 4.4 Employee volunteering

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-EC7

### 4.4.1 Our approach

G4-DMA LOCAL COMMUNITIES

Employees are given the opportunity to volunteer during their work time when customer priorities allow, as well as during their time off. Participating in Foundation programs builds employee pride and connects the Alcatel-Lucent brand to the local community.

## 2014 achievements

G4-DMA INDIRECT ECONOMIC IMPACTS

### Caring for our communities

The Global Days of Caring (GDOC) Awards were created by the Alcatel-Lucent Foundation last year to celebrate innovative projects – and then support them through a matching gift.

The Foundation also deployed its worldwide “We Care” volunteering platform to better monitor and structure reporting on volunteering activities company-wide, and promoted Campus in the Cloud as a way to make an impact through technology.

## 2015 target

The Alcatel-Lucent Foundation will continue to develop the Campus in the Cloud program, engaging 500 employees to share knowledge with educational videos by 2016.

### 4.4.2 Global Days of Caring

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES

Our worldwide Global Days of Caring initiative ran throughout July and August 2014. Under the “We Care” signature, employees organized 28 local initiatives in nine countries, ranging from food drives to career-orientation workshops. More than 340 employees gave time and support, benefiting 1,500 people.

- **Egypt**

Seventeen Alcatel-Lucent Egypt employees supported 10 children from Resala Charity Organization homeless kids’ shelter in the 2014 First Lego League Challenge.

- **Brazil**

In September, 21 volunteers from Alcatel-Lucent Brazil contributed 148 hours to develop and host a career workshop for 60 youth between the ages of 14 and 18. In addition to providing a technology demonstration, the volunteers gave the teens practical advice on a wide range of subjects, including administration, law, engineering, finance and interviewing skills. This project was one of the nine company-wide winners of the new Global Days of Caring Awards, which recognize significant volunteer contributions made by Alcatel-Lucent employees.

- **Ghana**

Twelve Alcatel-Lucent employees visited the Soronko Foundation as part of the “Tech Needs Girls” campaign, spending the day with 30 disadvantaged children aged seven to 14. The Alcatel-Lucent team introduced the children to Regina Agyare, a computer science graduate from Ashesi University in Ghana who is dedicated to empowering girls from slum areas through technology training (with a focus on IP and HTML coding).

- **France**

Alcatel-Lucent employees participated in Computer Playdate, a program that promotes digital literacy. Last year, 24 children with no previous exposure to computers were invited to learn the basics of computer programming.

- **India**

Alcatel-Lucent volunteers created short videos on topics, such as public speaking and hosted a program on communications and English speaking skills for orphaned children. As part of Global Days of Caring 2014, volunteers taught scientific concepts to 40 children, aged 12–16, using experiments and working models to help them learn. Volunteers also gave career counseling to 15 school children.

- **United States**

For the fourth year in a row, Alcatel-Lucent Bell Labs in Murray Hill, New Jersey, welcomed more than 120 high school students for three hours of demos and presentations on science and technology, with the chance to meet Bell Labs scientists and engineers.

#### **4.4.3 Regional volunteering highlights**

G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES

- **Brazil**

In celebration of Children’s Day in October, 16 volunteers organized an event at a local orphanage, donating books and showing 110 children between the ages of one and six — the majority of them girls — how to use digital devices, such as phones and tablets.

- **Canada**

Alcatel-Lucent Ottawa employees participated in a cycling competition, raising \$64,000 for Candlelighters, an organization that supports children with cancer and their families.

- **China**

In April and May, Alcatel-Lucent Shanghai Bell (our flagship company in China) organized three CareerGo Workshops in Shanghai, Beijing and Chengdu, bringing in 361 undergraduate students to meet with and learn from the professional experiences of 51 senior Alcatel-Lucent employees. A similar Job Shadow Day was held in July at the Jinqiao headquarters in Shanghai, with 41 high school students attending a one-day workshop and observing how 24 Alcatel-Lucent employees (who served as their career mentors) go about their work.

- **Colombia**

Alcatel-Lucent volunteers in Colombia were involved in several knowledge-sharing projects, including:

- Leading 60 engineering students at the Catholic University of Colombia in a discussion on mobile spectrum management
- Providing a course at the Catholic University of Colombia on how artisans from vulnerable communities can make use of computers and other communications technologies
- Developing a series of podcasts in collaboration with the EXE Foundation to explain the use of social networks and applications, with an emphasis on reaching rural teachers and students (the podcasts are posted to a platform accessible by 1,200 teachers and principals across Colombia)
- Participating in a program to facilitate visits between children and their mothers in a Jamundí prison — providing not only the funds for the children’s transportation but also clothes, shoes, blankets and toiletries for the mothers

- **Egypt**

Alcatel-Lucent Egypt has an ongoing donation program for the Egyptian Food Bank and conducts three blood donation campaigns each year in coordination with the Egyptian National Blood Bank

- **Germany**

Through the new Joblinge program, Alcatel-Lucent employees in Germany are coaching disadvantaged youth to help them find fulfilling employment.

- **Mexico**

Last year, Alcatel-Lucent volunteers in Mexico celebrated 10 years of the Toys Collect program, donating 281.6 meters of new toys in 2014 to benefit 400 children from three different organizations. Alcatel-Lucent Mexico also held its first open house for children to visit its facilities and learn about the telecommunications business.

- **Netherlands**

Twenty-four Alcatel-Lucent Netherlands employees participated in Roparun, a relay race from Paris to Rotterdam, raising approximately €7,500 in support of cancer patients.

- **Senegal**

Seventeen Alcatel-Lucent volunteers organized and presented a training session to a group of hospitalized children, engaging them in demonstrations of computers, tablets and smartphones to help prepare them to participate in a connected world.

- **Ukraine**

Alcatel-Lucent Ukraine launched the “Together with Alcatel-Lucent” educational program, a partnership with three universities (Kiev Polytechnic Institute, Telecommunication University, and the Institute of Special Communication and Information Security) that seeks to deliver telecommunications education through workshops and the funding of scholarships and lectures.

Alcatel-Lucent Ukraine also supports the Blagomay charity fund for at-risk Ukraine children, providing funding for supplies, donating clothes and books, and assisting with trips and events.

- **Turkey**

Alcatel-Lucent Teletas supported the construction of a preschool in the Teletas district, providing equipment for a building that will house 100 students.

## 4.5 Giving in-kind

G4-EC7, G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES

Alcatel-Lucent often provides in-kind donations to charity. In 2014, our IT department donated close to 2,200 computers to global initiatives. Country teams also donated school items, clothes and food throughout the year.

### 2014 achievements

#### **The Digital Reservation**

More than 90% of the Native American population lacks high-speed Internet. As part of a special program announced by President Obama, Alcatel-Lucent teamed up with Verizon to deliver and install small cells that give online access to more than 1,000 Native American students.

## 4.6 Corporate charitable contributions

G4-EC7, G4-DMA INDIRECT ECONOMIC IMPACTS, G4-DMA LOCAL COMMUNITIES

Alcatel-Lucent's Global Charitable Contributions policy empowers the company's regional offices and business units 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 Compliance organization of Alcatel-Lucent and the Alcatel-Lucent Foundation. In 2014, we donated more than \$1.1 million through various projects.

# Supply chain

100%

of requests to use new suppliers are channeled through a screening process

80%

of active suppliers rated “satisfactory” or above in sustainability assessments

300+

suppliers surveyed on conflict minerals to determine origin of tin, tantalum, tungsten and gold in their components

## 1 About our supply chain

### 1.1 Supply chain organization

G4-12, G4-DMA PROCUREMENT PRACTICES

Our global supply chain operation develops the global demand and build plan for hardware equipment, manages all internal and contracted manufacturing platforms, supports product industrialization and develops associated testing strategies. It comprises three global internal organizations: procurement, manufacturing and logistics.

#### **Procurement**

Every year, we develop and update our strategies to identify primary technologies and supply sources for purchased components, finished goods, services and solutions. To the greatest extent possible, we multisource a large number of components and materials that are standard to the industry. For a number of components and finished goods families, we use multiple, predefined sources, allowing us to access additional inventories in case of a disruptive event or increased end-customer demand.

We further seek to mitigate disruptions by concentrating mostly on “preferred” suppliers for new products and for volume production. These suppliers meet our requirements and are subject to quality and performance monitoring, as well as periodic business reviews and executive management meetings. Our objective is to source components in a way that optimizes the total cost of ownership and delivers a high standard of quality to our customers.

Our procurement organization leverages a global network of approximately 2,000 suppliers to source the goods and services necessary to manufacture our products and meet customer demand. Our finished products require a wide range of electronic, electromechanical and radio-frequency components, including semiconductors, printed circuit boards, connectors, racks, cables and batteries. Our most strategic suppliers for such components include: Broadcom, Freescale, Analog Devices, Altera, Micron, Qualcomm, Xilinx, Finisar, Flextronics, Sanmina SCI, Multek, Viasystems, FCI, TE Connectivity, KMW, Marchesi and OMP.

We also purchase finished IT and telecommunications equipment, (including servers, middleware and software) from original equipment manufacturers (OEMs) to complement our own products when delivering complete solutions to our customers. We currently work with about 1,300 OEMs around the world, including HP, IBM, Oracle, Red Hat, VMware and Wind River.

To deploy our products and solutions in the field, we rely on a network of 4,500 local engineering and installation services suppliers.

## **Manufacturing**

Our manufacturing strategy involves both external and internal sources of production. When we resort to external manufacturing, the primary owner of inventory, standard manufacturing equipment and common test equipment is the external manufacturer. But in the vast majority of cases we own the custom-made test equipment, which allows us to change manufacturing locations more easily if necessary. Alcatel-Lucent owns the manufacturing equipment and common and custom-made test equipment in our internal manufacturing locations.

The Alcatel-Lucent facilities that are used for product introduction, surface mount assembly, module assembly and system integration are located in:

- Shanghai, China
- Qingdao, China
- Eu, France
- Trieste, Italy
- Bydgoszcz, Poland

The key contract manufacturer sites are located in:

- Guadalajara, Mexico (Flextronics; Sanmina SCI)
- Timisoara, Romania (Flextronics)
- Wuzhong, China (Flextronics)

## **Logistics**

Our logistics organization seeks to manage the delivery of Alcatel-Lucent products as time- and cost-efficiently as possible — all while reducing carbon emissions.

Using direct order fulfillment, we can ship products to our customers directly from our manufacturing locations. We have also appointed a lead logistics provider, allowing us to move our products in a consolidated way.

# 1.2 Local and global sourcing

G4-EC9, G4-DMA PROCUREMENT PRACTICES

Our products are composed of high-technology electronic and electromechanical components that can only be sourced from a limited number of suppliers around the world. Increasing the number of manufacturing locations and sources we use would make it much harder and riskier to integrate our products' components, significantly affecting our global competitiveness.

The services subcontractors responsible for deploying our products and solutions in the field need to fully understand each country's specific context and regulations, (as well those of each country's various regions). As such, these suppliers must be local by nature.

The products and services we buy for our own use rely on a mix of global (e.g., for IT and test equipment) and local sources (e.g., for site-related services, such as catering, electricity supply and transportation).

## 2 Our approach to supply chain management

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY, G4-DMA PROCUREMENT PRACTICES, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT

### Our commitment

We are committed to promoting sustainability throughout our supply chain and, in particular, among the third-party suppliers that provide us with components, products, software, support or services.

Our comprehensive approach to responsible purchasing stands on three pillars:





# 3 Our requirements for suppliers and subcontractors

## 3.1 Adherence to the EICC Code of Conduct and UNGC Ten Principles

G4-15, G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-HR11, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

As a mandatory element of all agreements, Alcatel-Lucent requires suppliers to comply with clearly defined principles based on international and sector standards. Our key references are the United Nations Global Compact's Ten Principles and the Electronics Industry Citizenship Coalition (EICC) Code of Conduct. ✓

Specifically, all suppliers must commit to the EICC Code of Conduct and to cascading its requirements throughout their own supply chains. All new suppliers must also adhere to the Ten Principles of the UNGC.

## 3.2 Adherence to international standards

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-HR11, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

Alcatel-Lucent encourages suppliers to meet international standards for environment, safety and sustainability, including ISO 14001 and OHSAS 18001. We track supplier compliance with these standards as part of our risk analysis and assessment processes.

### Highlight

We consider sustainability when selecting and managing suppliers. For example:

- Suppliers must have a "satisfactory" sustainability rating to become a preferred production supplier\*
- Sustainability performance is one of the seven areas of the supplier scorecard used during business reviews with our suppliers

\* "Preferred" suppliers are those in a given purchasing family we consider first for new projects. Our objective is to concentrate spending on these suppliers. Preferred suppliers take priority for incorporation into new designs and must be used for purchase orders whenever possible. In 2014, 70% of our spending was with preferred suppliers for production components and 51% for production equipment and software.

## 3.3 Commitment to strong environmental performance

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

Environmental criteria, such as energy efficiency, emissions, and materials usage and transportation are critical to the selection and management of our suppliers. Recent initiatives have improved our own efficiency, as well as that of our suppliers, reducing our collective environmental impact.

Suppliers interested in our list of preferred hazardous waste and electronics scrap facilities can do so through our secure supply chain portal.

## 3.4 Anti-corruption screening

G4-S010, G4-S04, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

### Highlight

To strengthen our anti-corruption requirements, the following processes were established during 2013 and 2014:

- All requests to use new suppliers are channeled through a screening process. There are two levels of screening depending on business level and the corruption risk associated with the supplier location and activity. The supplier can be accepted, accepted with conditions, or rejected for reasons of corruption risk. ✓
- We continue to screen our existing suppliers, beginning with those who present the highest corruption risk. ✓

In 2014, Alcatel-Lucent implemented a global corruption risk screening control that assesses the risks associated with third parties, including suppliers, based on anti-corruption laws. The screening process is triggered by requests to create new supplier accounts, add locations to our supplier database, or by material changes to supplier master data affecting corruption risk.

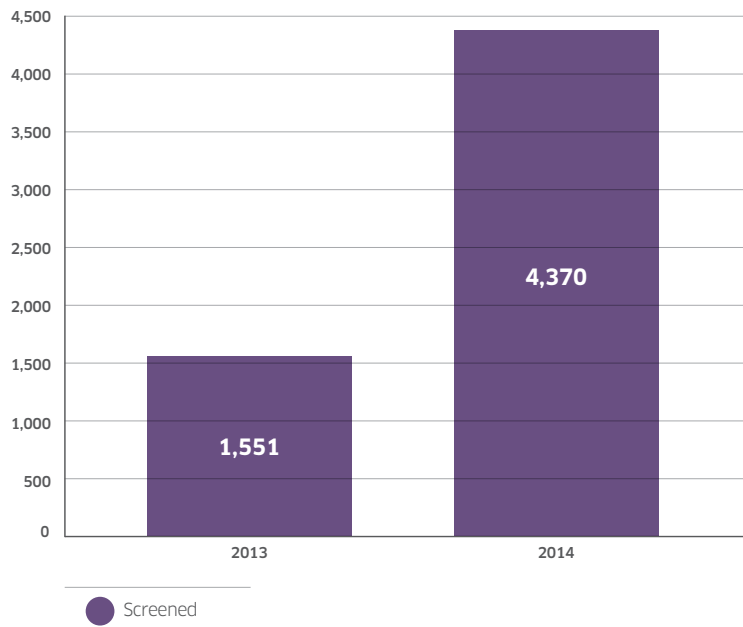
There are two levels of screening depending on the business level and corruption risk associated with the supplier's location and activities. Between 25 % and 30 % of all new supplier accounts are screened at the highest level. Screened suppliers may be accepted, accepted with conditions, or rejected for reasons of corruption risk.

In 2014, we also started to screen our existing suppliers. Of these, 0.1 % were potential former sales agents who required analysis. In total, 90% of these accounts were closed due to inactivity; the remaining 10% are still being analyzed.

We also prioritized screening high-risk suppliers based on activity and location. Approximately 4% of suppliers were rejected for risk.

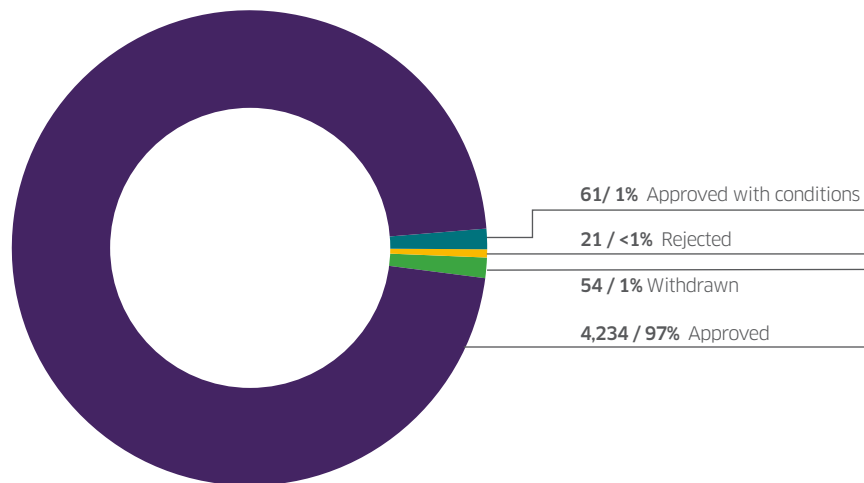
### Supplier corruption risk screening (cumulative)

G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY



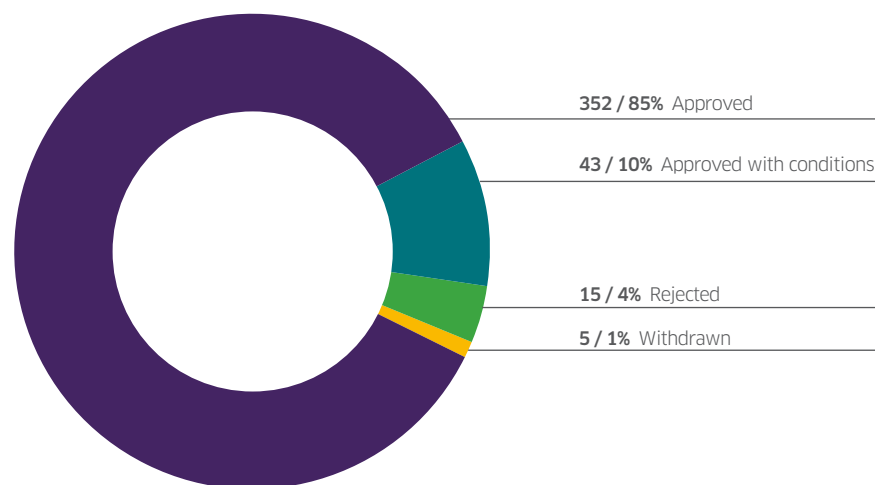
## Screening outcomes (cumulative)

G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY



## Highest risk supplier screening project outcomes

G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY



## 3.5 Product traceability and conflict minerals

G4-EN33, G4-HR11, G4-SO10, G4-PR3, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

Components containing minerals, such as tin, tantalum, tungsten and gold are used in the manufacturing of our equipment. The exploitation and trade of such minerals originating in the Democratic Republic of the Congo and its neighboring countries can, in some instances, finance or benefit armed groups. The minerals involved are referred to as ‘conflict minerals’.

In 2014, we surveyed more than 300 suppliers on conflict minerals to determine the origin of the tin, tantalum, tungsten and gold included in their components. By having our suppliers trace and report on where they source their minerals, this program aims at pushing our supply chain to use legitimate minerals sources and to address the human rights and environmental violations occurring in the mining and trading activities of Africa’s Great Lakes region. ✓

Ultimately, we recommend that our suppliers strive to become “conflict free” — and to do so in a way that does not create detrimental effects on local populations (for example, by banning the use of legitimate minerals sources across the region). We combine mineral smelters’ conflict-free audit status (provided by the Conflict-Free Sourcing Initiative industry associations) with traceability information from our suppliers to determine mineral origin status. We report annually on this program’s progress on our website. ✓

For more details, read our 2014 Conflict Minerals Report.

## Highlights

Conflict minerals 2014 highlights:

- Implemented training and awareness actions for suppliers
- Increased reporting scope (90% of relevant supplier spend)
- Suppliers having a satisfactory due diligence process: increased from 45% to 84% of surveyed suppliers
- Suppliers fully tracing minerals up to smelter level: increased from 13% to 28% of surveyed suppliers
- Implemented reporting of KPIs on due diligence results and efficiency

## 3.6 Maintaining supplier diversity

G4-HR11, G4-SO10, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

Maintaining a diverse base of suppliers is essential to keeping our supply chain competitive and innovative. The Alcatel-Lucent Supplier Diversity Program broadens our business relationships across North America by providing bidding opportunities for a wide range of suppliers, helping to drive diversity and inclusion throughout the supply chain. In addition, our Supplier Diversity team has been recognized as a best-in-class leader in the telecommunications industry.

## Key figures

- We currently have more than 200 active diversity suppliers, as well as more than 400 diversity suppliers in our database.
- In 2014, 18% of our spend in the United States was with diverse suppliers.
- In 2014, for the seventh year in a row, Alcatel-Lucent was named among the Top Corporations by the Women’s Business Enterprise National Council (WBENC).

## Highlight

Diversity and inclusion continue to be a key focus for Alcatel-Lucent, as well as our customers and suppliers. In 2014, more than 80% of our North American revenue had requirements tied to diversity and inclusion.

### 3.7 Supporting disabled workers in France

G4-HR11, G4-SO10, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

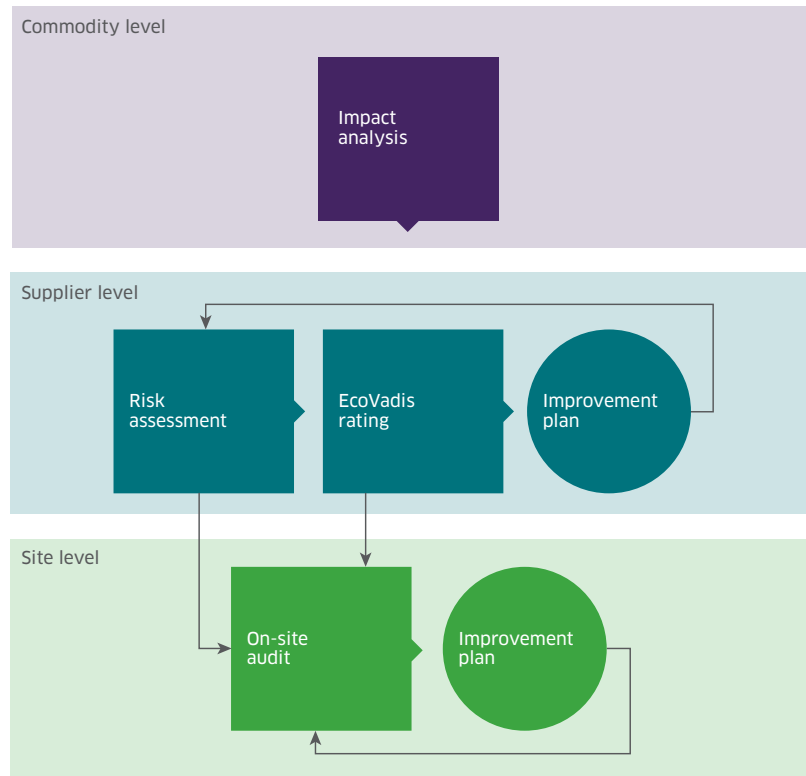
In 2014, we spent €310,000 with French companies that employ disabled workers. Our three-year plan is to increase that sum to €900,000 by 2017.

## 4 Assessing supplier sustainability performance

The evaluation of our suppliers' ethical, social and environmental practices includes impact analysis, risk assessments and onsite sustainability audits.

### 4.1 Our sustainability assessment tools

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-EN33, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY, G4-SO10



PURCHASING DOMAIN	COMMODITIES SUSTAINABILITY IMPACTS ANALYSIS	ANTI-CORRUPTION SCREENING	RISK ASSESSMENT	ECOVADIS RATINGS	HEALTH AND SAFETY SCREENING	QUALITY AND SUSTAINABILITY AUDITS
Production components	100%	100% for new suppliers Risk-based for existing suppliers	100% for new, key and preferred suppliers	100% for key and preferred suppliers Based on risk/spend/leverage for other suppliers	N/A	Based on risk/spend/leverage
Production equipment and software	100%	100% for new suppliers Risk-based for existing suppliers	100% for new, key and preferred suppliers	100% for key and preferred suppliers Based on risk/spend/leverage for other suppliers	N/A	Based on risk/spend/leverage

PURCHASING DOMAIN	COMMODITIES SUSTAINABILITY IMPACTS ANALYSIS	ANTI-CORRUPTION SCREENING	RISK ASSESSMENT	ECOVADIS RATINGS	HEALTH AND SAFETY SCREENING	QUALITY AND SUSTAINABILITY AUDITS
Network installation services	100%	100% for new suppliers Risk-based for existing suppliers	100% for key and preferred suppliers	Based on risk/spend/leverage	100% for high-risk suppliers (e.g., tower climbing, high-voltage work)	Based on risk/spend/leverage
Own-use equipment and services	100%	100% for new suppliers Risk-based for existing suppliers	100% for key suppliers Partial for other suppliers	Based on risk/spend/leverage	N/A	Based on risk/spend/leverage

## 4.2 Sustainability impact analysis

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-EN33, G4-LA15, G4-HR11, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY, G4-SO10

We consider the environmental, social and ethical impacts of our products:

- Environmental impacts stem from the manufacturing of electronic and electromechanical components, and include the use of chemicals and other substances that can lead to pollution, waste, energy consumption and greenhouse gas (GHG) emissions.
- Health and safety impacts relate to the safety of industrial machines and health issues associated with hazardous substances, as well as risk-inherent activities, such as tower climbing and high-voltage work
- Society impacts relate primarily to corruption, which can take several forms. Our Compliance Hotline provides a safe way for issues to be brought to our attention.
- Human rights impacts can be felt by low-skills employees and vary by country.

## 4.3 Risk assessments

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-EN33, G4-LA15, G4-HR11, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY, G4-SO10

We perform risk assessments when evaluating new suppliers. We also reassess the risk levels of our major suppliers on an annual basis. These assessments measure levels of risk according to a supplier's type of activity, location and other factors. If the overall risk level is excessive, either the supplier may be rejected or actions such as a formal sustainability rating process may be taken to ensure the supplier's practices meet our requirements. ✓

## 4.4 EcoVadis sustainability ratings

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-EN33, G4-LA15, G4-HR11, G4-SO10, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

Supplier assessments are performed by EcoVadis, a company specialized in sustainable supply chain management solutions. Based on internationally recognized standards such as the Global Reporting Initiative, the UN Global Compact and ISO 26000, the EcoVadis rating system focuses on suppliers' social, ethical, environmental, health and safety, and human rights practices, and on how they manage their own supply chains. ✓

Specifically, the EcoVadis rating system assesses a supplier's sustainability practices according to the following criteria:

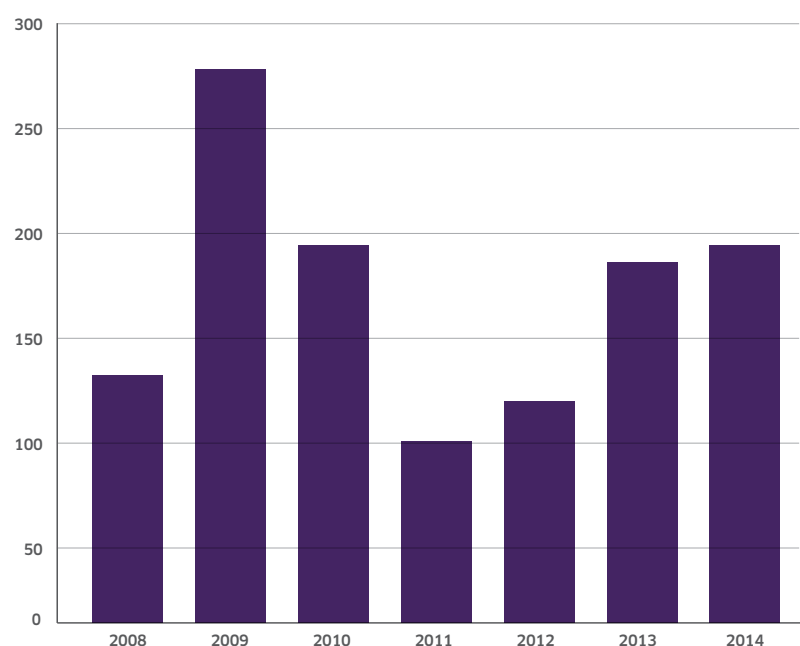
ENVIRONMENT	SOCIAL	ETHICS
Energy consumption GHG emissions Water usage Biodiversity Local pollution Materials and chemicals usage Waste Product use Product end of life Customer health and safety Sustainable consumption	Employee health and safety Working conditions Social dialogue Career management and training Child and forced labor Discrimination Fundamental human rights	Corruption and bribery Anti-competitive practices Responsible marketing
Suppliers' environmental performance Suppliers' social practices		SUPPLY CHAIN

Ratings are determined by EcoVadis experts based on supplier questionnaire responses, supporting documentation, third-party information and risk factors mapped according to industrial sector and country. EcoVadis ratings give Alcatel-Lucent a clear, external, objective point of reference by which to assess suppliers. Suppliers can decide to share their assessment results with any EcoVadis platform member and thereby capitalize on their sustainability rating. ✓

Eligible suppliers are reassessed with EcoVadis every two years.

In 2014, we performed 190 EcoVadis assessments, 142 being satisfactory and 48 unsatisfactory.

## Number of EcoVadis sustainability assessments performed



## Highlight

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-EN33, G4-LA15, G4-HR11

Alcatel-Lucent assesses its suppliers against 21 Global Reporting Initiative criteria across several sustainability areas, including freedom of association, collective bargaining, human rights, child and forced labor, and practices related to environment and health and safety. Suppliers' management of their own supply chains is also considered during the assessment.

In 2014, 69% of our total spend was assessed on sustainability.

### Suppliers sustainability assessment: spend coverage evaluation



	2011	2012	2013	2014
<span style="color: #007070;">●</span> Spend unsatisfactory	13%	10%	9%	10%
<span style="color: #FFC000;">●</span> Spend not assessed	35%	33%	32%	31%
<span style="color: #4B0082;">●</span> Spend satisfactory	52%	57%	59%	59%
Total spend assessed	65%	67%	68%	69%

## 4.5 Service supplier health and safety screening

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-LA15, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY, G4-SO10

In 2014, we established a health and safety qualification process for services suppliers performing high-risk activities (work at heights or on high voltage devices). By end 2014, 870 high-risk suppliers were evaluated for qualification and 716 who best fit our standards were qualified. The remaining contractors are still in progress or delisted/non-qualified due to insufficient response. ✓

The evaluation criteria for safety qualifications include documented health and safety programs and certification of high-risk technicians.

Approximately 10% of the qualified suppliers had their field activities audited in 2014. Any health and safety gaps identified during these audits have been closed or are on track to be closed by our service suppliers. Overall, these field audits indicate that our health and safety screening and qualification program is achieving its objectives.



## 4.6 Sustainability audits

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, G4-EN33, G4-LA15, G4-DMA SUPPLIER ASSESSMENT FOR LABOR PRACTICES, G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY, G4-SO10, G4-HR11

We conduct two types of audits of our suppliers: quality audits, (which include sustainability criteria) and more comprehensive sustainability-dedicated audits, which cover environment, labor, human rights, fair business practices and sustainable procurement. ✓

On-site sustainability audits are typically conducted for suppliers with unsatisfactory EcoVadis ratings and high sustainability risk profiles. Quality audits are a supplier selection element performed by our Supplier Quality team. ✓

### Key figures

In 2014, 38 quality and sustainability audits were conducted with suppliers in Asia and Latin America. In total, 79% were audits of product suppliers; the remaining 32% were of service or software suppliers. We also conducted 71 services subcontractors EHS audits.

## 5 Improving supplier sustainability performance

### Key figures

In 2014, 80% of active suppliers assessed were rated “satisfactory” or above in sustainability assessments, reaching our target. We also performed 190 new assessments. These results are due to greater awareness of the business impacts of sustainability performance and improved dialogue with suppliers on sustainability improvement actions.

### Highlight

The most effective way to develop sustainability performance is to help strengthen our suppliers’ management systems, address the root causes of non-compliance, and set the groundwork for improvement.

Since 2009 we have asked for improvement actions from more than 300 suppliers. When reassessed by EcoVadis, suppliers who completed an improvement plan increased their score by 12 points on average.

## 5.1 Implementing supplier improvement plans

G4-S010, G4-HR11, G4-EN33, G4-LA15

The EcoVadis methodology assesses suppliers' sustainability management systems and identifies their weaknesses.

We require suppliers with unsatisfactory EcoVadis ratings or audit results to draft and implement remedial plans addressing the identified weaknesses. In support, we provide recommendations and determine if the overall improvement plan is sufficient. ✓

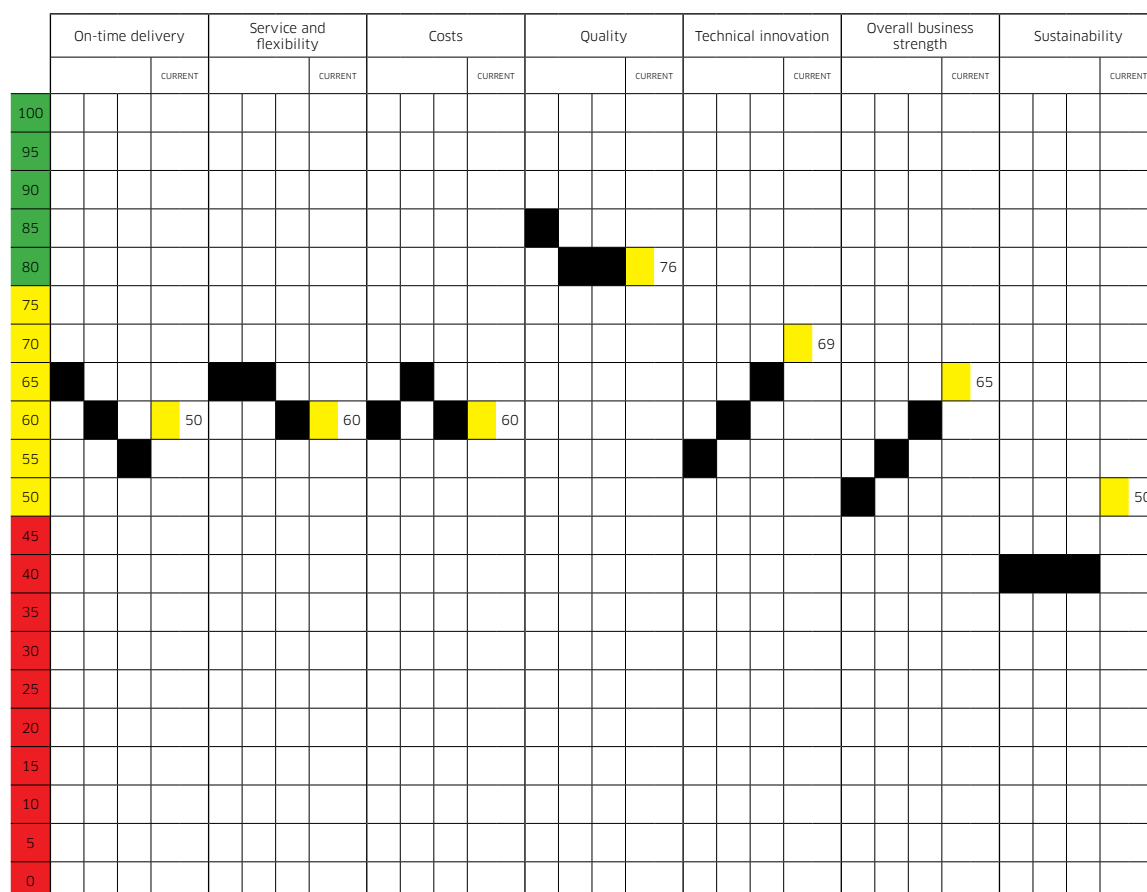
Both high-spend and high-risk suppliers are covered by assessments and pushed to improve: 80% of active suppliers assessed on sustainability by EcoVadis were rated "satisfactory" or above by year-end 2014, up from 53% at the end of 2010. ("Active suppliers" refers to key, preferred and other suppliers who may require assessments because of their risk level.) ✓

Suppliers with unsatisfactory ratings must develop sustainability improvement plans. As part of this process, we first explain our expectations to the suppliers and then advise them on how to carry out the necessary improvements. When they meet our expectations, we initiate a reassessment with EcoVadis.

## 5.2 Monitoring sustainability performance with supplier scorecards

G4-LA15, G4-HR11, G4-EN33, G4-S010

We regularly engage our suppliers in business reviews to discuss and manage their performance across a broad set of criteria, including sustainability. The scorecards used during these reviews ensure clear communication of our requirements and priorities to our suppliers.



Sustainability accounts for 10–20% of the scorecard's weighting. Sustainability scores are based on EcoVadis ratings, complemented by other factors, such as diversity performance and compliance to our environment, health and safety guidelines.

## 5.3 Making purchasing decisions based on sustainability

G4-LA15, G4-S010

Due to our collaborative approach, improving supplier sustainability is more productive than terminating relationships. However, we may cease to work with a particular supplier because of poor performance. Decisions are based on all relationship elements, including dependency and potential improvement.

# 2014 Sustainability Hall of Fame

## Ecovadis

Gold Recognition  
– Assessed in suppliers  
Top 1%

## UN Global Compact

member – part of the  
top 100 companies in  
sustainability

## StrongHer

named winner of the  
GEM-TECH Award,  
by ITU and UN Women

Alcatel-Lucent received numerous sustainability and innovation awards and distinctions in 2014. Many individual employees were also singled out for their contributions, reflecting the high level of talent throughout the company.

## 1 Worldwide recognition

### 1.1 Dow Jones Sustainability Indices

For the third year in a row, Alcatel-Lucent was named Industry Group Leader for the Technology Hardware & Equipment sector in the Dow Jones Sustainability Indices (DJSI), receiving a score of 91/100 from the DJSI's rating agency, RobecoSAM.

In addition, the 2014 DJSI report recognized the continued leadership of both Alcatel-Lucent and Bell Labs in defining eco-innovation standards for the information and communications technology industry.



### 1.2 RobecoSAM Sustainability Yearbook

For the third year in a row, Alcatel-Lucent has been included in RobecoSAM's Sustainability Yearbook — the leading publication on corporate sustainability — which lists the top-scoring 15% of the world's largest 2,000 companies across 59 different sectors.

For the 2015 edition of the Sustainability Yearbook, we once again received the Industry Leader and Gold Class Sustainability Awards for the Communications Equipment industry. Only 70 companies are named to the Gold Class each year — putting Alcatel-Lucent among the top 3.5% of all companies assessed.



## 1.3 EcoVadis

In September 2014, EcoVadis certified we had reached our 2014 goal of having 80% of our significant suppliers rated as having satisfactory sustainability practices. Our suppliers' performance is evaluated by EcoVadis in four key areas: environment, social, ethics and the way they manage their own supply chains.

In January 2015, we received a score of 81/100 in the EcoVadis corporate social responsibility evaluation, earning a Gold rating and placing us in the top 1 % of assessed suppliers in all industrial categories. This evaluation is based on the ISO 26000 standard, as well as the principles of the Global Reporting Initiative and the United Nations Global Compact.



## 1.4 Société Générale

Alcatel-Lucent was named among the top 30 “Best in Universe” companies by Société Générale for its environmental, social and governance (ESG) practices. With an ESG rating of 86/100, Alcatel-Lucent was the highest-scoring company in the Technology Hardware sector for the second year in a row.

## 1.5 Vigeo

Vigeo assesses companies' performance on a range of environmental, social and governance issues. In 2014, Alcatel-Lucent was named to two Vigeo Euronext indices: the Europe 120 and the Eurozone 120. We were also reconfirmed in the Excellence Europe list of the Ethibel Sustainability Index (ESI) Excellence Europe list.



## 1.6 Global Reporting Initiative

The Global Reporting Initiative (GRI) is a non-profit organization that provides companies around the world with a comprehensive sustainability reporting framework to increase the disclosure of environmental, social and governance performance. In 2014, the Alcatel-Lucent Sustainability Report was prepared according to GRI G4 Core guidelines.

## 1.7 United Nations Global Compact

In 2014, Alcatel-Lucent was included in the United Nations Global Compact (UNGC) 100, a global “stock index” of the top 100 companies based on sustainability performance. We were, for the second year in a row, among the top quadrant of companies reporting according to the UNGC Advanced Level criteria.

For our continued leadership in the GreenTouch™ consortium and the Global e-Sustainability Initiative, UNGC also recognized Alcatel-Lucent as a leading ICT company in its Caring for Climate report, Guide to Responsible Corporate Engagement.



## 2 Gender diversity

### 2.1 StrongHer

Launched in 2011, the StrongHer employee network gives greater voice to the women of Alcatel-Lucent and works to increase gender diversity at all levels of the company. In 2014, this global network — open to all employees — engaged in a number of activities. Highlights include:

- **StrongHer Awards:** Eighteen women from five countries were recognized by their peers with this award, which honors talented and inspiring women across all positions and branches of the company.
- **Future X Days:** For the first time, the annual Alcatel-Lucent Bell Labs open house welcomed representatives from StrongHer to demonstrate the new Women@Innovation program — and show how women are critical to our company’s innovation and future performance.
- **KIWe:** (Knowledge, Information and Wisdom for Employees) — Launched in 2014, this innovative mentoring program leverages both StrongHer and our Engage online collaboration platform to create a community of experts for sharing business ideas and fostering innovation.

For these efforts (and more), the StrongHer initiative was the recipient of the 2014 GEM-TECH Global Achiever Award, which recognizes outstanding achievements and commitment to gender empowerment.



### 2.2 Women’s Business Enterprise National Council

In March 2015, Alcatel-Lucent was named a Top Corporation by the Women’s Business Enterprise National Council (WBENC) — the eighth consecutive year we’ve received this honor. Founded in 1997, WBENC is the leader in women’s business development in the United States and the leading third-party certifier of businesses owned and operated by women.

## 2.3 UNESCO

In October 2014, Alcatel-Lucent signed a memorandum of understanding with the United Nations Educational, Scientific and Cultural Organization (UNESCO) that will see the two organizations work together to promote gender diversity. This agreement reflects the success of the StrongHer employee network — and is a global recognition that its model could be replicated across all industries to further empower women in the workplace.

## 2.4 Usine Nouvelle

Two prominent women from Alcatel-Lucent were short-listed for the third annual Women in Industry Awards, an initiative of France's Usine Nouvelle magazine that recognizes the exceptional women moving French industry forward. Corinne Laffitte-Vermeulen, CFO of Alcatel-Lucent Shanghai Bell, was nominated in the "International Woman" category; Elisabeth Eude, Director of the Alcatel-Lucent Foundation, was nominated in the "Digital Woman" category. Both were selected as one of three finalists in their respective categories.

# 3 Regional and local sustainability

## 3.1 China

Alcatel-Lucent employees in China actively engaged in numerous company-supported charity and volunteer activities throughout the year, with a total of 1,745 employees donating 12,351 hours in service to their communities. Those efforts were acknowledged with several corporate responsibility honors and awards in 2014, including:

- Excellent Corporate Citizen 2014
- Top 50 Excellent Corporate Citizens (ranking sixth overall)
- Top 50 Electronic Information Enterprises by Social Responsibility Development Index (ranking ninth overall)
- Best Charity Branding
- Corporate Citizenship Excellent Project Award
- Most Innovative Charity Project Award

## 3.2 Egypt



In October 2014, Alcatel-Lucent received an award from the Egyptian Minister of Education and Injaz Egypt (a non-profit education program for youth) for its contribution to the "Adopt a School" program. Injaz Egypt also recognized Alcatel-Lucent's volunteer efforts to help guide youth to fulfilling employment, which included hosting both male and female students to introduce them to and answer their questions about global technology innovations and strategies.

### 3.3 Jordan



Reema Diab, Managing Director of Alcatel-Lucent Jordan, was the winner in the “Best Middle Management Executive” category at the Women in Technology Awards. She is considered one of the Middle East’s leaders in growing the careers of women in the areas of science, technology, engineering and mathematics (STEM).

### 3.4 Mexico



For the fifth consecutive year, Alcatel-Lucent Mexico has been named a Socially Responsible Company (ESR) by the Mexican Center for Philanthropy (CEMEFI). The rigorous evaluation process for ESR certification considers companies’ community connections, business ethics, quality of life, and care and preservation of the environment.

### 3.5 Morocco



In partnership with Injaz Al Maghrib (an organization dedicated to youth entrepreneurship), 20 Alcatel-Lucent volunteers organized a “Community Day” at a local secondary school, presenting a workshop on entrepreneurship to some 480 students. In that same spirit, a high school class coached by Alcatel-Lucent volunteers won the “Best Junior Company Creation” and “Best Product” categories at both the national and regional Middle East and North Africa (MENA) competitions.



## 3.6 Poland

In 2014, Alcatel-Lucent Poland was named “Corporate Social Responsibility Leader” by the Kuyavian-Pomeranian Regional Association of Employers.

## 3.7 Turkey



In 2014, Alcatel-Lucent received a special award for achieving gender equality in the “Boards Empowered by Women” category at the second Independent Women Directors Conference of Turkey.

## 3.8 United States

In 2014, Alcatel-Lucent received the Crystal Award from AT&T for our commitment to supplier diversity. We were also named to the 10 Best Corporations list by the National Veteran-Owned Business Association, which recognizes large corporations that most successfully engage veteran-owned companies as suppliers.

# Glossary

## **ABSOLUTE CARBON FOOTPRINT**

The total amount of greenhouse gas emissions created by an organization, product or entity measured in tonnes of CO<sub>2</sub>e.

## **ALCATEL-LUCENT FOUNDATION**

A charitable foundation that contributes to the company's commitment to digital inclusion by supporting philanthropy that serves and enhances the communities where our employees and customers work and live.

## **CARBON DISCLOSURE PROJECT (CDP)**

The CDP is an independent, not-for-profit organization that has created the largest database of primary corporate climate change information in the world. Representing some 550 investor groups with combined assets of \$71 trillion, its mission is to “accelerate solutions to climate change by putting relevant information at the heart of business, policy and investment decisions.”

## **CLOUD SHIFT**

Our vision for building a better cloud with high performance, reliability and greater scalability using open carrier-grade virtualized networks that leverage the flexibility of the cloud.

## **CONNECTED**

A digital education partnership between Alcatel-Lucent Foundation and the non-profit organization World Education to provide educational and digital skills training opportunities for youth in disadvantaged communities worldwide.

## **CORPORATE RESPONSIBILITY (CR)**

Integrating the interests of stakeholders into the company's business policies and actions by embracing two main concepts: accountability and transparency. CR focuses on social, environmental and financial activities — the triple bottom line — to ensure the company exerts a positive impact on society while achieving business success.

## **DOW JONES SUSTAINABILITY INDICES (DJSI)**

The first global indices that measure the performance of the leading sustainability-driven companies worldwide.

## **ECOVADIS**

A company that specializes in Corporate Social Responsibility annual assessments based on ISO 26000, UN Global Compact and GRI.

## **ELECTRONIC INDUSTRY CITIZENSHIP COALITION (EICC) CODE OF CONDUCT**

The EICC Code of Conduct provides guidelines for performance and compliance with critical CR policies, and can be voluntarily adopted by any company. The Code of Conduct was established to ensure worker safety and fairness, environmental responsibility, and business efficiency, and provides guidance in five critical areas of CR performance: labor, health and safety, environment, management systems, and ethics.

**ENTERPRISE RISK MANAGEMENT (ERM)**

Enterprise Risk Management (ERM) at Alcatel-Lucent is built on a comprehensive framework that covers risks in the areas of operations, finance, legal and compliance, HR and security, and strategy. ERM includes risk identification and evaluation as well as the setup and capture of mitigating actions for key risks.

**ENVIRONMENTAL INVESTMENT ORGANIZATION (EIO)**

The EIO is an independent, not-for-profit organization that researches, promotes and implements investment systems designed to incentivize global corporate emissions reduction.

**THE EUROPEAN TELECOMMUNICATIONS STANDARDS INSTITUTE (ETSI)**

A not-for-profit organization with more than 700 member organizations that produces globally applicable standards for Information and Communications Technologies (ICT), including fixed, mobile, radio, converged, broadcast and Internet technologies.

**GLOBAL E-SUSTAINABILITY INITIATIVE (GESI)**

Created in 2001 to further sustainable development in the ICT sector, GeSI fosters global and open cooperation, informs the public of members' voluntary actions to improve their sustainability performance, and promotes technologies that foster sustainable development.

**GLOBAL REPORTING INITIATIVE (GRI)**

GRI is a non-profit organization that has pioneered and developed a comprehensive Sustainability Reporting Framework that is widely used around the world. The Framework enables all organizations to measure and report their economic, environmental, social and governance performance — the four key areas of sustainability.

**GREENTOUCH™ CONSORTIUM**

A body of leading industry, academic and non-governmental research experts dedicated to fundamentally transforming communications and data networks, including the Internet, and significantly reducing the carbon footprint of ICT devices, platforms and networks.

**INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)**

The technologies used to transmit, manipulate and store data electronically.

**INTERNATIONAL TELECOMMUNICATIONS UNION (ITU)**

The leading United Nations agency for information and communication technology issues, acting as the global focal point for governments and the private sector in developing networks and services.

**ISO 14001**

The international environmental standard that identifies the elements of an Environmental Management System needed 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.

**ISO 9001:V2008**

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

**LIFECYCLE ASSESSMENT (LCA)**

The 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. LCAs can be used to study the environmental impact of either a product or the function the product is designed to perform.

**OCCUPATIONAL HEALTH AND SAFETY ASSESSMENT SERIES (OHSAS) 180001**

The international specification for identifying the elements an organization requires to manage 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.

**SARBANES-OXLEY**

United States law enhancing accounting standards in public companies.

*THE SHIFT PLAN*

An industrial, operational and financial plan to refocus Alcatel-Lucent as an IP networking and ultra-broadband specialist, working with the technologies at the heart of next-generation networks and delivering innovation that shapes the future of the industry while ensuring profitable growth.

**ROBECOSAM SUSTAINABLE ASSET MANAGEMENT (ROBECOSAM)**

An investment group focused exclusively on sustainability investing. Through its index activities, ROBECOSAM has partnered with Dow Jones Indices for the publication and licensing of the globally recognized Dow Jones Sustainability Indices (DJSI), as well as customized sustainability benchmarks.

**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 MILLENNIUM DEVELOPMENT GOALS (MDGS)**

International development goals that all United Nations member states and at least 23 international organizations have agreed to achieve by 2015. The eight goals include eradicating extreme poverty, reducing child mortality rates, fighting epidemics, such as AIDS, and developing a global partnership for development.

**WORLD RESOURCES INSTITUTE (WRI)**

A global environmental think tank that works with governments, companies and civil society to build solutions to urgent environmental challenges. The WRI's mission is to move human society to live in ways that protect the environment and its capacity to provide for the needs and aspirations of current and future generations.

**ULTRA-BROADBAND ACCESS**

Lightning-fast fixed and wireless broadband connections that provide market-leading IP capabilities to support HD video, cloud services and a rich user experience.

**UNITED NATIONS GLOBAL COMPACT (UNGC)**

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, labor, the environment and anti-corruption, benefiting economies and societies everywhere.

**WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE) DIRECTIVE 2002/96/EC**

A directive to minimize waste electrical and electronic equipment and promote reuse, recycling and other forms of recovery to reduce the disposal of waste. It also seeks to improve the environmental performance of all operators involved in the lifecycles of electrical and electronic equipment (e.g., producers, distributors and consumers) and in particular those directly involved in the treatment of waste electrical and electronic equipment.











[www.alcatel-lucent.com](http://www.alcatel-lucent.com)

ALCATEL-LUCENT

2014 SUSTAINABILITY REPORT

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