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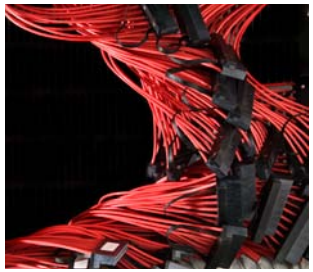

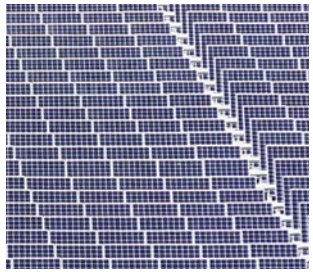

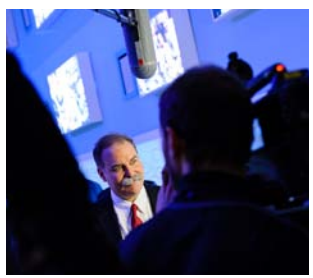
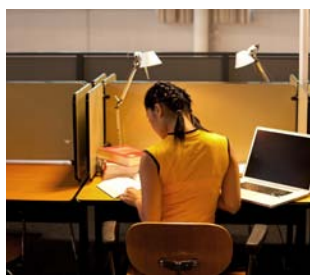

CORPORATE RESPONSIBILITY REPORT 2011

Every year, Alcatel-Lucent shares its commitments, achievements and perspectives on Corporate Responsibility through the publication of this comprehensive report. For 2011, we expanded the report to thoroughly address the requirements of our key reporting frameworks.

ABOUT THIS REPORT

Every year, Alcatel-Lucent shares its commitments, achievements and perspectives on Corporate Responsibility through the publication of this comprehensive report. For 2011, we expanded the report to thoroughly address the requirements of our key reporting frameworks.

This Corporate Responsibility (CR) report covers Alcatel-Lucent's performance for the year 2011 in the areas of corporate responsibility and sustainability, with additional information from early 2012. Our report consolidates all Alcatel-Lucent CR activities worldwide, focusing on key achievements and future objectives. It presents relevant facts and examples of some of the most compelling local initiatives our employees are engaged in around the world. Unless otherwise stated, all performance data concerns the company's global operations.

An important component of our overall public reporting, this document is intended for the full range of Alcatel-Lucent stakeholders – customers, investors, employees, analysts, media, suppliers, government and non-governmental organizations, and other members of the communities in which we are present.

Alcatel-Lucent has been publishing annual Corporate Responsibility reports since 2002. Since 2007, this report – along with regularly updated CR information – is only available online at:

Read more on our Corporate Responsibility website

We have chosen not to print it for environmental reasons and urge you to be eco-friendly and think of the environment before printing the report yourself. Our last edition was released in June 2011.

GRI REPORT GRI CHECKED

THE GLOBAL COMPACT
WE SUPPORT

For the second year, the report was prepared according to the sustainability reporting guidelines of the Global Reporting Initiative (GRI). The 2010 edition received the GRI Application grade B+. We submitted this edition to the GRI organization for its assessment and this year we earned a GRI Application Level Check Statement A+ Alcatel-Lucent has also applied the 'Guidance on Defining Report Content' and the associated Principles as defined by the GRI.

For more information on GRI, see p. 152

The report also follows the ten principles of the United Nations Global Compact and is aligned with the Advanced Level principles of the United Nations Global Compact.

For more information on the United Nations Global Compact, see p. 31

And finally, we have attempted to ensure, that this year **our report is also consistent with the principles being established by the French law Grenelle 2**, which will come into effect in 2013.

The auditing firm Ernst & Young has conducted an independent review of it – that review and its conclusions can be found in the Independent Verification Statement on page 171.

In 2012, for the first time, we are providing integrated access to a variety of major reports and general information about Alcatel-Lucent's strategy, business and financial performance on our new Corporate Reporting Portal at:

Read more

This portal includes access to the Alcatel-Lucent Annual Review, the Document de Référence, the Annual Report on Form 20-F, and Additional Information reports.

This portal features a new discussion forum so that you can share your thoughts and ideas on some of the issues described in our various reports.

Your feedback, suggestions and questions are important to us. Please send them to sustainability@alcatel-lucent.com.

READ OUR LATEST TWEETS

Our Corporate Reporting Portal features a new discussion forum so that you can share your thoughts and ideas on some of the issues described in our various reports. We welcome you to engage with us at **www.alcatel-lucent.com/corporate-reporting**

THE INTERACTIVE FEATURES OF THIS REPORT ALLOW YOU TO NAVIGATE EASILY BETWEEN SECTIONS

The navigation bar on the top of each page is provided to ease your navigation across the document and facilitate your reading.

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This icon indicates that you can access an augmented reality video.

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This indicates a podcast is available.

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This means you can find more detailed information on the Internet.

CHECKMARK
This shows the highlighted indicator or qualitative assertion has been reviewed by Ernst & Young as part of the independent assurance process for 2011.

READ MORE
This means you can find more detailed information within the report.

EXPERIENCE AUGMENTED REALITY

Augmented Reality could dramatically change the way we use mobile phones! This technology uses recognition of images in reports, magazines, advertisements and websites to provide immediate access to additional information on your smartphone.

In this edition, we offer you an Augmented Reality experience to access and watch our videos on your smartphone/tablet, by interacting with the online or print version of our Corporate Responsibility report. This experience is available only on the iPhone(1), Android smartphone(2), iPad(3) and Android tablet.

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http://www.mnc-services.com/ALUApp/

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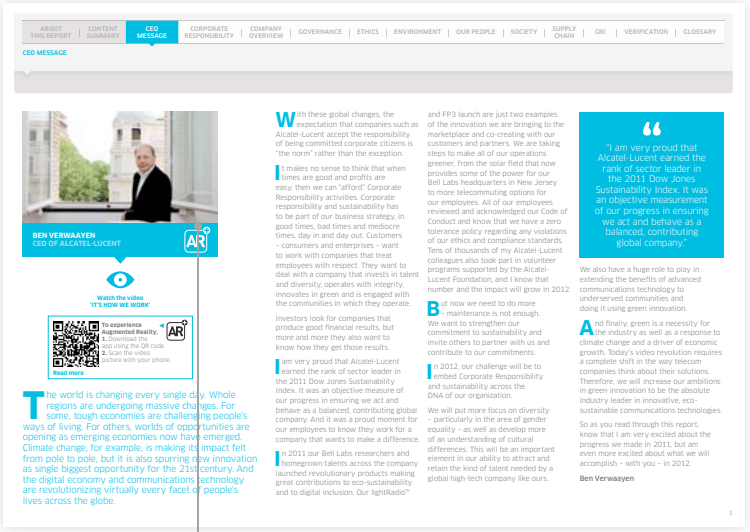

Whenever you see this icon next to an image in the report, point your smartphone/tablet at the image and your device will automatically serve up extra content.

mnc
an Alcatel·Lucent Company

ALCATEL-LUCENT INNOVATION INSIDE: AUGMENTED REALITY BY MNC

The augmented reality features of this Corporate Responsibility report are powered by MNC, the mobile services factory of Alcatel-Lucent. MNC's innovative mobile marketing offerings include mobile direct marketing and geolocation campaign enablement, m-Payment and financial services, m-Couponing customer loyalty programs.
You can learn more about MNC and its mBox platform for managing mobile transactions at
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BEN VERWAAYEN
CEO OF ALCATEL-LUCENT

AR

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'IT'S HOW WE WORK'

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The world is changing every single day. Whole regions are undergoing massive changes. For some, tough economies are challenging people's ways of living. For others, worlds of opportunities are opening as emerging economies now have emerged. Climate change, for example, is making its impact felt from pole to pole, but it is also spurring new innovation as the single biggest opportunity for the 21st century. And the digital economy and communications technology are revolutionizing virtually every facet of people's lives across the globe.

With these global changes, the expectation that companies such as Alcatel-Lucent accept the responsibility of being committed corporate citizens is "the norm" rather than the exception.

It makes no sense to think that when times are good and profits are easy, then we can "afford" Corporate Responsibility activities. Corporate responsibility and sustainability has to be part of our business strategy, in good times, bad times and mediocre times, day in and day out. Customers – consumers and enterprises – want to work with companies that treat employees with respect. They want to deal with a company that invests in talent and diversity, operates with integrity, innovates in green and is engaged with the communities in which they operate.

Investors look for companies that produce good financial results, but more and more they also want to know how they get those results.

I am very proud that Alcatel-Lucent earned the rank of sector leader in the 2011 Dow Jones Sustainability Index. It was an objective measure of our progress in ensuring we act and behave as a balanced, contributing global company. And it was a proud moment for our employees to know they work for a company that wants to make a difference.

In 2011 our Bell Labs researchers and homegrown talents across the company launched revolutionary products making great contributions to eco-sustainability and to digital inclusion. Our lightRadio™ and FP3 launch are just two examples of the innovation we are bringing to the marketplace and co-creating with our customers and partners. We are taking steps to make all of our operations greener, from the solar field that now provides some of the power for our Bell Labs headquarters in New Jersey to more telecommuting options for our employees. All of our employees reviewed and acknowledged our Code of Conduct and know that we have a zero tolerance policy regarding any violations of our ethics and compliance standards. Tens of thousands of my Alcatel-Lucent colleagues also took part in volunteer programs supported by the Alcatel-Lucent Foundation, and I know that number and the impact will grow in 2012.

But now we need to do more – maintenance is not enough. We want to strengthen our commitment to sustainability and invite others to partner with us and contribute to our commitments.

In 2012, our challenge will be to embed Corporate Responsibility and sustainability across the DNA of our organization.

We will put more focus on diversity – particularly in the area of gender equality – as well as develop more of an understanding of cultural differences. This will be an important element in our ability to attract and retain the kind of talent needed by a global high-tech company like ours.

> "I am very proud that Alcatel-Lucent earned the rank of sector leader in the 2011 Dow Jones Sustainability Index. It was an objective measurement of our progress in ensuring we act and behave as a balanced, contributing global company."

We also have a huge role to play in extending the benefits of advanced communications technology to underserved communities and doing it using green innovation.

And finally, green is a necessity for the industry as well as a response to climate change and a driver of economic growth. Today's video revolution requires a complete shift in the way telecom companies think about their solutions. Therefore, we will increase our ambitions in green innovation to be the absolute industry leader in innovative, eco-sustainable communications technologies.

So as you read through this report, know that I am very excited about the progress we made in 2011, but am even more excited about what we will accomplish – with you – in 2012.

Ben Verwaayen

WHAT IF A CORPORATION THOUGHT OF ITSELF AS A GLOBAL CITIZEN FIRST?

CORPORATE RESPONSIBILITY OVERVIEW

The world is evolving at a rapid pace. Because corporations have an important role to play in that changing global reality, Alcatel-Lucent considers Corporate Responsibility a business imperative.

1.0 OUR APPROACH TO CORPORATE RESPONSIBILITY

1.1 THE ALCATEL-LUCENT CR VISION

Corporate Responsibility (CR) is a business imperative for Alcatel-Lucent. Corporations have an important role to play in responding to today's changing global reality. We are committed to doing our share by making communications more sustainable, more affordable and more accessible as we pursue our business mission – **realizing the potential of a connected world** – in line with today's global reality.

In 2011, Alcatel-Lucent signaled a bold new direction in sustainability. We focused our activities on three core priorities: green innovation, our people and digital inclusion. We put our values at the core of our day-to-day business by adopting a zero tolerance policy in regards to compliance violations, collaborating only with partners who support our values and actively engaging as citizens in communities across the globe.

ERIC OLSON
SENIOR VICE PRESIDENT, ADVISORY SERVICES, BSR

AR

Watch the video 'BECAUSE EXPECTATIONS ARE HIGH'

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Some 50 new targets were published in line with the Dow Jones Sustainability Index (DJSI) as well as the United Nations Global Compact to show our ambition to make Corporate Responsibility a true business imperative.

We also for the first time participated in the reporting guidelines of the Global Reporting Initiative (GRI).

Dow Jones Sustainability Indexes
Member 2011/12

Our sustainability strategy and progress in 2011 led us to be recognized by the DJSI as the leader for the communications technology (CMT) sector. This acknowledgement of our CR performance was further validated by the GRI B+ level check. We were also placed in the "A" band of the Carbon Disclosure Project (CDP) Carbon Performance Leadership Index and continue to be committed to integrating the United Nations Global Compact principles into everything we do.

For more information, see p. 23

GRI REPORT GRI CHECKED

For 2012 our objective is to raise the bar again on our CR and sustainability activities. We are once again positioning our strategy in line with the DJSI but are also integrating the UN Global Compact advanced-level principles and performing an A+ GRI application level check.

We have also incorporated the principles of the French Grenelle 2 requirements in advance of its legal implementation.

To better focus both our corporate and CR strategy around those issues that have the most impact on our business, we performed our first materiality assessment.

For more information, see p. 4

Finally, to be a leader in sustainability, we believe in reaching out to our partners – customers, businesses, NGOs, members of civil society and public stakeholders – to help achieve our commitment of making communications more sustainable, more affordable and more accessible.

In our stakeholders section, you will see that we partnered with new stakeholders in our efforts to tackle today's global challenges of climate change, the transformation to digital economies and digital inclusion.

Ultimately, we believe the challenge is ours, together.

For more information about our CR target, see p. 21

For more information about our stakeholder engagement, see p. 27 or contact us: sustainability@alcatel-lucent.com

"To be a leader in sustainability, we believe in reaching out to our partners – customers, businesses, NGOs, members of civil society and public stakeholders – to help achieve our commitment of making communications more sustainable, more affordable and more accessible. It cannot be done alone. Ultimately, the challenge is ours, together."

CHRISTINE DIAMENTE, HEAD OF CORPORATE RESPONSIBILITY, ALCATEL-LUCENT

1.2 PRIORITIES AND VALUES

Alcatel-Lucent's Corporate Responsibility priorities and values align with the company's vision of **realizing the potential of a connected world.**

OUR PRIORITIES ARE TO:

ENVIRONMENT

Lead the industry in developing and deploying globally recognized innovation in eco-sustainable communications technologies that enable our customers to compete and win in a world facing increasing environmental challenges and resource constraints. We seek, with the GreenTouch™ Consortium initiated by Bell Labs, to make communications networks 1,000 times more energy efficient than they are today.

OUR PEOPLE

Invest in our people and talents while reflecting the diversity of the markets we serve and the communities in which we operate. We will ensure our employees work in a stimulating environment of continuous learning while fostering diversity and open dialogue via innovative tools to share knowledge and celebrate difference. The Alcatel-Lucent University provided 1.3 million hours of training to our employees in 2011. Our award-winning Engage internal social networking platform is enabling employees throughout the company to share, collaborate and exchange best practices, leveraging each other's expertise and talents.

DIGITAL INCLUSION

Realize the potential of a connected world and digital inclusion by developing and deploying affordable communication solutions that will increase access to education and socio-economic development to the world's citizens in a sustainable manner. We will address digital inclusion through our innovative products and solutions, through our High Leverage Network™ platform as well as our applications offerings, enabling global connectivity. This will change the way billions of people live and work, improve the quality of life around the globe and connect the world's talent to new opportunities.

CORPORATE RESPONSIBILITY IS ALSO ABOUT PUTTING OUR CORE VALUES AT THE HEART OF OUR DAY-TO-DAY BUSINESS:

1.

We take a zero-tolerance stance on compliance violations and reinforce full integrity in every business action from every employee, as well as treat each other with respect and empathy.

2.

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

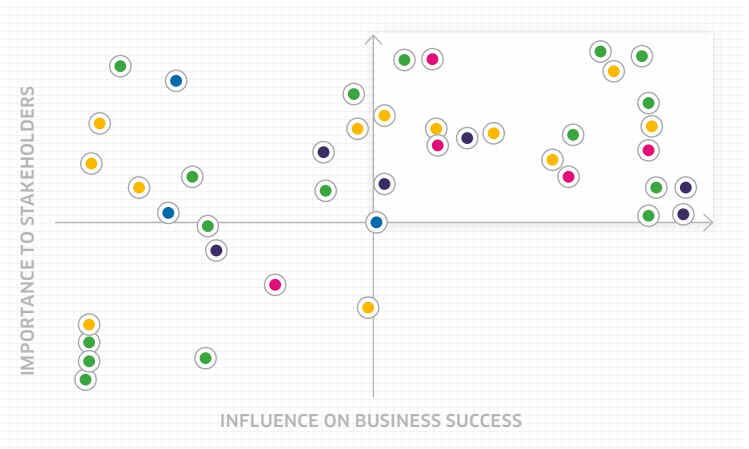
3.

We commit to engaging – as a company and as individuals – with pride and passion as citizens of the communities where we are present across the globe.

1.3 MATERIALITY ASSESSMENT

To identify where progress can be made and to develop new opportunities for improving its approach to Corporate Responsibility, Alcatel-Lucent carefully monitors and evaluates sustainability issues and trends. In 2011 we carried out our first formal materiality assessment to help identify and validate key areas of focus within our overall CR strategy. This initial assessment involved the internal analysis of 42 sustainability

MATERIAL TOPICS, 42 TOPICS IDENTIFIED



CR REPORTING CATEGORIES	SUPPORT INNOVATION & DIFFERENTIATION	SUPPORT EXECUTION & EXCELLENCE
Product Innovation & Environment	Measure, support, increase energy efficiency products Product stewardship: minimize environmental impact through lifecycle Co-development, R&D partnerships (universities/ customers)	Product safety to customers & communities Managing customer satisfaction Management of electromagnetic environment Our carbon footprint
Ethics & Compliance Business Conduct	Protection of intellectual property	Anti-corruption & code of conduct
Our people	Talent development Diversity	Employee safety & well-being Employee engagement
Digital inclusion	Affordable and sustainable access for digital inclusion	Social economical & environmental impact of local operations
Supply Chain	Supplier CR practices	Product traceability

issues relevant to our industry, spanning key areas such as customer expectations, risk management, the environment (operation and product), employees, ethics and governance, products, services, customers, supply chain, community and philanthropy. Each issue was considered by more than 50 Alcatel-Lucent executives and sustainability experts involved in key company functions including finance, R&D, operations, legal, human resources, compliance, sales, marketing, procurement, communication, public affairs and philanthropy. Our top customers also shared their views on the assessment.

As shown in the chart on page 4, the assessment identified five areas (encompassing some 20 specific sustainability issues) as having the most significant impact on our business and being of greatest concern to our key stakeholders:

- Product innovation and environment
- Our people
- Digital inclusion
- Ethics, compliance and business conduct
- Supply chain

Alcatel-Lucent regards all these issues as important and relevant.

It is also important to note that while the priority issues cited above should be considered as key areas of focus for Alcatel-Lucent, we must and will continue to manage or monitor the full range of CR issues and expectations facing our company and industry, and work to improve our strategy and management systems over time.

1.4 ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT

1.4.1 Our EHS Management System

Ensuring we conduct our operations in a safe and environmentally responsible manner is an essential part of our CR commitment. Our Environment, Health and Safety (EHS) Policy provides the framework for improving performance in this area, while our Environment, Health and Safety Management System (EHSMS) facilitates the use of a common management model as we implement the EHS Policy across the organization.

Read more about our EHS Policy

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 EHS systems certified by third parties. Decisions regarding third-party certification are made at the local level based on risk, the nature of hazards, customer requirements and competitive advantage.

The company continues to drive this same EHS management approach through its supply chain to minimize the overall impact of its operations. Employees are kept up to date on EHS news and issues via the company's collaborative social media platform (Engage), an internal EHSMS website and weekly summary emails.

1.4.2 OHSAS 18001

The company's health and safety management systems expanded in 2011 as Alcatel-Lucent Ghana, Alcatel-Lucent Germany, Alcatel-Lucent Qatar and Alcatel-Lucent Turkey obtained certification in Occupational Health and Safety Management Systems (OHSAS) 18001:2007. Alcatel-Lucent Turkey also obtained certification in ISO Environmental Management Systems 14001:2004, Alcatel-Lucent Singapore received BizSafe Level 3 Certification, and Alcatel-Lucent in Nogales, Mexico obtained Safe Industry Certification.

HIGHLIGHT

Impacts of our products on health and safety

Alcatel-Lucent assesses the health and safety impacts of 100% of our products for all stages of their product lifecycle. For example, during the design phase, we work with our suppliers to avoid using 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 the product, and there is mandatory training or instruction for Alcatel-Lucent Services personnel that 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 for manufacturing and product-use phases. Compliance is determined by either analytical assessment or measurement of radiated 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.

1.4.3 The EHS Compliance Audit Program

The EHS Compliance Audit Program determines if EHS programs at Alcatel-Lucent facilities are properly implemented and effective, and assures management that the organization is operating in a manner consistent with EHS policy. Facilities are evaluated against a number of criteria including Alcatel-Lucent standards, international norms, and country-specific federal and local regulations. Each location's EHS program is also measured against the established key performance indicator (KPI) metric of on-time completion.

Audits conducted during 2011 included manufacturing and operations in Shanghai as well as service delivery/installation audits in Mexico and the United States. All sites reviewed showed 100% on-time completion of all identified EHS audit action items.

Read more about Management of Environment, Health and Safety

In 2011, Alcatel-Lucent did not identify any instance in which the company did not comply with environmental laws or regulations regarding the provision and use of its products and services. As such, no fines (significant or otherwise) were levied against the company for violations of environmental laws or regulations.

1.4.4 Risks related to climate change

As is the case with any company with global operations, there is the potential for Alcatel-Lucent to be exposed to some extreme weather-related risk as a result of climate change. However, the diversity of our physical locations gives us the flexibility to respond to these risks and ensure business continuity. These risks could affect our value chain because our key suppliers could have material disruptions to their business that would then affect our supply chain. Our customers are themselves also exposed to the risk of extreme weather events as many types of telecommunications equipment (such as base stations, IP switches and optical communications equipment) are installed in locations where extreme weather events take place. For that reason, many of Alcatel-Lucent's products are designed to be operated outdoors and to withstand extreme weather conditions. Additionally, product specifications are customized and developed to meet the individual needs of our customers, including consideration of their local climate. Alcatel-Lucent has established procedures for its installation and engineering workforces that ensure their safety as they perform their work activities. These procedures are reviewed periodically and adjusted as needed to ensure our employees and contractors are able to work safely in the conditions encountered in the field, including conditions encountered due to climate change.

In our supply chain, these types of risks are surveyed and physically addressed by prevention/protection measures where possible by Alcatel-Lucent's Risk Management Corporate function and are, in part, financially mitigated by insurance vehicles insofar as they are economically accessible and market capacity is available.

Potential exposure worldwide to hazards such as storms and floods has represented and continues to represent a significant risk. However, at this juncture, Risk Management has not identified any additional impact on such exposure resulting specifically from climate change.

For more information about Alcatel-Lucent's Risk Management, see p. 51

1.5 APPROACH TO MARKETING AND COMMUNICATIONS

Alcatel-Lucent has put in place a number of measures to ensure its marketing communications and advertising activities remain truthful, legally compliant, and socially and environmentally responsible.

Alcatel-Lucent's marketing communications are regulated by national and international law, and are also subject to voluntary codes and standards applied across the organization. The company's communications are also governed by its Code of Conduct. Alcatel-Lucent reviews these regulations, standards and codes on at least an annual basis.

For more information about the Alcatel-Lucent Code of Conduct, see p. 65

The company's corporate style guides forbid exaggeration, implicit guarantees and financial promises in all marketing communications and advertising. Bell Labs, the CTO and the Marketing teams conduct detailed research and analysis to substantiate the facts provided in our marketing content.

The style guides also forbid disparaging mentions of competitors, and emphasize the importance of gender- and culturally neutral language – all part of the company's commitment to encouraging the highest levels of employee development and conduct. Other activities include participation in the Corporate Leadership Council, mandatory anti-corruption training and local programs for socio-economic development.

Our corporate style guides describe and mandate the proper use of intellectual property, proprietary and non-proprietary information, trade secrets and trademarks. Advisors from the company's Law and Compliance organizations are available to answer any employee questions about potential legal issues in our marketing activities.

Customer satisfaction and brand awareness surveys are conducted regularly to ensure marketing strategies and campaigns align with market expectations and perceptions. We incorporate guidelines and feedback from the DJSI into our marketing programs.

For more information about our participation in the DJSI, see p. 23

Alcatel-Lucent regards social media as an increasingly important way for us to keep people informed of our business activities and results and for us to stay attuned to the needs of our various constituencies. As part of our communications strategy we seek to foster more dialogue with internal and external stakeholders through social media channels and improve visibility on our company activities by taking advantage of the full range of social media – from a simple employee tweet to strategic press announcements and blog posts from our leaders, experts and Bell Labs researchers – while also exposing those of us within the company to new voices and opinions.

For more information, see p. 6, p. 27 and p. 99

With regard to environmental matters, Alcatel-Lucent continues to dramatically reduce its use of physical media, now sharing the vast majority of its marketing collateral, user guides, magazines and newsletters in electronic format only.

The company has completely eliminated hard-copy user guides for its 2010 and 2011 Enterprise phone products, and for the fourth consecutive year the Corporate Responsibility Report is available solely online with no printed edition. In 2012, Alcatel-Lucent will publish its Annual Report solely online. Alcatel-Lucent also publishes a carbon-neutral customer newsletter by planting trees to offset the carbon dioxide generated during its production.

For more information about these activities, see p. 95

To cut back on travel-related greenhouse gas emissions, Alcatel-Lucent continued to increase the number of virtual events it holds for customers, media, analysts and employees last year, and reduced the public industry events it attends by more than half between 2010 and 2011. We replaced a major internal management event with a combination of local face-to-face meetings and virtual sessions to reach more than 12,000 employees.

Alcatel-Lucent addresses questions or concerns regarding its products through contacts provided on the company website and in product support and documentation.

Read more about product support

2.0 MANAGING OUR CORPORATE RESPONSIBILITY

2.1 THE ALCATEL-LUCENT CORPORATE RESPONSIBILITY COUNCIL

The Corporate Responsibility Council is the highest-level CR governance body within Alcatel-Lucent.

Chaired by CEO Ben Verwaayen and the head of Corporate Responsibility, the Council has 13 members including executives from the Management Committee as well as two external advisors. It meets quarterly to set priorities, track progress on commitments and review CR strategy issues. The Council also provides perspective on potential risks and opportunities, and makes recommendations to the Management Committee and Board of Directors on emerging and critical sustainability issues for the company at large.

HIGHLIGHT

The Corporate Responsibility Council

The Council is the highest level CR governance body and includes 13 members.

Chief Executive Officer

Head of Corporate Responsibility

Executive Vice President Human Resources & Transformation

President Bell Labs & Chief Strategy Officer

President EMEA & Chief Marketing and Communications Officer

Executive Vice President Public Affairs

President Operations

Vice President Communications

Chief Compliance Officer

Head of Corporate Finance & Investment Office

Chair Alcatel-Lucent Foundation

Two external advisors: Claude Fussler and Eric Olson

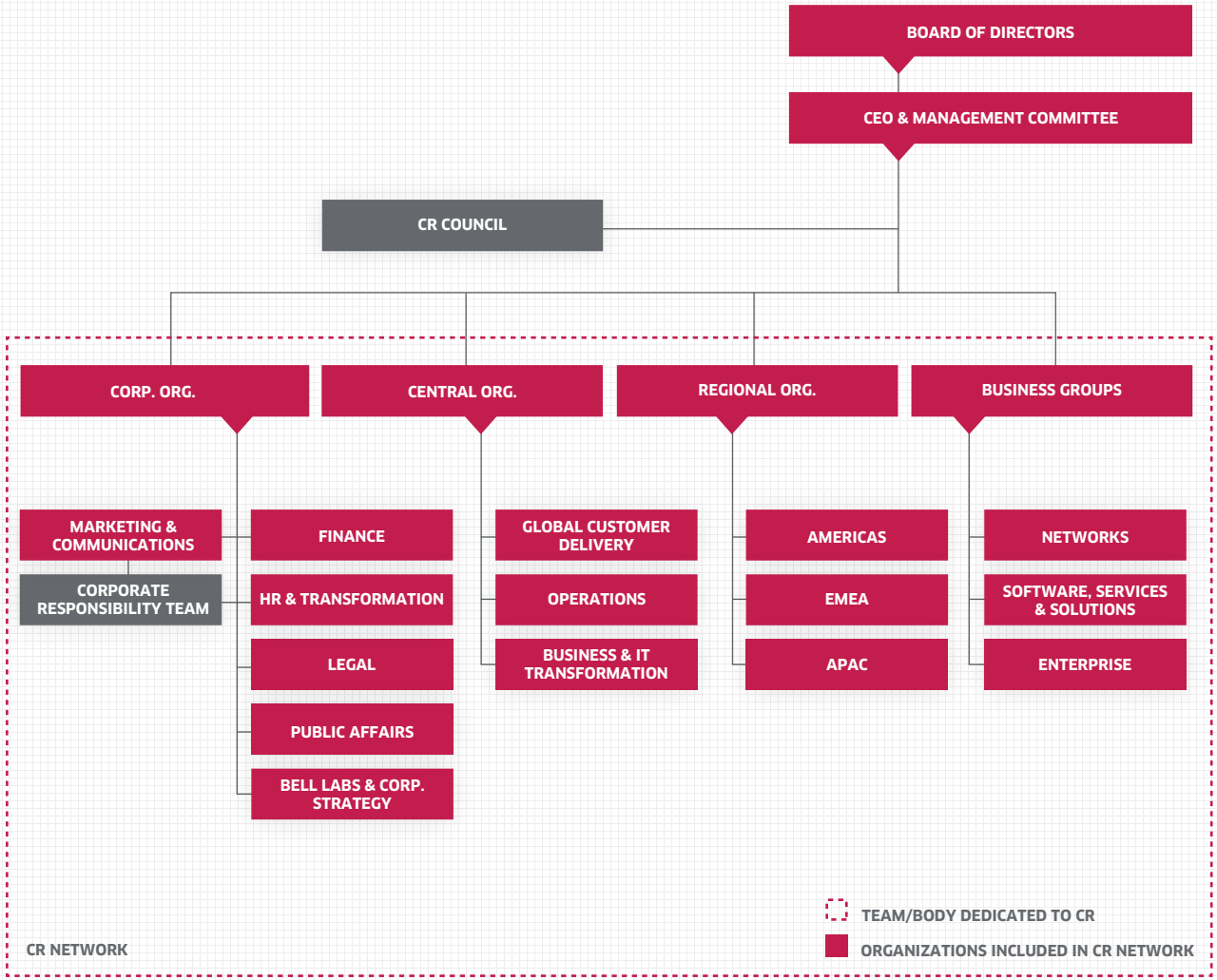
2.2 CORPORATE RESPONSIBILITY OPERATIONS

Alcatel-Lucent's Corporate Responsibility team defines and drives the implementation of the company's CR strategy and initiatives worldwide. It is responsible for consolidating all the social, economic and environmental indicators used to monitor progress. CR operations throughout the company are handled by members of its Corporate Responsibility Network. Network members come from the company's various business groups and Bell Labs as well as a number of different departments, including Human Resources, Office of Business Conduct, Governance, Purchasing, Risk and Crisis Management, Environment, Health and Safety, Operational Eco-efficiency and Sustainability, CTO Green Strategy, and Eco-environmental engineering.

Network members are responsible for:

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

CORPORATE RESPONSIBILITY STRUCTURE



ERNST & YOUNG STATEMENT

CR Governance

Corporate Responsibility (CR) is considered a priority for Alcatel-Lucent's top management. A major component of this is the CR Council, which is chaired by Alcatel-Lucent's CEO and the Head of CR, and which includes members from the Management Committee. The Council meets four times a year to track CR achievements and set priorities and goals. Council conclusions are taken up by Alcatel-Lucent's CR team, which along with the company's CR Network, ensures internal consistency and harmonization of the company's sustainability strategy.

3.0
2011 CORPORATE RESPONSIBILITY PERFORMANCE AND REPORTING

3.1 2011 CR ACHIEVEMENTS AND PROGRESS

CHALLENGES 2011

CORPORATE RESPONSIBILITY COMMITMENTS

- ✓ : Achieved
- ↻ : Ongoing
- ✗ : Not achieved
- – : On hold

INNOVATION MANAGEMENT

See page 68

✓ **BY 2014: Triple our joint research projects with universities on environmentally sustainable technologies in the next 3 years.**

2011 Status: A 5-fold increase in green university collaborations over 2010 (11 research projects in progress in 2011 versus 2 in 2010. 5 additional projects proposed for 2012. U.S. government funding proposals will be submitted for 5–10 additional 2012 projects).

✓ **BY 2014: Double the percentage of research projects dedicated directly to green technology (i.e., innovations whose primary function and outcome is the reduction of energy and power consumption, etc.). An example of such a project would be Active Antenna Arrays (also the Large-Scale Antenna Array developed for GreenTouch that exploits existing technology – massive MIMO – for energy efficiency increase as opposed to capacity increase). Timeframe: 2010–2014.**

2011 Status: The number of researchers working on green research doubled from 2010 to 2011. Bell Labs has also more than doubled its number of research projects with green as a major aspect.

✓ **BY 2014: Double the percentage of research projects that have environmental sustainability as an indirect consequence (or one benefit of many). Timeframe: 3 years.**

2011 Status: Three new research projects in 2011 – smart grid, spatial division multiplexing and green DSL – up from zero in the previous year.

✓ **BY 2014: The target composite total percentage of projects resulting in innovations that have either direct or indirect environmentally sustainable benefits is approximately 30% of the projects in the research pipeline over this timeframe.**

2011 Status: Focus on energy efficiency has been incorporated into more than 30% of the projects in the research pipeline. This number is expected to further increase over time.

REDUCE THE IMPACT OF OUR PRODUCTS ON THE ENVIRONMENT

See page 68

↻ **BY 2012: Improve the functional energy efficiency of key products* by at least 25% by end of 2012 (compared to 2010).**

2011 Status: On target to meet and exceed this goal.

* New or recently developed products on an upward lifecycle curve.

↻ **BY 2015: Improve the functional energy efficiency of lightRadio™ by at least 75% by 2015 (from 2008).**

2011 Status: On target to meet and exceed this goal.

↻ **BY 2012: Leverage our innovation to establish common methodology for measuring the carbon footprint of network telecommunications products over their lifecycle.**

2011 Status: Introduced and gaining adoption of Bell Labs developed lifecycle assessment methodology through industry consortia and reporting standards.

↻ **BY 2015: Eliminate PVC from all products by 2015.***

2011 Status: Completed supplier assessment for more than 90% of material spend to determine technical and economic feasibility of PVC alternatives – driving our substitution plans.

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

✓ **BY 2011: Achieve a 40% increase in the number of base stations deployed with alternative energy powering solutions (relative to 2010 baseline) by end of 2011.**

2011 Status: We significantly exceeded the objective with an increase of 59%, having deployed 793 alternative energy-powered base stations.

REDUCE OUR CARBON FOOTPRINT

See page 68

↻ **BY 2020: Reduce our absolute carbon footprint (CO_2 equivalent) from our operations by 50% of 2008 baseline by 2020.**

2011 Status: As of the end of 2011, Alcatel-Lucent reduced the carbon footprint from its operations (Scopes 1 and 2) by 22% of 2008 baseline.

✓ **BY 2013: Reduce water consumption by 20% of 2010 baseline by 2013.**

2011 Status: Water usage in 2011 rose by slightly less than 1%. Additional employee engagement and exterior water measures will be taken in 2012.

CHALLENGES 2011

OUR PEOPLE

See page 98

CORPORATE RESPONSIBILITY COMMITMENTS

- ✓ : Achieved
- ↻ : Ongoing
- ✗ : Not achieved
- – : On hold

✓ **BY 2011: Continue simplifying and standardizing HR processes by deploying MyHR Information System worldwide. Systems and tools support business needs and contribute to the achievement of organizational efficiency and effectiveness.**

2011 Status: The deployment of a business intelligence data warehouse portal and HR portal led to better data accessibility while improving the timing of actions for people managers and employees.

✗ **BY 2011: Have 80% of our high potentials change position over 3 years.**

2011 Status: We made important progress as more high-potential employees were exposed to new opportunities via EMEA and Global Customer Delivery reorganizations. Significant best practice improvements implemented via Leadership Pipeline process. We will continue this goal in 2012.

✓ **BY 2011: Triple the number of employees that complete professional certification, with impact on overall skill development and employability.**

2011 Status: 541 accreditations were finalized in 2011; a total number of 1,057 employees have been accredited between 2009 and 2011.

↻ **BY 2012: Launch a 3-year workforce plan with development plans, human capital performance metrics.**

2011 Status: Workforce planning project completed; end-to-end Resource Planning processes will be deployed in 2012.

✓ **BY 2011: Increase internal mobility by 20% worldwide.**

2011 Status: In 2010 internal hiring accounted for 33% of all hiring. The internal hiring was actually increased by more than 50% to take the "market share" of internal hiring to 51% overall.

✓ **BY 2011: Launch a group-wide professional accreditation program over 3 years: single training and accreditation framework applying to all critical functions. Triple the certified People@ALU population from 2009 to 2011.**

2011 Status: A total of 1,057 employees have been accredited between 2009 and 2011. Community learning concept for critical functions ("hot profiles") was launched.

↻ **BY 2011–2014: Launch SA 8000 certification in one of Alcatel-Lucent's major countries in 2011 for certification in 2012; extend to all large countries by 2014.**

2011 Status: SA 8000 certification launched in Brazil and Mexico. Evaluation of other countries ongoing.

✓ **BY 2011: Grow local management tracks and mobility: +50% campus hirings by 2012.**

2011 Status: Achieved – Campus hirings increased by 81%.

↻ **BY 2012–2014: Increase representation of women in management positions to at least match the representation in company population by 2014: +20% women among corporate executives.**

2011 Status: Number of women in executive roles increased by 6%, but overall proportion remained at 15% due to rise in the number of male executives. Need identified to expand pipeline of women leadership candidates through sponsorship, mentoring and coaching. Solid action plan in place for 2012 with 5 focus areas: awareness building, leadership pipeline, staffing/recruitment, work/life balance, and equal pay.

Company shifted 2012 target of 20% increase in executive women to 2014, a realistic timeframe in which to enact action plans and propel measurable progress.

↻ **BY 2011–2014: Extend existing equal pay agreements: engage discussions in Europe and Asia by end of 2011. By 2014 unexplained gender pay gap <5%.**

2011 Status: A plan to address gender gaps of more than 5% in Alcatel-Lucent's 10 largest countries will be finalized in 2012.

✓ **BY 2012: Extend teleworking agreement in top 20 countries.**

2011 Status: Alcatel-Lucent's top 20 countries all have teleworking policies in place.

✓ **BY 2011: Finalize discussions on Global Committee for Information and Dialogue.**

2011 Status: In 2011 we conducted discussions with the European unions to adapt our current agreement based on more than 16 years experience to improve our communication with our unions at company level. The current ECID platform will be extended to other regions that can be invited. At the time of publication of this report, the official union position was not yet made.

✓ **BY 2011: Define top management Corporate Responsibility metrics.**

2011 Status: Each Alcatel-Lucent organization has identified a measurable diversity-related objective for their business parameter and will show progress against it annually.

✓ **BY 2013: Build a systematic, company-wide knowledge management system, interactive knowledge platforms. Rebalance training portfolio in order to promote greater employee mobility and career development opportunities across the company. Target 2011: rebalance global/local trainings from 40/60 today to 55/45.**

2011 Status: Training portfolio rebalanced: in 2011 the split between global/local trainings was 58/42.

✓ **BY 2011: Launch a company-wide sponsored GenY inclusion program.**

2011 Status: Social media platform created (Engage) to bring the local GenY leads together and trigger cross-collaboration.

CHALLENGES 2011

CORPORATE RESPONSIBILITY COMMITMENTS

- : Achieved
- : Ongoing
- : Not achieved
- : On hold

STAKEHOLDERS: CUSTOMER RELATIONSHIP

See page 28

BY 2011: Reach 45% to 55% response (where 55% = best in class) for the customer relationship and product surveys.

2011 Status: The response rate for customer relationship surveys increased from 49% in 2010 to 53% in 2011. Product surveys response rate reached 49%.

BY 2011: Establish a business partner survey in 2011 to improve our relationship and effectiveness with them, so that together we will better serve our customers.

2011 Status: A business partner survey was implemented in 2011, generating some 3,000 responses.

STAKEHOLDERS: WORLD ECONOMIC FORUM

See page 32

BY 2012: Via the World Economic Forum (WEF), play a leadership role to establish a framework for corporate best practices on gender diversity.

2011 Status: In 2011, CEO Ben Verwaayen was nominated to the WEF Gender Parity Board and the company was active in the preparation of the WEF Gender Parity Report 2011. At Davos 2012, Mr. Verwaayen was a discussion leader on closing the economic gender gap.

BY 2012: Via the WEF, sponsor a Young Global Leaders initiative to promote digital economies in Europe.

2011 Status: In December 2011, Executive Vice President Stephen Carter co-sponsored the Young Global Leaders UK Summit on Global Growth, where he contributed to discussion on technology as a lens for growth.

STAKEHOLDERS: PUBLIC AFFAIRS

See page 35

BY 2011: Via the Public Affairs team, promote digital plans in countries all around the globe to support ICT benefits for all, with the establishment of an EU plan by mid-July 2011.

2011 Status: On July 13, 2011, Mr. Verwaayen, Vivendi chairman Jean-Bernard Lévy and Deutsche Telekom CEO Rene Obermann joined 35 other CEOs in Brussels to meet Neelie Kroes, European Digital Agenda Commissioner, and offer an 11-point outline of principles for meeting targets for rolling out superfast broadband networks throughout Europe. Similar plans have been shared with other countries: Kenya, Mexico, Brazil, Argentina, Ecuador, Venezuela, Colombia, Qatar, Algeria and Indonesia.

BY 2011: Via the Public Affairs team, promote with public authorities best-in-class CR policies, in particular for corporate governance, to enhance legislation and voluntary initiatives. We intend to include a reference to best-in-class practices in the 2011 G8/G20 summit results.

2011 Status: During the G20 summit in Cannes, government leaders met with business leaders during a B20 summit. Representing 20 countries and 85% of global GDP, the goal of this summit was to elaborate on recommendations to unlock the levers of global governance. Alcatel-Lucent was involved in 5 of the 12 working groups. Concrete propositions were brought to G20 leaders to facilitate adoption of best-in-class CR policies.

STAKEHOLDERS: SOCIETY

See page 120

BY 2011: Sign an MoU with the African Medical and Research Foundation (AMREF) to educate health workers via mobile phones and other mobile devices.

2011 Status: During 2011, we explored portfolio solutions and business models for mobile learning. We expect to see implementation for pilots and initial rollout in 2012.

BY 2011: Sign a MoU with Indira Gandhi National Open University to support open and distance learning opportunities in rural and underserved areas across India.

2011 Status: Change in school administration delayed further progress.

CHALLENGES 2011

CORPORATE RESPONSIBILITY COMMITMENTS

: Achieved
: Ongoing
: Not achieved
: On hold

PHILANTHROPY ALCATEL-LUCENT FOUNDATION

See page 128

ONGOING: Further foster the spirit of employee volunteerism across the company.

2011 Status: This is an ongoing initiative. In 2011, 6,300 Alcatel-Lucent employees donated about 47,500 hours to contribute to more than 175 goodwill projects in 42 countries. In early 2012 we issued a volunteering handbook to further help employees connect with Foundation projects in their locations and around the world. The idea is to help employees not only volunteer in traditional/on-site projects but through the use of technology participate in our other global projects.

BY 2011: Focus our future grassroots programs by 1) training our employees on our social investments; 2) opening the RFP to local NGOs; 3) clearly defining the impact expected for participating individuals.

2011 Status: Carrying over from 2010, our 46 grassroots programs have shown steady progress. Volunteering activities with employees were at an all-time high. Employees had access to training on charitable contribution – policy and guidelines and EZ Visit process – through Alcatel-Lucent University. We are also working very closely with our partner donor-funding agencies to help us measure impacts and help our grassroots partners achieve their objectives and goals.

BY 2011 AND ONGOING: As of 2011, all new grassroots programs will be measured against a monitoring and evaluating system.

2011 Status: In 2011 we joined LBG – London Benchmarking Group – to help us enhance our metrics and impact measurement. LBG is an industry leader and advisor on output and impact measurement, and we are following their guidelines for the same.

BY 2014: Via the Alcatel-Lucent Foundation, provide digital training to 13,500 children over the next 3 years from 2010 to 2014.

2011 Status: Our Global Signature Program – ConnectEd – started in 2011 and reached its Year 1 target of providing digital training to 5,338 young people by March 31, 2012. Planning for Year 2 is underway.

ETHICS AND COMPLIANCE

See page 53

BY 2011: Target 100% participation in the employee review and acknowledgment of the Alcatel-Lucent Code of Conduct.

2011 Status: At the end of 2011, 99% of employees globally had completed review and acknowledgment of the Alcatel-Lucent Code of Conduct.

BY 2011: Target 100% of people managers for ethical leadership training.

2011 Status: The company developed web-based "Leading with Integrity" training for people managers. Deployment of the training was accompanied by a robust communications plan highlighting the role of people managers in enhancing a culture of integrity.

BY 2011: Public reporting of statistics related to breaches of the company's Code of Conduct.

2011 Status: Consistent with its goal to promote transparency, the company shared Compliance Hotline metrics and related incident reports quarterly with the company's extended compliance community to enhance awareness of the prevailing issues and to encourage input on improving the overall program. Modified case information, including summaries of regional compliance matters, were shared with employees to promote a culture where employees feel comfortable reporting issues compliant with local laws without fear of retaliation, as well as to enhance overall transparency. Read more on p. 59 (Compliance Hotline section).

BY 2011: Privacy and Data Protection program audited externally by PwC in 2009. The company will be undertaking audits in 2011 to follow up on these recommendations.

2011 Status: In 2011, the company's Privacy and Data Protection Program was audited by Corporate Audit Services, and remediation actions are underway. The company will continue to implement audit action plans and recommendations in 2012. Also in 2011, the company continued to implement the overall Privacy and Data Protection Plan.

BY 2011: Include ethical behavior considerations in the 2011 performance management process.

2011 Status: Ethical behavior considerations were incorporated as part of the 2011 employee performance management process. For this specific context, resource materials such as briefing documents and Q&As were developed and provided for employees and people managers, outlining expectations for ethical behavior and what that means for the business. The material has been published on our intranet site.

GOVERNANCE

See page 45

BY 2012: Ensure the improvement of gender diversity in our Board of Directors by 2012.

2011 Status: The Board of Directors began a process to bring itself into compliance with the provisions of French law concerning the balanced representation of men and women at boards of directors, which requires that by the first Annual Shareholders Meeting held in 2014, 20% of the members of a board of directors be women.

BY 2011: Improve the level and quality of the information provided to the Board of Directors by 2011.

2011 Status: A new internal tool was implemented in the context of the 2011 assessment of the Board of Directors. This new dashboard enables directors to apprehend the information made available to them in a more structured manner across the following main areas: strategy, finance, risk management and compliance, corporate governance, human resources and corporate social responsibility.

CHALLENGES 2011

CORPORATE RESPONSIBILITY COMMITMENTS

: Achieved
: Ongoing
: Not achieved
: On hold

RISK & CRISIS MANAGEMENT

See page 51

BY 2011: Have three regional ERM (Enterprise Risk Management) deliverables (risk maps), updated every two years.

2011 Status: Risk maps covering the company's 3 regions were updated in 2010 (Asia-Pacific) and 2011 (Americas, Europe Middle-East and Africa). These are systematically updated every other year and were delivered accordingly.

BY 2011: Have an updated company-level (i.e., corporate-level) ERM deliverable (risk map).

2011 Status: The corporate-level risk map was updated in 2011.

BY 2011: Cover more than 80% of key risks with a follow-up of mitigating actions.

2011 Status: All key risks had associated mitigating actions in 2011; 92 action plans were defined, implemented and monitored by risk owners.

BY 2011: Organize an annual Audit & Finance Committee ERM review.

2011 Status: The Audit & Finance Committee conducted an overall ERM review on March 15, 2011. This global review was supported by quarterly reporting on action plan status to the Audit & Finance Committee.

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

2011 Status: By the end of 2011, more than 69% of all identified critical functions were covered by our consolidated, enterprise-wide BCM Program.

SUPPLY CHAIN

See page 139

BY 2011: Include specific Corporate Responsibility requirements in 70% of procurement sectors for the purchase of own-use services/products.

2011 Status: By the end of 2011, Alcatel-Lucent had specific corporate responsibility requirements for 59% of its procurement sectors for the purchase of own-use services/products. The pending requirements will be defined in the first half of 2012. For more information, see p. 143.

BY 2011: Establish a systematic improvement program with suppliers assessed as being below satisfactory, ensuring that by the end of 2012, 80% of active suppliers assessed are satisfactory or above and that action plans are in place for the remaining 20%, with an intermediate target of 63% satisfactory.

2011 Status: We achieved 60% against our target of 63% suppliers earning a satisfactory rating on CR. We will adjust the timeline to 2014 (compared to 2012) to ensure completion in a realistic timeframe. For more information, see p. 149.

3.2 SOCIAL AND ENVIRONMENTAL INDICATORS

3.2.1 SOCIAL INDICATORS

Global headcount

For 2011, data on all social indicators have been collected and consolidated at the corporate level since the HR information systems have been fully converged, except for health and safety data that are issued from our CR reporting tool. The health and safety survey covered 64 countries.

SOCIAL INDICATORS	2009	2010	2011	2011 perimeter
1. Headcount				
Total headcount as of December 31	78,373	79,796	76,002	**100%**
Number of recruits	6,773	8,661	4,331	**100%**
Headcount reduction due to businesses transferred or sold	(699)	(1,153)	(14)	**100%**
Headcount increase due to the full consolidation of previously non-fully consolidated companies	1,468	53	51	**100%**
Headcount increase due to acquisitions and insourcing	4,219	3,687	442	**100%**
Headcount reduction due to outsourcing and transfers	(1,956)	(666)	(857)	**100%**
Headcount reduction due to redundancies	(4,246)	(2,660)	(1,542)	**100%**
Headcount reduction due to normal departures (retirements, end of temporary work contracts, resignations, deaths)	(4,903)	(6,499)	(6,205)	**100%**
2. Headcount/Diversity				
Percentage of women/headcount	22.35%	20.60%	20.66%	**100%**
Percentage of women – Asia-Pacific	20.73%	28.15%	28.95%	**100%**
Percentage of women – Europe, South America, Middle-East, Africa and India	22.34%	17.01%	16.65%	**100%**
Percentage of women – North America	24.19%	23.60%	23.82%	**100%**
Percentage of women amongst the Leadership Pipeline	19.05%	19.37%	19.45%	**100%**
Number of disabled employees	190	210(1)	238(1)	**France**
3. Training				
Training budget (as a percentage of payroll)	1.10%	1.00%	1.00%	**100%**
Total hours of training per employee	17	17.8	16	**100%**
Percentage of training time via e-learning technologies	40%	38%	40%	**100%**
4. Mobility				
Number of expatriates worldwide	623	498	391	**100%**
Expatriates by host region Europe	170	151	100	**100%**
Expatriates by host region North America	55	31	24	**100%**
Expatriates by host region South America	12	12	8	**100%**
Expatriates by host region Middle-East, Africa and India	198	147	131	**100%**
Expatriates by host region Asia-Pacific	188	157	128	**100%**

Additional notes

- Injury and lost-day rates calculation include injuries and illnesses of all occupational accidents resulting in lost workdays. In 2011, injury rate by region is 0.24 in APAC, 2.80 in EMEA and 1.67 in Americas.
- In 2011, distribution of absentee rate for total workforce (total employees and contractors) by region was 0.02 in APAC, 0.10 in EMEA and 0.17 in Americas.
- In 2011, occupational diseases rate (ODR) for total workforce (total employees and contractors) by region was 0.0 in APAC, 0.06 in EMEA and 0.06 in Americas.

SOCIAL INDICATORS	2009	2010	2011	2011 perimeter
5. Health and Safety				
Number of days of absence due to work-related accidents per employee	0.09	0.07	0.08(3)	**100%**
Rate of frequency (number of accidents per year, per 1 million hours worked)	1.61	1.48	1.42	**100%**
6. Performance Management				
Percentage of managers and professionals who had an annual performance review	85%	NA(2)	NA(2)	-
Percentage of managers and professionals who had learning and development activities agreed upon	54%	NA(2)	NA(2)	-

(1) The number of disabled employees concerns only four French legal entities (Alcatel-Lucent France, Alcatel-Lucent Entreprise, Alcatel-Lucent Submarine Networks and Alcatel-Lucent International).
(2) In 2011 Alcatel-Lucent changed its performance management processes and IT systems; former indicators have not been followed and new indicators have been put in place for 2012.
(3) This indicator is reported based on country legislation.

3.2.2 ENVIRONMENTAL INDICATORS 2011

	UNITS	2009	2010[1]	2011	2011 perimeter
Carbon Footprint Assessment-Worldwide Operations[8]					
Scope 1					
Stationary source fuel combustion	tCO_2e[4]	73,709	63,403	54,541	**100%**
Mobile source fuel combustion	tCO_2e[4]	89,554	82,419	81,153	**100%**
Facility and mobile source refrigerant losses	tCO_2e[4]	5,778	5,333	4,381	**100%**
Direct emission of GHG from manufacturing/R&D/product development	tCO_2e[4]	1,272	142	248	**100%**
Fire suppression system losses	tCO_2e[4]	8	72	12	**100%**
Scope 2					
Electricity usage	tCO_2e[4]	598,214	570,039	505,862	**100%**
Purchase of hot water/steam	tCO_2e[4]	10,596	9,377	5,761	**100%**
Purchase of chilled water	tCO_2e[4]	735	448	221	**100%**
Scope 3[2]					
Purchased goods and services:					
Contracted manufacturing services[6]	tCO_2e[4]	36,352	99,632	94,083	**100%**
Contracted marine services	tCO_2e[4]	63,443	58,019	58,768	**100%**
Purchased paper[10]	tCO_2e[4]	1,359	1,257	1,229	**100%**
Fuel- and energy-related activities not included in Scope 1 and 2[16]	tCO_2e[4]	NA	45,273	39,188	**100%**
Upstream transportation and distribution[7]	tCO_2e[4]	201,043	208,578	198,782	**100%**
Waste generated in operations	tCO_2e[4]	7,434	2,418	5,602	**100%**
Business travel	tCO_2e[4]	105,025	114,494	107,184	**100%**
Employee commuting[9]	tCO_2e[4]	111,062	109,555	104,237	**100%**
Downstream transportation and distribution[7,16]	tCO_2e[4]	NA	6,447	5,861	**100%**
End-of-Life treatment of sold products[20,16]	tCO_2e[4]	NA	2,951	2,951	**100%**
Grand Total (scope 1 + 2 + 3)[15]	tCO_2e[4]	1,305,584	1,379,857	1,270,064	**100%**
Carbon Footprint Assessment-Facility Operations Only[5,8]					
Indirect emissions of CO_2e linked to consumed electricity	$ktCO_2e$[3]	598	559	512	**100%**
Indirect emissions of CO_2e per employee	tCO_2e[4]	8	7	7	**100%**
Direct emissions of CO_2e linked to consumed fossil energy	$ktCO_2e$[3]	87	73	63	**100%**
Direct emissions of CO_2e per employee	tCO_2e[4]	1	1	1	**100%**
Total emissions of CO_2e	$ktCO_2e$[3,5]	702	647	581	**100%**
Total emissions of CO_2e per employee	tCO_2e[4,5]	9	8	8	**100%**

(1) Figures for 2010 have been restated since we apply now a more specific and accurate calculation methodology. The difference is less than 1% compared to the data published in our 2010 CR report.

(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_2e: Kilo metric tons of CO_2 equivalency (includes the following GHGs: CO_2, CH4, N_2O, SF6, HFCs and PFCs).

(4) t CO_2e: Metric tons of CO_2 equivalency (includes the following GHGs: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs).

(5) CO_2e values include Scope 1 and Scope 2 emissions for facility operations only (including facility mobile combustion).

(6) CO_2e values include 100% of the emissions based on intensity and throughput of our three largest contract manufacturers. 2010 figures have been restated since our contract manufacturers now provide better reporting.

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

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

(9) In 2011, we were able to gather commuting figures on a worldwide scale. Therefore, estimates for 2009 and 2010 have been restated.

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

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

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

(13) New or recently developed products on an upward lifecycle curve. 2011 improvement based on 2008 baseline. Next update will be published in the 2012 CR report in accordance with our current goal to improve the functional energy efficiency of key products by at least 25% by end of 2012 (compared to 2010).

(14) New indicators published for the first time in this report. No data available for prior years.

ENVIRONMENTAL INDICATORS 2011	UNITS	2009	2010[1]	2011	2011 perimeter
Consumed Energy[17]					
Consumed electricity	GWh	1,197	1,125	1,014	**100%**
Consumed electricity by employee	MWh	15	15	13	**100%**
Consumed fossil energy	GWh	373	308	317	**100%**
Consumed fossil energy by employee	MWh	5	4	4	**100%**
Total consumed energy, including hot and chilled water	GWh	1,634	1,491	1,357	**100%**
Total consumed energy by employee	MWh	20	19	18	**100%**
Water and Wastes					
Consumed water	m^3	2,754,507	2,744,454	2,765,474	**100%**
Consumed water per employee	m^3	35	36	38	**100%**
Production of hazardous waste	t	1,517	2,230	1,116	**100%**
Production of hazardous waste per employee	kg	19	28	15	**100%**
Percentage of hazardous waste recycled[11]	%	79	80	50	**100%**
Production of non-hazardous waste	t	29,932	19,767	20,934	**100%**
Production of non-hazardous waste per employee	kg	382	248	275	**100%**
Percentage of non-hazardous waste recycled[11]	%	58	68	71	**100%**
Production of Waste Electrical & Electronic Equipment (WEEE)[19]	t	3,380	4,464	6,314	**100%**
Percentage of WEEE recycled/reused	%	99	98	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				
NOx, SOx and other criteria air contaminants[18]	tonnes	NA	NA	103	**100%**
Miscellaneous					
Alcatel-Lucent headcount, ISO 14001 certified	%	39	29	39	**100%**
New products covered by ecodeclarations[12]	%	100	100	100	**100%**
Functional energy efficiency improvement of key products[13]	%	NA	20	NA	**100%**
Domestic product freight by truck[14]	%	NA	NA	98	**100%**
International product freight by ocean vessel[14]	%	NA	NA	40	**100%**

(15) Grand Total for 2009 and 2010 have been updated this year due to the restatement of two Scope 3 indicators (Contracted manufacturing services and Employee commuting). As we integrate additional Scope 3 indicators and develop more accurate calculation methodologies, we will restate prior reporting figures to provide a better baseline for comparison.

(16) For these newly reported Scope 3 indicators, we were unable to calculate emissions for the period prior to 2010.

(17) Consumed energy for facility operations only.

(18) Our assessment for emissions resulting from combustion of fuels at our facilities includes the following: NOx=47; CO=33; TSP=5; Pb=0; SO_2=16 and VOC=2.

(19) WEEE data includes electronic waste generated by Alcatel-Lucent operations and WEEE take-back. Not reported as production per employee since production includes take-back.

(20) Includes recycled electronic equipment.

DEFINITIONS AND METHODOLOGY

The 2011 energy and water consumption reporting perimeter includes all Alcatel-Lucent sites owned or leased as of December 2011.

✔ For the 2011 assessment, 292 facilities representing a total of 85% of Alcatel-Lucent employees and 85% of gross building area were surveyed utilizing an online tool.

✔ From this scope of reporting, the number of facilities having effectively reported resulted in the following corresponding percentage of total Alcatel-Lucent employees:

I. For energy consumption and CO_2e emissions: 100% of all sites were accounted for. This included obtaining specific facility data from surveyed sites, and employing facility usage estimation factors for all non-contributor sites.

II. For water consumption: 117 sites accounting for 65% of total Alcatel-Lucent employees. To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied based on calculated ratios per employee.

III. For hazardous waste production: 156 sites accounting for 48% of total Alcatel-Lucent employees. To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied based on calculated ratios per employee.

IV. For non-hazardous waste production: 114 sites accounting for 54% of total Alcatel-Lucent employees. To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied based on calculated ratios per employee.

V. For Waste Electrical and Electronic Equipment (WEEE) production: 220 sites accounting for 54% of total Alcatel-Lucent employees. To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied based on calculated ratios per employee.

For setting organizational boundaries and for corporate reporting of consolidated greenhouse gas (GHG) emissions, Alcatel-Lucent will employ the "operational control" approach in establishing organizational boundaries. Under this approach, Alcatel-Lucent will account for 100% of GHG emissions from operations over which it has operational control. Notwithstanding this established approach, Alcatel-Lucent will still attempt to obtain utility information from the landlord in leased situations where the utility usage can be accurately allocated to Alcatel-Lucent's leased space, such as via a separate electric meter. If such information cannot be obtained, electricity and/or natural gas usage shall be estimated utilizing "energy intensity" factors established and set in our Inventory Management Plan.

2011 EVOLUTION

The scope of the 2011 CR campaign covered more facilities than the 2010 campaign. For the 2011 CR campaign, all facilities, regardless of building area or employee headcount, able to obtain energy usage information were required to participate within this web-based survey. As a result, more actual facility operational data was obtained, thereby requiring less estimation to obtain 100% company-wide assessment.

Due, in part, to consolidation of facilities to more efficiently utilize our resources, implementation of energy efficiency projects, as well as the deployment of employee energy efficiency awareness programs, we have achieved an actual reduction of total CO_2e emissions from our facilities of 10% from 2010 levels. This is mainly driven by a 9.9% reduction in electricity use as well as modest reductions in other facility hot water and steam usage. Water usage rose less than 1% year over year. The main reasons for this were an extraordinarily hot summer in many parts of Europe as well as better reporting from facilities.

We have clarified the wording of our commitment "reduce our absolute carbon footprint (CO_2 equivalent) by 50% of 2008 baseline by 2020" by adding the term "from our operations," meaning Scopes 1 and 2 only. The reason for this is that we are year over year adding new Scope 3 indicators and need to keep a stable baseline from which to track our progress on reducing our carbon footprint. Additionally, we constantly work with our key suppliers to reduce our Scope 3 emissions, even though they are not part of our 50% reduction goal.

ERNST & YOUNG STATEMENT

Hara, a new Environmental Reporting Tool

In 2011, Alcatel-Lucent implemented a new EHS reporting tool: Hara.

This tool, which is used for collecting, reporting and analyzing CR metrics and information, contributes to better data reliability for the Alcatel-Lucent CR report.

The tool includes a set of automatic controls detecting discrepancies and inconsistencies in the reported data.

In addition, the tool can monitor the evolution of EHS performance at the site level on a monthly basis, facilitating the implementation of performance improvement plans.

DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN 2011	TOTAL		CO_2E	GWh	GJ
Total energy consumption in joules or multiples					
Facility Operations_Coal Gas	3,472.01	MWh	559	3	12,499
Facility Operations_Distillate Fuel Oil (#1,2,4, and diesel)	3,680,161.67	liters	9,913	39	141,555
Facility Operations_Natural Gas	237,249.5	MWh	43,075	237	854,098
Facility Operations_Propane	19,410.22	liters	30	0.1	495
Facility Operations_Residual Fuel Oil (#5,6)	317,534	liters	995	4	13,276
Facility Mobile Sources_CNG	1,010	Kg	1	0.01	53
Facility Mobile Sources_Diesel	1,793,288.51	liters	4,852	19	68,668
Facility Mobile Sources_Ethanol	225,430	liters	18	1	5,311
Facility Mobile Sources_Gasoline	1,299,515.83	liters	3,054	13	45,037
Facility Mobile Sources_LNG	31,458	liters	40	0.2	724
Facility Mobile Sources_Propane	74,284.87	liters	115	1	1,893
			62,652		**1,143,609**
Total direct energy consumption in joules or multiples by renewable primary source					
Facility Mobile Sources_Ethanol	225,430	liters	18	1	5,311
Total direct energy consumption in joules or multiples by non-renewable primary source					
Facility Operations_Coal Gas	3,472.01	MWh	559	3	12,499
Facility Operations_Distillate Fuel Oil (#1,2,4, and diesel)	3,680,161.67	liters	9,913	39	141,555
Facility Operations_Natural Gas	237,249.5	MWh	43,075	237	854,098
Facility Operations_Propane	19,410.22	liters	30	0.1	495
Facility Operations_Residual Fuel Oil (#5,6)	317,534	liters	995	4	13,276
Facility Mobile Sources_CNG	1,010	Kg	1	0.01	53
Facility Mobile Sources_Diesel	1,793,288.51	liters	4,852	19	68,668
Facility Mobile Sources_Gasoline	1,299,515.83	liters	3,054	13	45,037
Facility Mobile Sources_LNG	31,458	liters	40	0.2	724
Facility Mobile Sources_Propane	74,284.87	liters	115	1	1,893
			62,634		**1,138,298**

INDIRECT ENERGY CONSUMPTION BY PRIMARY SOURCE IN 2011	TOTAL		CO_2E	GWh	GJ	RENEWABLE GJ	NON-RENEWABLE GJ
Total amount of indirect energy used by indirect non-renewable sources and indirect renewable sources in terms of intermediate energy							
Purchased Hot Water/Steam	25,378	MWh	5,761	25	91,362	29,468	61,895
Purchased Chilled Water	411	MWh	221	0.4	1,478	160	1,318
Purchased Electricity	1,013,648	MWh	512,474	1,014	3,649,133	746,763	2,902,370
TOTAL			**518,456**		**3,741,973**	**776,390**	**2,965,583**

3.3 CR COMMITMENTS FOR 2012 AND BEYOND

CHALLENGES

CORPORATE RESPONSIBILITY COMMITMENTS FOR THE COMING YEARS

INNOVATION MANAGEMENT

See page 68

BY 2014: Triple our joint research projects with universities on environmentally sustainable technologies in the next 3 years.(1)

BY 2014: Double the percentage of research projects dedicated directly to green technology (i.e., innovations whose primary function and outcome is the reduction of energy and power consumption, etc.). An example of such a project would be Active Antenna Arrays (also the Large Scale Antenna Array developed for GreenTouch that exploits existing technology – massive MIMO – for energy efficiency increase as opposed to capacity increase).(1) Timeframe: 3 years.

BY 2014: Double the percentage of research projects that have environmental sustainability as an indirect consequence (or one benefit of many). An example of such an innovation would be the lightRadio cube.(1) Timeframe: 3 years.

BY 2014: The target composite total percentage of projects resulting in innovations that have either direct or indirect environmentally sustainable benefit is approximately 30% of the projects in the research pipeline over this timeframe.(1)

(1) These targets were achieved in 2011, but we will maintain the same high level of commitment to extreme green innovation until 2014.

REDUCE THE IMPACT OF OUR PRODUCTS ON THE ENVIRONMENT

See page 68

BY 2012: Improve the functional energy efficiency of key products* by at least 25% by end of 2012 compared to 2010.

* New or recently developed products on an upward lifecycle curve.

BY 2015: Improve the functional energy efficiency of lightRadio by at least 75% by 2015 compared to 2008.

BY 2012: Leverage our innovation to establish a common methodology for measuring the carbon footprint of network telecommunications products over their lifecycles.

BY 2015: Eliminate PVC from all products.*

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

REDUCE OUR CARBON FOOTPRINT

See page 68

BY 2020: Reduce our absolute carbon footprint (CO_2 equivalent) from our operations by 50% by 2020 (from 2008 baseline).

BY 2013: Reduce water consumption by 20% from 2010 baseline.

OUR PEOPLE

See page 98

BY 2012: Launch a 3-year workforce plan with development plans and human capital performance metrics. Bank on 2011 achievements to drive long & mid-term resource planning capabilities.

BY 2012–2014: Achieve SA 8000 certification in Brazil and Mexico by YE 2012; extend to other countries that are already compliant with the requirements.

BY 2014: Increase representation of women in management positions by 20%.

BY 2014: Extend existing equal pay agreements. By end of 2012, have a plan in place to address gender pay gaps.

BY 2012: Further extend the number of countries with teleworking policies by deploying agreements in China and India.

BY 2013: Build a company-wide learning architecture that combines existing enterprise support for formal training with the new interactive employee-centric knowledge and learning platforms.

BY 2012: [NEW] Leadership pipeline: Continuation of 2011 efforts with deployment of high potential identification process, usage of succession pools and pilot of new leadership development offer.

BY 2013: [NEW] Employee engagement: Engagement survey to be launched to drive clear understanding of our human capital actions for improvement.

BY 2013: [NEW] Technical ladder: Deployment of career development path for technical professionals as complementary focus on best-in-class versus leadership pipeline.

BY 2012: [NEW] Professional accreditation: Double the number of new accredited employees to 1,000 by year end 2012.

BY 2012: [NEW] Community learning: Launch community learning for 7 most critical functions (“hot profiles”) as parallel fast-track for learning from the best in-class employees.

BY 2012: [NEW] Gender diversity: Deploy gender diversity awareness training to all people managers.

CHALLENGES

CORPORATE RESPONSIBILITY COMMITMENTS FOR THE COMING YEARS

STAKEHOLDERS CUSTOMER RELATIONSHIP

See page 28

BY 2012: [NEW] By 2012, enhance our Customer Satisfaction Program by providing quicker feedback and improvement plans to our customers. We will be asking more open-ended questions, allowing the customer to tell us in their own words what is important to them. Goal: 45–56% response rate (where 56% is considered best in class) for the customer relationship and product surveys.

STAKEHOLDERS PUBLIC AFFAIRS

See page 35

BY 2012: [NEW] Via the Public Affairs team, continue to promote digital plans in countries around the world to support ICT for all.

BY 2012: Via the Public Affairs team, continue to promote with public authorities best-in-class CR policies (in particular, corporate governance) to enhance legislation and voluntary initiatives.

PHILANTHROPY ALCATEL-LUCENT FOUNDATION

See page 128

BY 2014: Via our Alcatel-Lucent Foundation, provide digital training to 13,500 children in the 2010–2014 timeframe.

BY 2013: [NEW] Via the Alcatel-Lucent Foundation, create a group-wide strategy to guide corporate philanthropic activities and include priorities aligned with business drivers, description of system to measure results/impacts.

BY 2013: [NEW] Introduce executive program for employee volunteering, including skills enhancement and training for community investment.

ETHICS AND COMPLIANCE

See page 53

BY 2012: People manager training: Target 100% participation in ethical leadership.

BY 2012: Business integrity training: Target 100% participation by employees globally in deployed ethics and compliance training.

BY 2012: [NEW] Conflict of interest: Increase transparency around disclosure of potential conflicts of interest.

GOVERNANCE

See page 45

BY 2012: Ensure the improvement of gender diversity in our Board of Directors.

RISK & CRISIS MANAGEMENT

See page 51

BY 2012 (APAC); 2013 (EMEA, Americas): Update each regional Enterprise Risk Management (ERM) deliverables (risk maps) every 2 years.

BY 2012: Have an updated corporate-level ERM deliverable.

BY 2012: Cover more than 80% of key risks with a follow-up of mitigating actions.

BY 2012: Organize an annual Audit & Finance Committee ERM review.

BY 2012: Have more than 90% of all identified critical functions covered by our consolidated, enterprise-wide Business Continuity Management Program.

BY 2012: [NEW] Run at least 1 crisis trial.

SUPPLY CHAIN

See page 139

BY 2014: 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 2012: Include specific Corporate Responsibility requirements in 70% of procurement sectors for the purchase of own-use services/products.

3.4 2011 HALL OF FAME

Alcatel-Lucent received various awards and distinctions in 2011 relating to its performance in Corporate Responsibility and innovation. Many individual employees were singled out for their contributions, reflecting the talent throughout the company. We have shared a selection of some of these awards in this edition of the Corporate Responsibility report.

3.4.1 Receiving worldwide recognition

3.4.1.1 Dow Jones Sustainability Index sector leader

In 2011, Alcatel-Lucent ranked first among communication technology sector companies in the DJSI, topping a list of 14 organizations assessed by the DJSI's rating agency, the Sustainable Asset Management (SAM) group.

The DJSI was developed to provide asset managers with objective benchmarks to assess companies and manage their sustainability portfolios. In addition to financial performance, inclusion in the index points to the strides Alcatel-Lucent has made in a range of areas related to sustainability including our environmental performance, corporate governance, risk assessment, responsible supply chain activities, community support and human resource management. These assessments translated into scores in three dimensions: economic, environmental and social.

Dow Jones Sustainability Indexes
Member 2011/12

DJSI GLOBAL SCORE: 86/100

89/100 – ECONOMIC
90/100 – ENVIRONMENT
80/100 – SOCIAL

Read more about the DJSI

3.4.1.2 Making the 2012 Sustainability Yearbook

Alcatel-Lucent was also selected for inclusion in SAM's 2012 Sustainability Yearbook, a listing of the top-scoring 15% of the world's largest 2,500 companies in 58 different sectors. In the 2012 Yearbook, Alcatel-Lucent received three top distinctions: Gold Class, Sector Leader and Sector Mover. These recognize the consistent progress Alcatel-Lucent has made to implement a thorough and robust sustainability approach aligned with its business priorities.

sam 2012 sector leader
sam 2012 gold class
sam 2012 sector mover

Listen to the podcast with Christine Diamente, Head of Alcatel-Lucent Corporate Responsibility

Read more about the SAM Sustainability Yearbook

3.4.1.3 Leading in carbon performance

Each year, Alcatel-Lucent responds to the Carbon Disclosure Project (CDP). 2011's response yielded a score of 89 out of 100 possible points, and a spot on the Carbon Performance Leadership Index. The CDP performance score assesses the level of action taken on climate change evidenced in companies' CDP responses, and this honor highlights our ability to put commitments into action.

Representing some 550 investor groups with combined assets of $71 trillion in 2011, its mission is to "accelerate solutions to climate change by putting relevant information at the heart of business, policy and investment decisions." The CDP provides companies meeting certain criteria with a disclosure score and a performance band. In addition to being listed in the Carbon Performance Leadership Index, Alcatel-Lucent placed in the "A" band and its disclosure score improved by 10% over the previous year.

CARBON DISCLOSURE PROJECT

Read more on our blog

Read more about CDP

3.4.1.4 FTSE4Good

FTSE4Good indices objectively measure the performance of companies that meet globally recognized corporate responsibility standards. Alcatel-Lucent was pleased to rank once again as an FTSE4Good company in 2011 based on an assessment of its risk and performance related to material environmental, social and governance issues. That assessment was carried out by the FTSE4Good rating agency EIRIS.

FTSE4Good

Read more about FTSE4Good

Read more about EIRIS

3.4.2 Environment, health and safety awards

3.4.2.1 Environmentally active in Antwerp

Alcatel-Lucent received an Antwerp Environmental Charter award in June 2011 for its efforts to implement environmentally friendly business initiatives such as reducing paper use, launching GreenTouch and reducing overall gas consumption at its Antwerp facility.

▲ Kris Van Doren, EHS Manager for Alcatel-Lucent in EMEA, accepted the award on behalf of the company.

3.4.2.2 Committed to health and safety in China

Alcatel-Lucent earned a variety of certifications and awards last year in China for its health and safety-related performance. Alcatel-Lucent Shanghai Bell successfully completed the second on-site audit in the ISO 14001 EMS (Environmental Management System) process, passed the annual clean production assessment of the Shanghai Municipal Clean Production Office, and was honored with a second consecutive Trusted Enterprise for Environmental Protection award.

Alcatel-Lucent Qingdao was awarded for being a Shandong Clean Production Enterprise, an Environmentally Friendly Enterprise, and a Company of Excellence in Clean Production.

Customer Hong Kong Electric recognized our commitment to safety with a Good Safety Performance Award, acknowledging the efforts of employees and contractors based on EHS meeting attendance rate, safety performance and HEC safety audits.

▲ Alcatel-Lucent CAT Team Leader Margaret Lee accepted the award during a presentation ceremony on June 14, 2011.

3.4.2.3 BizSafe in Singapore

Alcatel-Lucent Singapore obtained BizSafe Level 3 Certification last December from the Singapore Workplace Safety and Health (WSH) Council. BizSafe is a five-level program that helps companies improve health and safety standards in the workplace. To be considered BizSafe, Alcatel-Lucent Singapore had to undergo a WSH audit to assess the company's compliance with Workplace Safety and Health Act Risk Management Regulations as well as BizSafe Level 3 Requirements.

3.4.3 Good in green

3.4.3.1 Alcatel-Lucent global rankings

Alcatel-Lucent's green performance was assessed and acknowledged by a number of authoritative bodies in 2011, including the Environmental Investment Organization (EIO), Newsweek and Greenpeace. Specifically:

- The EIO ranked Alcatel-Lucent fourth worldwide and first in the technology sector on its ET Global 800 Carbon listing based on the company's comprehensiveness, transparency and verification of emissions both in its annual CR report and through the CDP.

Global 800 Carbon Ranking

Read more about ET Global 800

- The company placed in the top 10% out of 500 in Newsweek's Green Ranking of Global Companies, and seventh of 26 in the technology equipment sector.

Read more about Newsweek's green Ranking

- Participating for the first time in the Greenpeace Cool IT Leaderboard in 2011, Alcatel-Lucent ranked sixth overall and second in the category of IT Energy Impact.

Read more about Cool IT Leaderboard

3.4.3.2 Green awards in 2011

Alcatel-Lucent was proud to be acknowledged for its commitment to eco-sustainability in 2011 at a number of key industry events, including:

- Being named Outstanding Vendor of the Year and receiving a Green Technology Initiative Award at the World Vendor Awards. Notable contract wins and innovative new products such as lightRadio prompted the panel to comment that "Alcatel-Lucent is one to watch in 2011".
- Taking two honors at the 2011 Emerging Technology Awards, one for lightRadio in the wide area network infrastructure category and another for Telehealth Manager for the health, wellness and fitness category of mobile applications.

In addition to the above, lightRadio garnered significant attention last year with a slate of awards including:

- Telecom Asia Readers' Choice Awards – Special Editor Recognition Award for LTE Innovation
- LightReading – Best New Product Mobile
- 4G World – Broadband Access Network Technology and Services (Wireless)
- Popular Mechanics Breakthrough Awards – Brilliant Innovators
- BBWF Infovision Award – Outstanding Technologies for Broadband Services
- Tech Titan Corporate Horizon Award – Outstanding Innovation in Technology and Communication Industry
- Mobile Merit Award – Best Mobile Technology Infrastructure
- GTB Innovation Award – Best Mobile Communication Innovation
- Industry Achievement Award – Best Network Technology Innovation
- NGN Leadership Award – Best Products, Services and Technologies for Next Generation Networks

- CTIA E-Tech Award – Best Wireless Network Infrastructure Innovation

3.4.4 Diverse and talented

3.4.4.1 Human Rights Campaign Foundation Corporate Equality Index

For the third year in a row, Alcatel-Lucent was named to the Human Rights Campaign (HRC) Foundation's Corporate Equality Index. The HRC rated 590 businesses on their treatment of gay, lesbian, bisexual and transgender employees, consumers and investors. Alcatel-Lucent was one of 305 businesses to achieve a perfect score of 100 for its commitment to protect individuals from employment discrimination based on sexual orientation and gender identity or expression.

3.4.4.2 Recognition of employees

In addition to the company as a whole being celebrated for CR achievements last year, individuals within Alcatel-Lucent were singled out for their accomplishments:

- Christel Heydemann, Alcatel-Lucent Vice-President of Human Resources and Transformation, was appointed to the World Economic Forum's (WEF's) Young Global Leaders community for 2012. WEF Young Global Leaders are dedicated to "improving the state of the world".

Read more about WEF Young Global Leaders

Read Christel's blog

- Mohamed El-Haw, Human Resources learning consultant in Cairo and Taleeda CEO, was named to the list of WEF Global Shapers in October 2011. Global Shapers is a community of young people who show great potential for future leadership roles in any sector of society – established in recognition of the fact that half the world's population today is under the age of 27.

Read more about WEF Global Shapers

Read Mohamed's blog

- Gabriel Charlet, research manager in Bell Labs Optical Technologies research in Villarceaux, France, was awarded the World Technology Award in November 2011 in the Communications category during a ceremony held by the World Technology Network (WTN) at the United Nations Headquarters in New York. He was also named a WTN Fellow. The World Technology Awards, which are organized by WTN in association with TIME, Fortune, CNN and Science/AAAS and Technology Review, have been called the Oscars of the technology world.

- In December 2011, Merouane Debbah, a professor at France's esteemed Supélec and the youngest-ever holder of the Alcatel-Lucent Flexible Radio Chair, received the prix Brillouin-Glavieux – an award established by the Society of Electricity and Electronics (SEE) and IEEE France Section to recognize work in science, technology and innovation by researchers under 40. Debbah was recognized for his research on matrix theory as it relates to wireless communication.

Read more about this award (in French)

- In North America, Alcatel-Lucent received several awards in recognition of excellence in supplier diversity throughout 2011, including listing in the annual Women's Business Enterprise National Council (WBENC) America's Top Corporations for Women's Business Enterprises for the fourth year in a row.

For more information, see p. 145

For more information, visit the online Alcatel-Lucent Recognition web page

"I am always searching for an understanding of today's world, its contrasts, its people and how I can make a difference, whether as a business executive or as a global citizen. My ambition is to take that knowledge and see how I can transform other communities through education, mentoring and bringing corporate leaders together in a more balanced and proactive core value system suited to today's reality."

CHRISTEL HEYDEMANN, ALCATEL-LUCENT VICE-PRESIDENT OF HUMAN RESOURCES AND TRANSFORMATION

3.4.5 Recognition around the world

3.4.5.1 China

Alcatel-Lucent made the top 10 of Southern Weekly's Ranking of Contribution to China by Fortune 500 Companies in 2011 and stood out as first within the telecom sector – marking the company's best performance since joining the index in 2007. In sub-rankings, Alcatel-Lucent placed 14th in the category of Philanthropy and Charity and 19th in Public Image.

Committed to delivering green technologies, building a responsible supply chain, and contributing to a harmonious and healthy society, Alcatel-Lucent Shanghai Bell (ASB, our flagship company in China) continued its work last year to improve the educational opportunities available to children in less-developed areas of the country. To date, ASB has supported 71 schools in 21 provinces, and the Alcatel-Lucent Foundation has invested more than 4 million yuan in eight charity programs for disadvantaged teenagers in China.

In November, the State-owned Assets Supervision and Administration Commission hosted a conference on Corporate Social Responsibility in Beijing, where ASB received a 2011 Excellent Company for Social Responsibility Practices Award. At the eighth joint Shanghai International Symposium on Quality and Forum of the International Academy for Quality, ASB was honored with a Shanghai Corporate Social Responsibility Promotion Award.

3.4.5.2 Mexico

Alcatel-Lucent Mexico has earned, for the second year in a row, Socially Responsible Company (ESR) certification from the Mexican Center for Philanthropy (CEMEFI). The rigorous evaluation process examines linkages with the community, business ethics, quality of life in the company, and care and preservation of the environment.

Alcatel-Lucent Mexico contributed with inputs to the certification process in corporate communications, human resources, legal and government relations, Alcatel-Lucent University and EHS areas.

Read more (in Spanish)

3.4.5.3 France

Alcatel-Lucent's internal social media platform, Engage, won the Workplace Environment and Mobility award at France's IT'Night 2011. Adopted by more than 57,000 employees throughout all 130 countries in which the company operates, Engage was launched in 2010 to foster collaboration, communication and connection across distributed teams.

Read more (in French)

In early January 2011, a three-year budget was established to promote actions in favor of gender equality and to adjust the salary gap between women and men – resulting in Alcatel-Lucent being able to reduce the gap from 7% to 1%. Also, a specific training program was implemented to fight against gender stereotypes and a new skills-based professional development model has been proposed for the company. Thanks to this agreement and other initiatives aimed at improving work/life balance, we were granted the AFNOR Label for Professional Equality, officially awarded on February 9, 2012 by Roselyne Bachelot-Narquin, French Minister of Solidarities and Social Cohesion.

Launched as a pilot in 2010, the College@ work initiative was so successful that we have decided to deploy it across 10 locations in France in 2011. The objective of this program is twofold: encourage more women to consider careers in our field and profession by presenting the activities and professions of our company; and accompany secondary school students in a one-week educational project.

Finally, Alcatel-Lucent's EU industrial service center in Haute Normandie took home a Sustainable Development Award in 2011 – given to organizations for demonstrating initiative on environmental issues and applying best practices. Its conference on illiteracy in 2011 was singled out by the Sustainable Development Award jury as a further example of Alcatel-Lucent's innovative, proactive approach.

3.4.5.4 Spain

In 2011, the Spanish Ministry of Health, Social Politics and Equality recognized Alcatel-Lucent with an Equality in the Company award, which celebrates organizations for maintaining policies that foster equality, fair treatment in the workplace and work/life balance.

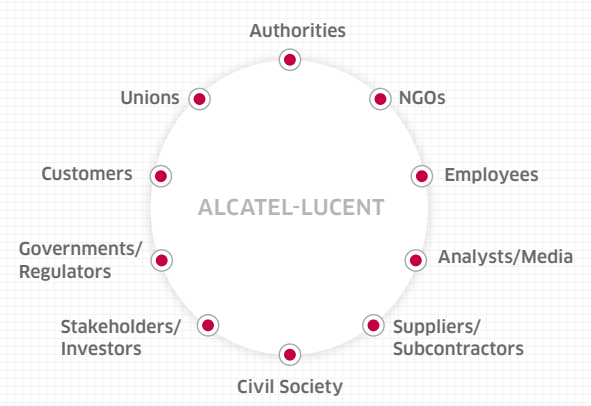
3.4.5.5 United Kingdom

For the past four years, Alcatel-Lucent has teamed up with the Haberdashers' School for Girls Monmouth to take part in the Engineering Education Scheme for Wales – a competition designed to encourage young students to pursue careers in engineering. In 2011, Alcatel-Lucent engineers Steve Trott and Chris Dean provided technical support and guidance as the girls designed, built and installed a repeater station to improve communication throughout the Wye Valley. This effort earned a Best Overall Team Performance award and nominations for Best Appreciation of Safety Issues, Most Effective Use of IT and Most Effective Presentation of the Chosen Solution.

4.0 OUR ENGAGEMENT WITH STAKEHOLDERS

4.1 DIALOGUE AND ACTION

Stakeholder dialogue remains the cornerstone of our approach to Corporate Responsibility, engaging us with partners who believe in our vision – **realizing the potential of a connected world** – in a proactive, innovative way.



A YEAR OF ENGAGEMENT

APRIL 2011 – We celebrated Earth Week by sharing interactive videos, blogs, tweets about our eco-sustainability strategy, targets and local best practices with employees across the world.

JUNE 2011 – We presented our sustainability priorities to the company via Engage, prompting more than 4,000 responses by employees on how to improve our sustainability performance. Those responses were presented to our company's top 200 leaders at the annual management convention and contributed to our Corporate Responsibility Action Plan.

JUNE AND SEPTEMBER 2011 – We presented our 2010 Corporate Responsibility Report as well as our 2011 priorities and targets to our investor community in a series of one-on-one dialogues on best practices and the improvement of our sustainability performance as part of the company's long-term strategy.

OCTOBER 2011 – Mr. Verwaayen participated in the UN's Broadband Commission Geneva meeting, where commissioners released targets challenging governments worldwide to achieve the Millennium Development Goals.

OCTOBER 2011 – Bell Labs co-hosted a conference in Ghana with social entrepreneur Bright Simons, industry leaders and government on creating new employment opportunities leveraging mobile learning (mLearning).

OCTOBER 2011 – Alcatel-Lucent hosted a local UN Global Compact meeting in Antwerp to present our activities and partnerships in favor of eco-sustainability and digital inclusion.

DECEMBER 2011 – Stephen Carter (Executive Vice President; President of the Europe, Middle-East and Africa region; and Chief Corporate Marketing and Communication Officer) met with British Young Global Leaders, technology entrepreneurs and key corporate leaders to discuss global growth through the digital economy for the 21st century in the United Kingdom.

MARCH 2011 – The Corporate Responsibility team and network members met with Greenpeace, virtually and at our Paris headquarters, to discuss common ways of addressing global climate change. We also invited Greenpeace to the Global e-Sustainability Initiative (GeSI) to promote open dialogue on climate change with the ICT industry and followed up with discussions at Davos 2012.

MAY 2011 – We communicated our CR priorities and commitments in a face-to-face forum with ECID, our European-based employee labor unions.

JULY 2011 – CEO Ben Verwaayen joined Vivendi Chairman Jean-Bernard Lévy, Deutsche Telekom CEO Rene Obermann and 35 other chief executives in Brussels to offer European Digital Agenda Commissioner Neelie Kroes an 11-point outline of principles for meeting superfast broadband network rollout targets in Europe – and to accelerate digital inclusion and the digital economy.

SEPTEMBER 2011 – Jeong Kim, President Bell Labs and Chief Strategy Officer of Alcatel-Lucent, participated in the WEF's Summer Davos in Dalian, China, meeting with Technology Pioneers, Young Global Scientists and WEF participants to discuss the role of innovation and science in promoting "quality growth." He shared his thoughts as a WEF guest blogger throughout the three-day event on social innovation and smart growth.

OCTOBER 2011 – Alcatel-Lucent's Rajeev Singh-Molares (Executive Vice President and President of the Asia-Pacific region) chaired a WEF Global Agenda Council on ICT, rallying global participants around the importance of mLearning at Abu Dhabi.

NOVEMBER 2011 – Alcatel-Lucent hosted a two-day virtual boot camp on the topic of social innovation with employees. It included the participation of approximately five global sites and corporate leaders by video-conference with YouTube(1) videos from external participants.

NOVEMBER 2011 – Alcatel-Lucent's CEO co-chaired the India Sustainability Summit as well as the WEF's India Economic Summit in Mumbai. Our CEO dialogued with Young Global Shapers, Young Global Leaders and Social Entrepreneurs on "linking leadership with livelihood".

(1) YouTube is a trademark of google, inc.

Throughout 2011, Alcatel-Lucent connected with a variety of traditional and new stakeholders to respond to the global challenges of climate change, the transformation to digital economies, and rural inclusion.

In every interaction with stakeholders – public sector, private sector, academic or civil – Alcatel-Lucent examines the costs, opportunities and risks involved. The company has developed a common understanding of issues relevant to the underlying problems and mutual agreement on the type of engagement best suited to our priorities.

The outcomes of these engagements are completely transparent, premised on open dialogue and meaningful action. In most instances, we favored open interaction with our partners: direct discussions, joint initiatives, global forums and online dialogue via social media channels such as The Blog, Twitter(1), YouTube and our internal social media platform, Engage. In all stakeholder engagements, we apply relevant stakeholder governance structures and ethic and compliance policies.

4.2 CUSTOMER RELATIONSHIPS

4.2.1 Customer Satisfaction Survey Program

The Alcatel-Lucent Customer Satisfaction Survey Program – a series of five surveys executed on an annual basis – lets us know how well we are meeting customer expectations and helps strengthen our customer relationships.

Covering the entire customer lifecycle, the surveys evaluate customers' satisfaction in terms of their relationship with Alcatel-Lucent, the products we provide, and the performance of our technical support, repair and project management services. Among these surveys, a relationship survey issued twice a year targets key decision makers and covers a broader spectrum of the customer experience.

Surveys and evaluations provide us with insight into our customer relationships. They also create opportunities for account teams to engage in follow-up discussions with customers (by email and, ideally, face to face), enriching relationships, uncovering new revenue opportunities, and identifying the areas of greatest importance to customers. Corrective actions and results are systematically tracked and stored electronically, and are reviewed by the Management Committee and the CEO as part of monthly business reviews.

Corrective actions and results are systematically tracked and stored using a computerized tool. All customers receive a follow-up communication after the surveys are complete. These follow-up communications are handled by our account teams and can take the form of meeting notes, emails, presentations or similar items. Face-to-face customer meetings are the preferred method of follow-up and are highly encouraged.

In 2011, Alcatel-Lucent improved its performance on customer satisfaction surveys in all three regions (Americas, Asia-Pacific, and Europe, the Middle-East and Africa). Our customer satisfaction level increased by an average of 4%, and the global response rate increased to 53% for the relationship surveys and 49% for the product surveys. More than 3,000 people responded to the business partner survey, which was distributed for the first time in 2011.

In 2011, Alcatel-Lucent defined customer satisfaction objectives for approximately 500 customers worldwide, representing about 80% of global sales. In particular, each organization's regions, product divisions and services have specific objectives for customer satisfaction. To ensure consistency, objectives are defined at the account level and aligned with annual results and available benchmark data within the appropriate market segment. These objectives for customer satisfaction results are aggregated and assigned to each internal organization leading market activities, customer accounts, central functions, services and products.

2011 ACHIEVEMENTS

4% increase in customer satisfaction versus 2010

53% response rate to customer relationship survey

49% response rate to product surveys

3,000 responses to the business partner survey implemented in 2011

Surveys are conducted online by an external company to ensure the program's integrity

Additional face-to-face qualitative surveys are also carried out by our Quality Assurance team

(1) Twitter is a trademark of Twitter, Inc. in the United States and other countries.

HIGHLIGHTS
TRACKING CUSTOMER SATISFACTION WITH DEDICATED INDICATORS

Customer satisfaction measurements include:

- Customer loyalty index performance versus defined targets per region, country or account
- Net promoter score per account
- Percentage of analyses completed by region, product division and key account (i.e., customers with 20 or more respondents)
- Close loop feedback (i.e., number of accounts with confirmed follow-up communications)

4.2.2 Customer service channels

Data gathered from surveys are assessed by members of the company's Account, Project Management, Service Assurance and Product Group teams, with coordination by the Quality Assurance and Customer Satisfaction team. Many of the insights gained are acted on by the regional product or services organizations closest to the specific customer, product or service involved. Customer satisfaction results and improvement opportunities are part of monthly or quarterly business and product reviews. Additionally, a Global Quality & Customer Satisfaction (GQ & CSAT) survey leads the company's overall Quality & Customer Satisfaction (Q & CSAT) strategy, planning and assessment to ensure we keep our promises while delivering a "right-first-time" customer experience.

The GQ & CSAT organization is headed by the Alcatel-Lucent Executive Vice President, Global Customer Delivery, who reports directly to the CEO. The central organization combines central and regional GQ & CSAT teams into a single entity to implement a common Q & CSAT strategy across the company while optimizing processes, methodologies and skill sets globally and assessing all regions and products for systemic areas needing improvement. Where necessary, cross-organizational quality improvement programs are established utilizing DMAIC (define, measure, analyze, improve, control) Six Sigma methodology as well as Lean Six Sigma, Theory of Constraints and Statistical Process Control.

4.2.3 Customer service quality

"Service quality" is defined as the customer's perception of a delivered service. "Service quality management" is the monitoring and maintenance of end-to-end services for specific customers.

Quality and the right-the-first-time concept are based on "Operation Science," which uses tools and techniques such as Lean Six Sigma, Six Sigma and the Theory of Constraints to provide scientific ways of analyzing and improving operations, predicting outcomes, avoiding errors and delivering faster, higher-value and better-quality solutions and services.

HIGHLIGHTS
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 or addressing communications between telecom network operators and suppliers. TL 9000-certified organizations are required to comply with:

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

Read more about the TL 9000 measurements

Through its Services Delivery Survey Strategy, Alcatel-Lucent solicits, collects and measures input on customer perceptions of quality as they relate to the delivery of contracted services, which include but are not limited to managed services, remote technical support, on-site support, and repair and exchange services.

Our Service Assurance organization manages our welcome centers, technical support, repair and return functions, escalation processes and more on a worldwide basis. It accurately measures the responsiveness of these services versus each customer's service-level agreements. We are working to build on our solid results (e.g., 96% of system outage restorations completed within SLA-requested times) and improve the performance of our processes to demonstrate our commitment to customers. Our Quality organization periodically reviews the nature of the customers' service support request to see if steps can be taken to eliminate recurring issues that cause customers to call for support.

4.2.4 Customer advocacy at Alcatel-Lucent

Alcatel-Lucent has a process in place to ensure all customer complaints – solicited or unsolicited – are managed and monitored through appropriate analysis and follow-up communications.

Under the leadership of the account teams any customer complaint – referred to as a Customer Critical Issue – receives follow-up communication from a representative aligned directly to the area of concern. To ensure steps are taken to resolve issues, all complaints are recorded and tracked through Alcatel-Lucent's Customer Critical Issues process, which is controlled by the Q & CSAT team. The process also allows for targets to be set and measured regarding the amount of time it takes to close a complaint. Leveraging the information collected, corrective measures are developed and tracked to completion, and follow-up discussions with customers ensure all corrective measures have been addressed to the customer's satisfaction.

2012 TARGETS

1

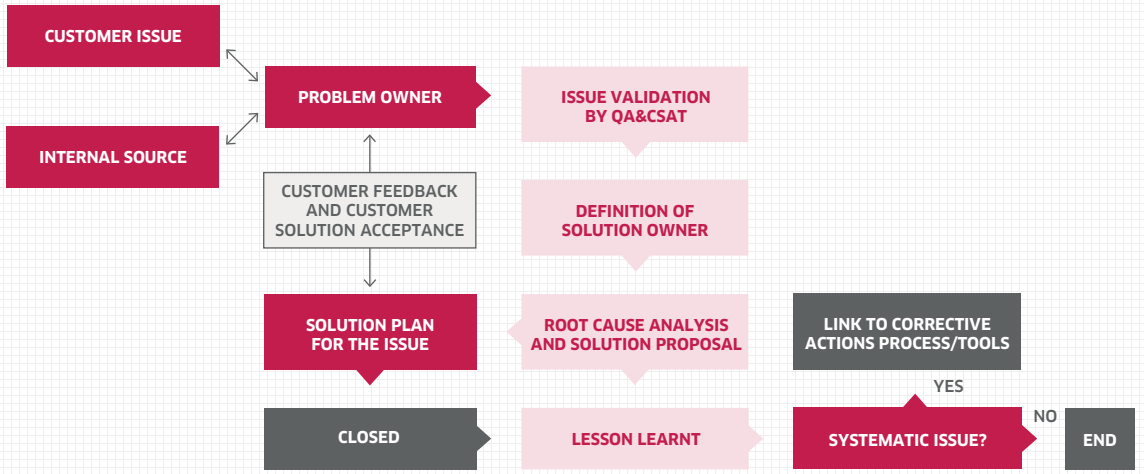
Enhance our Customer Satisfaction Program by providing quicker feedback and improvement plans to our customers. We will be asking more open-ended questions, allowing the customer to tell us in their own words what is important to them.

2

Reach 45–56% response (where 56% is considered best in class) for the customer relationship and product surveys.

To ensure that the Alcatel-Lucent Management Committee has visibility into customer issues, the Q & CSAT team is responsible for preparing weekly reports that outline the most pressing issues affecting customers in each region. Customer Critical Issues are further reviewed by region and product unit presidents during their quarterly reviews.

CUSTOMER CRITICAL ISSUES PROCESS



4.3 UNITED NATIONS GLOBAL COMPACT

THE GLOBAL COMPACT
WE SUPPORT

Alcatel-Lucent is a longstanding signatory to the United Nations Global Compact. Both a policy platform and a practical framework for companies committed to sustainability and responsible business practices, the UN Global Compact is an international initiative that brings companies together with UN agencies, labor and community groups to support universal environmental, ethical and social principles. It is the world's largest corporate citizenship initiative, with more than 6,000 companies belonging to its network.

Read more about the UN Global Compact

We are committed to integrating the 10 principles of the UN Global Compact into everything we do. To increase our level of reporting and to demonstrate our sustainability governance and management processes, the Alcatel-Lucent 2011 CR Report includes information relevant to each of the 10 principles.

Read more about the UN Global Compact's 10 principles

PRINCIPLES	NUMBER	DESCRIPTION	READ MORE
Human Rights	1	To support and respect the protection of internationally proclaimed human rights.	p. 24, 51, 66-67, 100-101, 124, 143, 147, 167
	2	To make sure that we are not complicit in human rights abuses.	p. 66-67, 100-101, 143, 147, 167
Labour	3	To uphold the freedom of association and the effective recognition of the right to collective bargaining.	p. 4, 101, 105, 160, 168
	4	To support the elimination of all forms of forced and compulsory labor.	p. 100-101, 143, 147, 168
	5	To support the effective abolition of child labor.	p. 100-101, 133, 143, 147
	6	To support the elimination of discrimination in respect to employment and occupation.	p. 4, 25, 59, 64, 100, 107-112, 133, 145, 147
Environment	7	To support a precautionary approach to environmental challenges.	p. 4, 5-6, 51, 143-144
	8	To undertake initiatives to promote greater environmental responsibility.	p. 4, 24, 27, 33-36, 69-72, 89-97, 143-144, 150-151
	9	To encourage the development and diffusion of environmentally friendly technologies.	p. 4, 25, 27, 33-36, 73-89, 121-127
Anti-corruption	10	To work against corruption in all its forms, including extortion and bribery.	p. 4, 6, 27, 33, 37, 51, 55-59, 63-67, 143, 147

In 2011 we incorporated information on our CR activities in accordance with the 24 UN Global Compact advanced-level criteria, particularly in the following areas:

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

Read more about advanced-level criteria and Alcatel-Lucent's UN Global Compact profile

Alcatel-Lucent values the opportunity to promote the UN Global Compact and its principles at both the global and local levels. In particular, regional partnership networks allow us to better understand the needs of our stakeholders and the environments in which we operate. Exchanging best practices at the local level further supports the UN Global Compact's mission for companies to implement its principles into their strategy and day-to-day operations. The Global Compact's local networks thrive by showcasing examples, learning from each other and sharing insights at the annual Global Compact meeting. They also form a unique community environment that supports the broader UN Millennium Development Goals.

▲ United Nations Global Compact Local Network event at Alcatel-Lucent Bell, Antwerp, Belgium, October 2011. Iris Van der Veken, Rosy Blue, Manager Corporate Affairs Global Chair, United Nations Global Compact Network Belgium and Katrina Destrée Cochran, Director Stakeholder Engagement, Office of Sustainability, Alcatel-Lucent

JOINING THE UN GLOBAL COMPACT BELGIUM NETWORK

Alcatel-Lucent is an active member of the UN Global Compact Belgium Network and in 2011 hosted an event on ICT sustainability for the Network's partners. At the end of 2011, Alcatel-Lucent was elected to the Network's steering committee to provide strategic input, promote the Network, and lead international partnerships (including partnerships with other local networks of the Global Compact).

4.4 WORLD ECONOMIC FORUM

ROBERT GREENHILL, MANAGING DIRECTOR AND CHIEF BUSINESS OFFICER WORLD ECONOMIC FORUM

AR

Watch the video 'ENERGY + INSIGHT = CHANGING THE WORLD'

Our Strategic Partnership with the WEF remains a vital part of Alcatel-Lucent's corporate stakeholder engagement and a key pillar of our Corporate Responsibility activity. Our goal is to have our most senior executives and experts – in collaboration with our customers, partners and major stakeholders – play a leading role in improving the state of the world.

Throughout 2011 and early 2012, Alcatel-Lucent focused its WEF participation and resources on three CR priorities: digital inclusion, innovation and diversity.

Our executives participated in numerous WEF meetings in Switzerland, Latin America, Africa, Europe, China, the Middle-East, East Asia and India.

"The World Economic Forum is a unique place to look at issues from very different perspectives: innovation, sustainable green, new ways of engaging with the young. Bring it on!"

BEN VERWAAYEN, CHIEF EXECUTIVE OFFICER, ALCATEL-LUCENT

Alcatel-Lucent's contributions to WEF entities and initiatives in 2011 included:

- CEO Ben Verwaayen is a member of the WEF Foundation Board, the Global Gender Parity Group Initiative, and the Executive Committee of the International Business Council. In 2011, CEO members of the IBC and the International Chamber of Commerce collaborated to develop proposals for G20 governments.

For more information, see p. 66

2011 ACHIEVEMENTS

Last year Alcatel-Lucent demonstrated its leadership by helping establish a framework of best practices related to gender diversity. CEO Ben Verwaayen was nominated to the WEF Gender Parity Board and led discussions on closing the economic gender gap at Davos 2012.

In December 2011, Executive Vice President Stephen Carter co-sponsored the WEF Young Global Leaders UK Summit on Global Growth, where he contributed to discussion on technology as a lens for global growth.

RAJEEV SINGH-MOLARES EXECUTIVE VICE PRESIDENT AND ASIA-PACIFIC PRESIDENT ALCATEL-LUCENT AND CHAIRMAN OF THE WEF ICT GLOBAL AGENDA COUNCIL

Watch the video

To experience Augmented Reality,
1. Download the app using the QR code
2. Scan the video picture with your phone.

AR

Read more

- Alcatel-Lucent is a signatory to the Partnering Against Corruption Initiative (PACI) and is represented by Barbara Landmann, Chief Compliance Officer and SVP, Intellectual Property & Standards.
- Executive Vice President and Asia-Pacific President, Rajeev Singh-Molares is Chairman of the ICT Global Agenda Council, where he is leading an initiative to promote "education for all" via mLearning.
- Alcatel-Lucent also has representation on the WEF Green Growth Board (Gee Rittenhouse, Chairman GreenTouch, COO S3G Business Group) and the Global Agenda Council for the International Legal System (Steve Reynolds, General Counsel).
- Christel Heydemann, Executive Vice President, Corporate Human Resources and Transformation, was appointed to the 2012 WEF Young Global Leader class; Mohamed El-Haw, a member of our Human Resources team in Egypt, was nominated in the 2011 WEF Global Shaper Class.

In addition, Alcatel-Lucent supports several WEF communities, including Technology Pioneers, the Science Advisory Council, Young Global Leaders, and Women Leaders and Gender Parity. Highlights in 2011 included:

- Adolfo Hernandez, Executive Vice President, President of Software, Services & Solutions, and Strategic Industries, was a panelist on the topic of infrastructure at the WEF Africa Summit in Cape Town.

Read our blog

- Jeong Kim, President Bell Labs and Chief Strategy Officer of Alcatel-Lucent, participated at the WEF Summer Davos in Dalian, China, where he spoke about "growth through science", and mentored Technology Pioneers, Young Global Scientists and entrepreneurs attending the forum. He is also a member of the WEF Tech Pioneers Selection Committee and the WEF Science Advisory Council.

Read our blog

- Christel Heydemann was invited as a guest WEF Young Global Leader at their annual summit in Dalian, China, to discuss a new generation of leadership.

Read our blog

- Mohamed El-Haw participated at the first WEF Global Shaper summit meetings in Jordan and Davos.

Read our blog

- Ben Verwaayen co-chaired both the India Sustainability Growth Summit and the India Economic Summit in Mumbai, actively participating in sessions focusing on climate change, growth and youth.

Read our blog

- Stephen Carter, Executive Vice President, President of the Europe, Middle-East and Africa region and Chief Corporate Marketing and Communications Officer, co-sponsored the WEF Young Global Leaders United Kingdom Summit on Global Growth in London.

- Alcatel-Lucent executives attended the WEF Annual Meeting at Davos, where Ben Verwaayen participated in the TIME Magazine Davos Debate on Capitalism: Is 20th Century Capitalism Failing 21st-century Society? and was a discussion leader on gender parity.

Read more about the TIME Magazine Davos Debate on Capitalism

Read more about the discussion on gender parity

▲ Ben Verwaayen, Alcatel-Lucent Chief Executive Officer; Foundation Board Member during the session 'TIME Davos Debate on Capitalism' at the Annual Meeting 2012 of the World Economic Forum at the congress centre in Davos, Switzerland, January 25, 2012.

4.5 GLOBAL eSUSTAINABILITY INITIATIVE

Alcatel-Lucent is a founding member of Global eSustainability Initiative (GeSI), a strategic partnership of ICT companies, associations and international organizations that are committed to creating and promoting technologies and practices that foster economic, environmental and social sustainability. Formed in 2001, GeSI's vision is a sustainable world through responsible, ICT-enabled transformation.

Read more about the Global eSustainability Initiative

HIGHLIGHT
Within GeSI, Alcatel-Lucent provides leadership in three areas: climate change, energy efficiency and communications.

4.5.1 Climate Change Working Group

Working in collaboration with other GeSI members, Alcatel-Lucent provided industry expertise for the March 2012 ICT sector supplement to the Greenhouse Gas (GHG) Protocol Product Accounting and Reporting Standard – the most widely used global accounting and reporting standard for corporate GHG emissions. By focusing on methodologies, processes and metrics used to quantify the enabling effect of ICT, Alcatel-Lucent plays a leading role in the technical working group responsible for developing the guidance as well as the steering committee level.

Read more about the Greenhouse Gas Protocol

Alcatel-Lucent's expertise comes from Bell Labs, namely from the product environmental engineering and network transformation area. For example, our experts are helping to model the amount of energy and associated carbon emissions it takes to communicate information across the network.

This work substantiates the message from GeSI's flagship report, SMART 2020: Enabling a low-carbon society, regarding the potential of ICT to enable other sectors to reduce their carbon emissions. According to SMART 2020, the ICT sector is directly responsible for only about 2% of total GHG emissions, but can substantially help reduce emissions from the remaining 98%. By applying ICT solutions to other sectors such as power grids, logistics, buildings and motor systems, global GHG emissions could be reduced by 15% by 2020.

Read more about SMART 2020

4.5.2 Energy Efficiency Working Group

> "The ICT industry plays a key role in addressing climate change globally and facilitating efficient and low-carbon development. Partnering with GreenTouch will move GeSI one step forward in reducing the time it takes for innovative ICT solutions for climate change to hit the market."
>
> **LUIS NEVES, CHAIRMAN, GeSI**

Alcatel-Lucent co-leads the Energy Efficiency Working Group, which aims to improve and facilitate cooperation and coordination among standards-developing organizations to promote and accelerate the market availability of energy-efficient ICT products, architectures and practices. For example, this is achieved by addressing information gaps and eliminating duplication of efforts or diverging standards.

At the end of 2011, GreenTouch and GeSI announced their partnership to coordinate research and policy developments to further disseminate the energy-efficiency tools needed for significant mitigation of climate change. Both organizations are committed to leveraging the strengths and expertise of their respective members in a concerted effort to drive research and investment into energy-efficient technologies and solutions. Their common goal is to raise additional awareness of the challenges stemming from climate change and exploding traffic growth, and to couple the developed technology roadmaps to policies and regulations.

Read more about the partnership between GreenTouch and GeSI

4.5.3 Communications Working Group

Alcatel-Lucent co-chairs the Communications Working Group, which disseminates key ICT sustainability messages about supply chain, energy efficiency, public policy, e-waste and climate change issues. The group conveys GeSI's mission to become a globally recognized thought leader and driver of the ICT sustainability agenda.

The group also facilitates opportunities to engage with stakeholders who share the value of reducing GHG emissions through the use of ICT. In June 2011, GeSI and Greenpeace held a videoconference to discuss common goals related to emissions reduction. Alcatel-Lucent was present at this meeting, which led to further engagement on shared goals in responding to climate change challenges.

During negotiations under the United Nations Framework Convention on Climate Change (UNFCCC), GeSI members successfully raised awareness on the potential of ICTs to mitigate the consequences of climate change. At the 2010 UN Climate Change Conference COP-16 in Cancun, Mexico, the Guadalajara ICT Declaration for Transformative Low-Carbon Solutions, supported by more than 40 companies (including Alcatel-Lucent), encouraged policy makers to "recognize and make full use of ICT as a solution".

Read more about the Guadalajara ICT Declaration for Transformative Low-Carbon Solutions

The successful launch of that declaration paved the way for GeSI's work in 2011.

At COP-17 in Durban, South Africa, the message of transformative, low-carbon solutions was well received, with three UN leaders declaring their support for ICT and, for the first time, a coordinated message between the ICT industry, the UNFCCC, ITU, the UN Global Compact and the UN Environment Programme.

Alcatel-Lucent fully supports the work that organizations such as GeSI provide. By allocating resources to co-lead several of GeSI's working groups and providing further support to the GreenTouch initiative, the company is demonstrating a long-term commitment to an ICT-enabled sustainable environment.

4.6 PUBLIC AFFAIRS

"Alcatel-Lucent's public affairs initiatives focus on innovations that support sustainable economic growth, competitiveness and social welfare."

GABRIELLE GAUTHEY, EXECUTIVE VICE PRESIDENT GLOBAL GOVERNMENT & PUBLIC AFFAIRS, ALCATEL-LUCENT

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

Alcatel-Lucent's Public Affairs activities help shape and socialize efficient spectrum allocation methodologies for mobile broadband in a range of Internet and online areas, including Internet sustainability, net neutrality, digital inclusion, broadband connectivity for social and economic development, and corporate governance.

4.6.1 Contributing to a sustainable Internet

Internet sustainability encompasses the economic, technical and societal issues related to net neutrality. In this arena, Public Affairs is active in shaping and sharing best practices related to issues such as online trust, data privacy, content protection and cyber security.

Driving cross-industry collaboration in Europe

Alcatel-Lucent was instrumental in launching and continues to propel cross-industry discussion on next-generation access (i.e., upgrading copper telecommunications to fiber) among European operators. The EU Commission has used this initiative to establish three working groups to continue the dialogue with stakeholders – some of whom have even begun to engage in negotiations together.

Envisioning the future at e-G8 and B20/G20

The e-G8 forum organized multiple conferences and discussions to gather companies, thinkers and Internet stakeholders to talk with the leaders of G8 nations about the impact of the Internet on society and the economy. Alcatel-Lucent was a partner in the e-G8 forum in Paris in May 2011, with CEO Ben Verwaayen co-chairing the event.

In the B20/G20, Alcatel-Lucent convened a working group on ICT and innovation, looking at ways to encourage authorities to create stable and predictable regulatory frameworks that promote competition and private-sector investment, as well as public initiatives in fixed and mobile broadband, ultra-high-speed broadband, content, applications and services. The group also agreed on the importance of establishing new, more sustainable business models for all players in the Internet value chain.

Read more about the B20 final report

▲ B20/G20 Summit

2011 ACHIEVEMENTS

Our 2011 commitment was to promote digital plans in countries all around the globe to support ICT benefits for all, with the establishment of an EU plan by mid-July 2011.

On July 13, 2011, Alcatel-Lucent CEO Ben Verwaayen, Vivendi chairman Jean-Bernard Lévy, and Deutsche Telekom CEO Rene Obermann joined 35 other CEOs in Brussels to meet Neelie Kroes, European Digital Agenda Commissioner, and offer an 11-point outline of principles for meeting targets for rolling out super-fast broadband networks throughout Europe.

Similar plans have been shared with other countries: Kenya, Mexico, Brazil, Argentina, Ecuador, Venezuela, Colombia, Qatar, Algeria and Indonesia.

2012 TARGET

1

Via the Public Affairs team, continue to promote digital plans in countries around the world to support ICT for all.

4.6.2 Furthering the cause of digital inclusion

To contribute to economic development, public welfare and digital inclusion, Alcatel-Lucent Public Affairs works with governments and regulators globally to develop digital networks capable of delivering e-health, e-learning and e-government services at the lowest possible cost. In particular, we promote public policies – including efficient spectrum policy – that support extending wireline and wireless connectivity to underserved and rural populations in both developing and developed countries.

For more information about digital inclusion, see p. 121

Understanding the impact of broadband connectivity

Alcatel-Lucent continues to raise awareness of the enabling effects of broadband connectivity and digital inclusion among stakeholders such as the UN, ITU, UNESCO, the World Bank and other regional development banks, GSMA, and various NGOs and foundations. Recognizing the need for greater cross-sectoral work – and for tying infrastructure deployments to applications, solutions and services that cater to health, education and other key sectors – Alcatel-Lucent is also engaging with governments to foster cross-ministry bridges.

In February 2012, Alcatel-Lucent hosted governments from emerging digital economies at Mobile World Congress for a high-level ministerial summit on the roadmap for mobile broadband. During this event, participants shared their perspectives on the evolution of the digital economy in key countries, including Kenya, Nigeria, Lebanon, Mexico, Colombia and Brazil.

Read more

Advancing mLearning

Mobile learning holds potential to transform education, especially in emerging and developing countries. In 2011, key initiatives in this area included triggering mLearning projects in Africa (training for health workers in Sub-Saharan Africa) and India (mLearning for three-million students through Indira Ghandi National Open University), and the development of reports, articles and presentations on mLearning, including a white paper for the WEF.

For more information about mLearning, see p. 126

Listen to the podcast of 'The world needs mobile learning' hosted by Rajeev Singh-Molares

Taking an active role in the Broadband Commission

Alcatel-Lucent is a committed participant in the Broadband Commission for Digital Development, a joint initiative of the ITU and UNESCO established in response to UN Secretary-General Ban Ki-Moon's call for greater effort to meet the Millennium Development Goals. Launched in May 2010, the Commission includes government leaders from around the world as well as the highest-level representatives from industry and international agencies and organizations and academia concerned with development. Mr. Verwaayen is among the initiative's select group of commissioners. In 2011, Alcatel-Lucent helped define the Commission's targets and challenge governments worldwide to achieve them by 2015.

Read more on Broadband Commission targets

Alcatel-Lucent also contributed to the Commission's main report and has participated actively in its working groups on e-government, climate change, education, health and science; the latter sought to raise awareness of the potential of ICT to reduce global carbon dioxide emissions by 15%.

Read more about the Commission's science report

Read more on The Broadband Bridge-Linking ICT with Climate Action for a Low-Carbon Economy

4.6.3 Corporate governance

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.

2012 TARGET

1

Via the Public Affairs team, continue to promote with public authorities best-in-class CR policies (in particular, corporate governance) to enhance legislation and voluntary initiatives

2011 ACHIEVEMENTS

Work on the B20 platforms

During the November G20 meeting in Cannes, government and business leaders held a B20 business summit to develop recommendations that would unlock economic growth.

To facilitate adoption of best-in-class CR policies, Alcatel-Lucent was involved in five of the 12 B20 working groups. Their recommendations included:

- Strengthening the international monetary system by encouraging convertibility of the Chinese yuan and developing local financial markets
- Making infrastructure a strong enabler for development, with increased investment from the private sector and promotional support from governments and multilateral organizations
- Recognizing corporate social responsibility as a key element for development and growth

An entire working group was dedicated to the topic of anti-corruption. Over the course of the year, this group has pressed actively for the adoption of anti-corruption rules and transparency measures, including at the level of the World Trade Organization (WTO). The next G20/B20 will be held in Mexico in June 2012.

Read more about B20/G20

For more information about anti-corruption, see p. 57

4.7 RESPONSIBILITY TO SHAREHOLDERS

Alcatel-Lucent regularly updates shareholders and prospective investors on the company's business strategy, activities and financial performance.

In 2011, the company announced a number of technical breakthroughs, enabling service providers to quickly adapt their fixed and wireless networks to end-users' needs, and to substantially reduce their infrastructure power consumption. During the May 2011 Technical Symposium in Villarceaux, France, financial analysts, industry analysts and media toured Bell Labs and talked with company leaders and engineers on the way to further embed environmental challenges as sustainability criteria within our innovation process.

At the end of 2011, Corporate Responsibility and Investor Relations teams jointly organized roadshows. With primary focus being on our global CR approach and on our carbon footprint, those sessions were unique opportunities for analysts to better understand Alcatel-Lucent's commitment to Corporate Responsibility. The two teams intend to collaborate on similar types of roadshows in 2012.

As governance is a key item on the agendas of investor meetings, Alcatel-Lucent communicated with shareholders ahead of the Annual General Meeting to discuss and explain the resolutions on which they will be voting. The company also provided stakeholders with information about our Dow Jones Sustainability Index ranking and our role in the ICT sector.

For more information about the DJSI, see p. 23

In 2012, the Investor Relations team will focus on strengthening relationships with the financial community.

Read more

HIGHLIGHT

Main shareholders as of December 31, 2011

4.8% Fidelity Management & Research

3.6% CDC

3.3% Manning & Napier

2.7% BlackRock Fund Advisors

4% Company-related holding

IF EVERYONE'S CONNECTED, WHAT WILL BE POSSIBLE?

COMPANY OVERVIEW

We are committed to making communications more sustainable, more affordable and more accessible, pursuing our vision to **realize the potential of a connected world**.

1.0 ABOUT ALCATEL-LUCENT

1.1 THE COMPANY IN BRIEF

The long-trusted partner of service providers, enterprises and governments around the world, Alcatel-Lucent is a leading innovator in the field of networking and communications technology, products and services. We are committed to making communications more sustainable, more affordable and more accessible; pursuing our vision to **realize the potential of a connected world** – delivering the innovation our customers, the world's communications services providers and some 250,000 enterprises, need to stay ahead, evolve, become radically more efficient, and move at the speed of ideas.

Alcatel-Lucent's High Leverage Network™ (HLN) provides the foundation needed to help service providers improve the Internet experience for their customers – both businesses and consumers – providing a platform for the profitable delivery of new revenue-generating services. HLN also gives service providers the agility they need to develop applications faster, expand to meet the demands of transporting rapidly growing video and mobile traffic, and reduce overall operating costs. For those building private networks in the critical infrastructure segments, such as energy, transportation and public services, HLN will provide the intelligence and mission-critical reliability they need to support their operations.

The company is home to Bell Labs, one of the world's foremost research centers, responsible for breakthroughs that have shaped the networking and communications industry. While Bell Labs is the research engine at Alcatel-Lucent, innovation is a widely distributed and core activity of the company as a whole. Bell Labs researchers and development engineers work closely together to produce innovations that bring visions of the future into reality, delivering more reliable, secure, flexible and environmentally sustainable networks than ever before.

With operations in more than 130 countries and one of the most experienced global services organizations in the industry, Alcatel-Lucent is a local partner with global reach. The company achieved revenues of 15.3 billion Euro in 2011 and is incorporated in France and headquartered in Paris.

Read more

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KEY INFORMATION CONSOLIDATED IN THE GROUP AS OF DECEMBER 31, 2011

Employees
More than 76,000

Operations
in more than 130 countries

Employee nationalities
More than 100

Annual revenues
€15.3 Billion(1)

R&D expenses
€2.4 Billion(2)

Market capitalization
€2.7 Billion

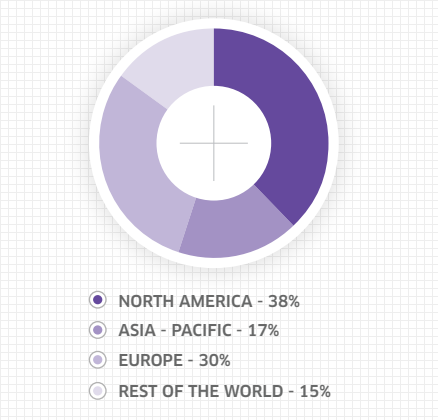
Markets served
Americas
Asia-Pacific
Europe, Middle-East and Africa

Headquarters
Paris, France

(1) Results excluding our Genesys business, which was sold to Permira on February 1, 2012.
(2) Adjusted R&D expenses, excluding the impact of the purchase price allocation entries in connection with the Lucent business combination.

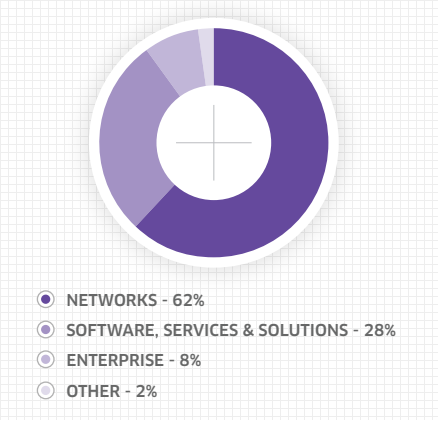
GEOGRAPHIC BREAKDOWN OF REVENUES

Full year 2011 – includes the results of our Genesys business



OPERATING SEGMENTS BREAKDOWN OF REVENUES

Full year 2011 – includes the results of our Genesys business



1.2 THE BUSINESS AT A GLANCE

Our operating segments are organized to continue our focus on evolving networks for the increasing demands of users while enabling network operators, public and private, to create new applications and consolidate and integrate their operations. Alcatel-Lucent serves customers worldwide through three operating segments.

1.2.1 Networks

This operational segment includes four main businesses – Internet Protocol (IP), Optics, Wireless and Wireline – and provides end-to-end networks and individual network elements that meet the strategic communications needs of fixed, mobile and converged service providers. As of December 31, 2011 the Networks group included another smaller business, Radio Frequency Systems.

ALCATEL-LUCENT MARKET SHARES

INTERNET PROTOCOL

#1 In mobile backhaul with 25% market share in the first half of 2011 (Infonetics)

#2 In IP/MPLS service provider edge routers with 23% market share in 2011 (Infonetics)

WIRELESS

#1 In CDMA with 37% market share in 2011 (Dell'Oro)

#2 In LTE with 24% market share in 2011 (Dell'Oro)

OPTICS

#1 In submarine optical networking with estimated 35–40% market share (revenues) 2011 (Alcatel-Lucent estimate)

#2 In terrestrial optical networking with 16% market share based on revenues in 2011 (Dell'Oro)

#2 In WDM long haul with 17% market share based on revenues in 2011 (Dell'Oro)

WIRELINE

#1 In broadband access with 37% DSL market share based on revenues in 2011 (Dell'Oro)

#1 In VDSL2 with 44% market share revenues in 2011 Dell'Oro)

#2 In GPON with 24% market share based on revenue in 2011 (Dell'Oro)

1.2.2 Software, Services & Solutions (S3)

This operational segment delivers a portfolio of combined software, services and solutions that focuses on the key opportunities and challenges facing our customers and that supplements and enhances our HLN product strengths. The Software, Services & Solutions segment consists of the former Network Applications business and the former Services group. The Services division designs, integrates and manages networks through its consulting, professional and operations management practices. The Network Applications division integrates services and software to offer a wide range of solutions that help service providers better monetize their networks and provide end-users a better quality of service. This operational segment also supports end-to-end solutions for strategic industries (energy, transportation and the public sector).

ALCATEL-LUCENT MARKET SHARES

SERVICES

#3 In overall services market, over the rolling four quarters ending Q3 '11 (Analysys Mason, IDC)

#2 In OSS/BSS integration over the rolling four quarters ending Q3 '11 (Analysys Mason)

Managed services deals in 100+ networks covering 250 million subscribers (Alcatel-Lucent estimate)

Network applications

Customer experience solutions for more than 150 of the world's leading service providers (Alcatel-Lucent)

98 IMS customer projects including 8 of the top 10 global operators based on 2011 rankings (Alcatel-Lucent)

200+ Subscriber data management deployments with more than one billion subscribers (Alcatel-Lucent)

190+ Payment customers including 8 of the top 10 global mobile operators based on 2011 rankings (Alcatel-Lucent)

Motive's customer experience-management solutions are deployed by almost 200 customers around the world (Alcatel-Lucent)

1.2.3 Enterprise

This operational segment provides voice telephony and data networking technology to more than 250,000 enterprises worldwide. On February 1, 2012, we completed the sale of our Genesys call center business to Permira.

ALCATEL-LUCENT MARKET SHARES

#2 In Europe, the Middle-East and Africa (EMEA) in enterprise telephony in 2011 (Dell'Oro)

#3 In EMEA in managed LAN switches for twelve months ending October 31, 2011 based on revenues (Infonetics)

The solutions we deliver through each of our operating segments provide a variety of social, economic and environmental benefits in keeping with our Corporate Responsibility principles. Our network technologies extend the benefits and opportunities associated with advanced communications to an ever-wider range of people – urban and rural, in developed countries and emerging economies, including those who have never had access to a telephone. Our S3 offerings enable the delivery of e-health, e-learning and other services that realize the vision of digital inclusion. Our enterprise solutions help businesses operate more efficiently and effectively, driving prosperity and economic growth.

In addition, we organize our business as follows.

1.2.4 Customer Sales organizations

We continue to have three customer-facing regional organizations – the Americas, Asia-Pacific and EMEA – that are accountable for serving customers and growing the business profitably. The primary mission of these organizations is to sell our products and services and ensure the highest customer satisfaction. The three regions share responsibility for customer-focused activities with separate, dedicated sales teams for our vertically integrated units (Submarine Systems, Radio Frequency Systems and Enterprise).

1.2.5 Global Customer Delivery

In July 2011, we created the Global Customer Delivery organization (GCD) to serve as a single interface for Alcatel-Lucent when delivering on commitments to our customers. This new organization combines the resources from the former Quality Assurance & Customer Care teams with the regional organizations.

Read more about Alcatel-Lucent

More Information in the Annual Report on Form 20-F

2.0 INNOVATION AT ALCATEL-LUCENT

HIGHLIGHT

Bell Labs' global research centers collaborate with more than 250 universities and research partners around the world.

2.1 ABOUT BELL LABS

2.1.1 Profile of a research leader

Today's Bell Labs scientists build on a long legacy of discovery. Some of the most remarkable minds in industrial research have worked within the institution, and over the years have garnered seven Nobel Prizes. In addition to serving as the research arm of Alcatel-Lucent, Bell Labs develops the company's technology strategy, sets its standards for technical excellence and oversees its large portfolio of intellectual property.

The work of Bell Labs spans all levels of research from the fundamental to the applied. Some of its researchers explore the underlying science of physics and information theory to build the deep, multi-disciplinary foundation of knowledge needed to drive disruptive changes into the market. Others work at the applied level to solve complex business or market challenges faced by our customers. Working in multi-disciplinary teams, these efforts allow Alcatel-Lucent to bring innovative products such as lightRadio™ to the market.

Bell Labs scientists conduct research at facilities in North America, Europe and Asia and – given Alcatel-Lucent's support of open innovation – collaborate with other scientists, engineers and researchers from more than 250 universities and partner organizations worldwide. Top experts across a range of disciplines take on some of the toughest challenges associated with **realizing the potential of a connected world**.

HIGHLIGHT
University of Pittsburgh Medical Center (UPMC)
An example of one such partnership is with UPMC in Pittsburgh, Pennsylvania. Bell Labs is working with UPMC to develop a telemedicine platform and suite of applications that make use of web services and cloud technologies to enable patients to receive care even when they are far from doctors and hospitals.

For more information, see p. 127

HIGHLIGHTS
Participation in approximately 100 standards organizations

Contributions to more than 200 different working groups

The research expertise of Bell Labs and the technical excellence of Alcatel-Lucent are recognized around the world – as suggested by the large number of researchers, scientists and experts who hold leadership positions in key standards organizations such as:

- the International Telecommunications Union (ITU)
- the Internet Engineering Task Force (IETF)
- the 3rd Generation Partnership Program (3GPP)
- the 3rd Generation Partnership Program 2 (3GPP2)
- the Institute of Electrical and Electronics Engineering (IEEE)
- the TIS Broadband Forum
- China Communications Standards Association (CCSA)
- the European Telecommunications Standards Institute (ETSI)
- the Open Mobile Alliance (OMA)
- the Open IPTV Forum
- the Telecommunications Industry Association (TIA)

As active members of these organizations, our researchers, scientists and experts shape Alcatel-Lucent's vision and contribute to industry advancement and the global economy.

2.1.2 Recognized for innovation

Each year, Bell Labs researchers and alumni are recognized for their outstanding technical achievements by organizations around the world. During 2011, several current and past members of the Bell Labs research community and the broader Alcatel-Lucent technical community were recognized as recipients of more than 30 prestigious awards.

Highlights from 2011 include:

- Dennis Ritchie and Ken Thompson, former Bell Labs Computer Science researchers, were awarded the 2011 Japan Prize for developing the UNIX® operating system and C programming language.
- Gabriel Charlet, research manager in Bell Labs Optical Technologies research, was awarded the World Technology Award by the World Technology Network for "innovative work of the greatest likely long-term significance". He has also been named a WTN Fellow.
- Bell Labs researchers Murali Kodialam and TV Lakshman, along with James B. Orlin and Sudipta Sengupta from MIT, were selected winners of the 2011 William R. Bennett Prize in the Field of Communications Networking for their excellent paper: Oblivious Routing of Highly Variable Traffic in Service Overlays and IP Backbones.
- Tod Sizer, Bell Labs Access Technologies research leader, was awarded the Popular Mechanics 2011 Breakthrough Award for his groundbreaking work on the lightRadio cube.

HIGHLIGHT
Awards over the years

- 7 Nobel Prizes in Physics
- 9 U.S. Medals of Science
- 12 U.S. Medals of Technology
- 1 Japan Prize
- 2 Draper Prizes
- 14 John Tyndall Awards
- 1 GRAMMY® Award
- 8 Marconi International Fellowship Awards
- 7 C&C Prizes
- 28 IEEE Medal of Honor winners
- 1 Emmy Award
- 1 General Ferrié Award
- 1 Blondel Committee Medal

Read more about ITU
Read more about IETF
Read more about 3GPP
Read more about IEEE
Read more about ATIS
Read more about Broadband Forum
Read more about CCSA
Read more about ETSI
Read more about OMA
Read more about Open IPTV Forum
Read more about TIA

2.2 MANAGING INNOVATION AT ALCATEL-LUCENT

KEY FIGURES

R&D is at the heart of our technology-driven company

Alcatel-Lucent dedicated 15% of its revenue to R&D in 2011, and meaningful innovation has been part of the company's heritage since day one

Bell Labs scientists work with developers and engineers in the company's operating segments to drive innovation, resulting in compelling and useful new communications services and capabilities that are changing the way the world communicates.

Focused on strengthening science and fundamental research within Bell Labs, the Bell Labs Chief Scientist periodically reviews the research portfolio to determine the quality and number of science and fundamental research projects necessary to fulfill the Bell Labs mission – with the goal of identifying and building on areas important to the future interests of Alcatel-Lucent.

2.2.1 Patent portfolio management

The Bell Labs Intellectual Property and Standards organization is responsible for managing one of Alcatel-Lucent's most important assets: its large and valuable patent portfolio. More than 2,600 patents were added to that portfolio in 2011, bringing the total to more than 29,000 active patents across a wide array of technologies. This depth of intellectual property gives the company's R&D community the design freedom to develop and introduce compelling new products and services for the world's telecommunications providers, who in turn make it possible for billions of people around the world to access a wide range of communications services on a multitude of devices and platforms.

On February 9, 2012, we entered into an agreement with RPX Corporation ("RPX"), a company active in the patent risk solutions business, pursuant to which, for a finite period, RPX will offer access to our worldwide patent portfolio through non-exclusive patent licenses to be entered into between members of the RPX client network and Alcatel-Lucent.

2011 ACHIEVEMENTS

More than 29,000 active patents held

More than 2,600 patents awarded in 2011

HIGHLIGHT

Entrepreneurial Boot Camp Program

Bell Labs' Entrepreneurial Boot Camp gives employees worldwide the opportunity to propose ideas for new products or services, as well as for improvements to existing products or services or operational efficiencies. Proposals are reviewed by a panel of experts drawn from inside and outside of the company. Teams are formed around the ideas that are judged to have the greatest potential, and they work with experts to develop business plans for presentation to a cross-discipline panel. The panel considers the proposals for integration into a product plan or to receive funding for further development. In addition to serving as a potential source of revenue, boot camps offer employees a great learning opportunity and a rewarding experience. In 2011 the boot camp concept was used to explore ideas for social innovation opportunities that allow the company to participate more fully in socially responsible programs while achieving its business goals.

ANTONIA TULINO
MTS, ACCESS TECHNOLOGIES
BELL LABS RESEARCH

Watch the video 'LOOKING FORWARD'

MORITZ STEINER
MTS, NETWORK TECHNOLOGIES
BELL LABS RESEARCH

Watch the video 'THE IMPACT OPPORTUNITY'

BOB WILLETT
DMTS, PHYSICAL TECHNOLOGIES
BELL LABS RESEARCH

Watch the video 'THE PACE OF PROGRESS'

To experience Augmented Reality,
1. Download the app using the QR code
2. Scan the video picture with your phone.

Read more

2.2.2 Leveraging our talents

Alcatel-Lucent's employees are a rich source of fresh ideas. Bell Labs encourages their creativity through an Entrepreneurial Boot Camp program – designed to teach employees how to develop innovative ideas into comprehensive business plans and ultimately, new products, solutions or services – that is held at major locations across the company.

Bell Labs also rewards and recognizes outstanding innovation and technical excellence demonstrated by individuals and teams in its R&D and engineering communities through programs such as the Bell Labs President's award, the Bell Labs Fellows and the Distinguished Member of Technical Staff programs.

2.2.3 2011 breakthroughs and key innovations

Our focus on innovation enabled us to develop potentially industry-changing offerings and enhance the solutions we deliver to our customers. In 2011, the entire Alcatel-Lucent R&D community made major contributions across a wide range of disciplines, such as optical networking and networking technologies. These included:

- **Our lightRadio product made its debut early in 2011.** This disruptive innovation condenses and combines cell tower components, such as amplifiers and antennas, into a single, small cube-shaped multi-standard radio. In addition, other elements of the traditional Radio Access Network (RAN) architecture are combined and virtualized into a network cloud. Since its introduction, lightRadio has transformed industry thinking in the way wireless networks are designed and deployed to deliver mobile broadband more effectively. The lightRadio network, which was exhibited live with Telefónica at Mobile World Congress 2012, can support speeds of up to 10 times those offered by the 3G network while lowering the cost per bit, meeting the needs of more users in dense urban areas. In addition, the cost structure is such that it can also meet the needs of users in rural or remote areas, delivering broadband to those on the other side of the digital divide. And finally, lightRadio will be able to reduce energy consumption of mobile networks by up to 50% over current radio access network equipment. lightRadio has captured 12 industry awards including the coveted Best Infrastructure Technology Award at Mobile World Congress 2012.

Read more about lightRadio

- **The world's first 400G network processor: the FP3.** Controlling just how fast bits travel across the network, the FP3 network processor optimizes 10G and 100G networks, and provides a clear path to 400G networking. It ensures higher performance, unlocks value for the next generation of online applications, entertainment and communications while cutting power consumption by up to 50% and reducing greenhouse gas emissions.

Read more about FP3

- **The first demonstration of spatial division multiplexing over a single optical fiber,** a novel multiplexing technology that has the potential to dramatically increase optical transmission. It represents a viable way of satisfying demand for high-speed networks far into the future by overcoming limits to optical network capacity imposed by Shannon's Law.

▲ Best infrastructure Technology award at mobile World congress 2012

GEE RITTENHOUSE
CHIEF OPERATING OFFICER SOFTWARE, SERVICES & SOLUTIONS, ALCATEL-LUCENT AND GREENTOUCH™ CHAIRMAN

AR

Watch the video 'ABOUT SHANNON'S LAW'

BASIL ALWAN
IP DIVISION PRESIDENT/ VP NETWORKS STRATEGY ALCATEL-LUCENT

AR

Watch the video 'ABOUT FP3'

TOD SIZER
ACCESS TECHNOLOGIES DOMAIN LEADER BELL LABS RESEARCH

AR

Watch the video 'ABOUT LIGHTRADIO'

To experience Augmented Reality,
1. Download the app using the QR code
2. Scan the video picture with your phone.

AR

Read more

GOVERNANCE

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

1.0 BOARD OF DIRECTORS GOVERNANCE SYSTEM

1.1 SEPARATION OF FUNCTIONS

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 CEO have been separated since 2006. Philippe Camus has been Chairman since October 1, 2008 and Ben Verwaayen has been CEO since September 15, 2008.

Following the renewal of their terms of office at the Annual Shareholders' Meeting of 2010, our Board of Directors confirmed the principle of separation of functions of Chairman and CEO, and reappointed Mr. Camus as Chairman of the Board of Directors and Mr. Verwaayen as CEO.

Read more in the Form 20F – Section 7.1.1 "Principles of organization of our company's management"

RENEWAL OF THE DIRECTORS' TERMS OF OFFICE

NAME	OFFICE	AGE	INDEPENDENT DIRECTOR	NATIONALITY	DURATION OF THE TERM OF OFFICE 2009 2010 2011 2012 2013 2014
Philippe Camus	Chairman Director	63		French	
Ben Verwaayen	CEO Director	60		Dutch	
Daniel Bernard	Director	66	Yes	French	
W. Frank Blount	Director	73	Yes	American	
Carla Cico	Director	51	Yes	Italian	
Stuart E. Eizenstat	Director	69	Yes	American	
Louis R. Hughes	Director	63	Yes	American	
Lady Sylvia Jay	Director	65	Yes	British	
Jean C. Monty	Director	64	Yes	Canadian	
Olivier Piou	Director	53	Yes	French	
Jean-Cyril Spinetta	Director	68	Yes	French	

1.2 STAGGERED BOARD – MEMBERSHIP AND DIVERSITY

Our Board consists of 11 directors, two of whom are women, representing six different nationalities. The average age of its members is 63. The term of office is three years maximum and, in compliance with the AFEP-MEDEF Code, the renewal of the terms of office of each director is staggered so as to avoid the replacement of the entire Board of Directors at one time. Starting 2013, one third of the members of the Board of Directors can be proposed for renewal each year.

The Board of Directors also includes two Board observers ("censeurs"), appointed for three years, who participate in Board meetings on a consultative basis. They are employees of Alcatel-Lucent or of an affiliate and members of an Alcatel-Lucent mutual fund (in French, "fonds commun de placement").

Read more in the Form 20F – Section 7.1.2 "Management Bodies of the Company"

2011 ACHIEVEMENT

The Board of Directors began a process to bring itself into compliance with the provisions of French law concerning the balanced representation of men and women at boards of directors, which requires that by the first Annual Shareholders' Meeting held in 2014, 20% of the members of a board of directors be women.

2012 TARGET

1

Ensure the improvement of gender diversity in our Board of directors by 2012.

1.3 SELECTION CRITERIA AND INDEPENDENCE OF THE DIRECTORS

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

The independence criteria chosen by the Board of Directors are based on the AFEP-MEDEF Code:
A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his or her judgment.

The Board re-examined the situation of each director with respect to the independence criteria of the AFEP-MEDEF Code and the NYSE rules. It determined that nine of the 11 directors are independent; i.e., all of the directors except the Chairman of the Board and the CEO. Therefore, according to the AFEP-MEDEF Code, they could not be considered to be independent since one of the independence criteria stipulated by the AFEP-MEDEF Code is that a director "must not be […] an executive director" ("dirigeant mandataire social" in French).

Read more in the Form 20F – Section 7.1.2 "Management Bodies of the Company"

1.4 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 concerning the compliance with any applicable securities laws, as well as with the rules of our "Alcatel-Lucent Insider Trading Policy," designed to prevent insider trading. This policy sets limited periods during 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 the Directors' Charter, a director must notify the board of any actual or potential conflict of interest. The Alcatel-Lucent Board of Directors has no knowledge of any directors in such a situation. There are also no family relationships between members of the Board of Directors and senior management and no arrangement or agreement with a shareholder, client, supplier or any third party pursuant to which a member of our Board of Directors or of our Management Committee was appointed in such capacity or as CEO of the company.

Read more in the Form 20F – Section 7.1.2 "Management Bodies of the Company"

1.5 BOARD DUTIES

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 our research and development activities 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 directors exercise their functions and, in particular, the thresholds above which the decisions of the CEO are subject to prior approval of the Board of Directors.

Also, the company's by-laws specify that, subject to the authority expressly reserved for the shareholders' meeting and within the limits of the corporate purpose, the Board of Directors addresses any questions that affect the company's operations and governs the affairs of the company through its deliberations.

Read more in the Form 20F – Section 7.1.3 "Powers and Activity of the Board of Directors"

2.0 BOARD EFFECTIVENESS AND TRANSPARENCY

BOARD AND COMMITTEE MEETINGS

	BOARD	AUDIT AND FINANCE COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	COMPENSATION COMMITTEE	TECHNOLOGY COMMITTEE
2011 Overall participation rate of Board and committee members	96%	96%	100%	90%	100%

2.1 DIALOGUE WITH DIRECTORS

The Board meets at least once every quarter either at corporate headquarters in Paris or at Murray Hill, NJ (USA) at the head office of Alcatel-Lucent USA. However, in practice, the Board of Directors meets more frequently, illustrating the commitment of its chairman and the directors to the company. Meetings are also held regularly at other company sites with a view of facilitating dialogue among executives, employees and directors, and to provide the directors with a better understanding of the company's wide range of business activities, as well as some of the specific challenges in major markets. In 2011, our Board of Directors met in Sao Paulo (Brazil) to review the company's business activities in South America.

The Directors may also seek the opinion of senior management on any subject they deem appropriate and meet with them in an informal way prior to the formal Board of Directors meetings. Directors also regularly meet with employees, in particular with those who demonstrate they have a strong career potential.

2.2 BOARD ACCESS TO INFORMATION

To assist them in the performance of their duties, the members of the Board receive all relevant information regarding our company, in particular, the financial analysis reports. This information is available to the Directors via a secured Intranet site dedicated to the Board members.

The Board of Directors has four specialized committees which report to it concerning the subjects presented to them: Audit and Finance, Corporate Governance & Nominating, Compensation and Technology. The attendance rate to the Board and its committees for fiscal year 2011 is globally satisfying (see table above).

2.3 ASSESSMENT OF THE BOARD'S OWN WORK

The Board carries out an annual assessment of its own work in accordance with the AFEP-MEDEF Code, as well as of the performance of the executive directors at least once every two years. Its performance is assessed by an independent consultant in compliance with our operating rules.

The Board performed an annual assessment of its own work at the beginning of 2012, with the assistance of an external consultant and a new internal tool that took the form of a dashboard designed to give the directors the information they need in a more structured manner and organized by main areas (strategy, finance, risk management and compliance, corporate governance, human resources and corporate social responsibility). The major points of the assessment are reported in the Chairman's Corporate Governance Report. The assessment results confirmed that the Board and its committees function in a satisfactory manner, that there is effective collaboration among the directors, and that the dialogue between the directors and management is thorough and of quality.

2.4 COMMUNICATION WITH THE SHAREHOLDERS

Our Board of Directors ensured that shareholders were kept properly informed. This included a detailed presentation of the company's situation and its governance by the Chairman and the CEO at the Shareholders' Meeting on May 27, 2011. The Board of Directors also ensured that investors and the public were properly informed, as required under French and U.S. stock exchange regulations.

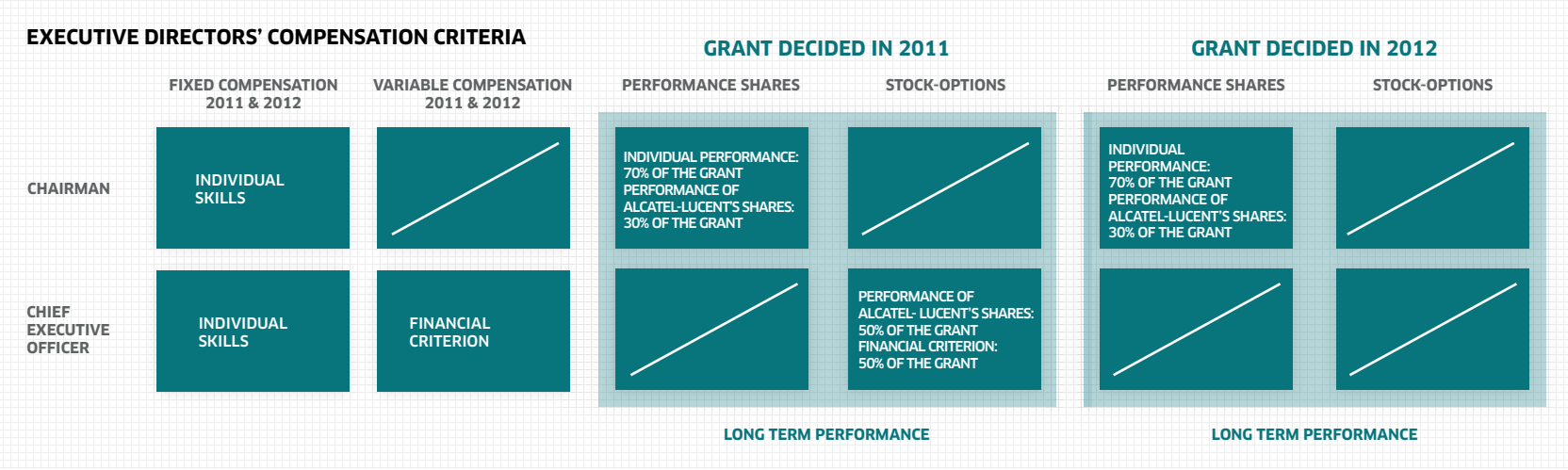
Read more in the Form 20F – Section 7.1.3.2 "Organization of Board Meetings"

2011 ACHIEVEMENT

Improving the level and quality of the information provided to the Board of directors.

A new internal tool was implemented in the context of the 2011 assessment of the Board of Directors in the form of a dashboard aiming to enable the Directors to apprehend the information made available to them in a more structured manner, by main areas as follows: strategy, finance, risk management and compliance, corporate governance, human resources and corporate social responsibility.

3.0 SENIOR MANAGEMENT REMUNERATION



3.1 PRINCIPLES

The Compensation Committee is responsible for making proposals to the Board of Directors regarding compensation of the directors, the chairman, the CEO and key senior executives. It evaluates all compensation paid or attributed to them, including compensation relating to retirement and all other benefits. It also reviews the policies relating to the grant of stock options and performance shares to the company's executive officers and in particular to members of the Management Committee.

3.2 EXECUTIVE DIRECTORS

The Board of Directors determines all compensation and long-term benefits awarded to the Chairman of the Board and the Chief Executive Officer. The Board ensures a balance among the various components that make up executive directors' compensation (fixed and variable compensation, stock options and performance share awards, as well as additional CEO pension benefits). It also ensures that these components are set in accordance with the general principles of comprehensiveness, balance, benchmarking, consistency, clarity of the rules and reasonableness as set forth in the AFEP-MEDEF Code.

The compensation of the Chairman of the Board consists of a fixed annual compensation paid in cash and share-based compensation, in line with the practices of companies in our main reference markets. In application of the AFEP-MEDEF Code, the evaluation of the performance of the Chairman of the Board must not only be based on quantitative criteria, but must also consider the work performed and results obtained, as well as the specific responsibility assumed by the Chairman within the company. The acquisition of performance shares for the 2011 and 2012 fiscal years to the Chairman of the Board are subject to the satisfaction of one quantitative criterion equal to 30% of the performance evaluation and of qualitative criteria equal to 70% of the performance evaluation.

The compensation of the Chief Executive Officer, like that of all the company's managers and executives, consists of a fixed portion and a variable portion, plus a long-term benefit. The variable compensation is determined each year by the Board of Directors according to pre-defined performance criteria. In 2011 the Chief Executive Officer received, as in 2010, a long-term compensation consisting entirely of stock options and 100% subject to performance conditions, as recommended by the AFEP-MEDEF Code. In February 2012, the Chief Executive Officer asked the Board of Directors not to grant him any stock options or performance shares in 2012 because although results improved significantly in 2011, the company had not yet reached 'normality' as described in the three-year plan for 2009–2011.

The Chairman of the Board of Directors and the Chief Executive Officer are not entitled to any severance payment, even upon forced termination resulting from a change in control or strategy.

3.3 MANAGEMENT COMMITTEE

The remuneration of the members of the Management Committee consists of a fixed portion and a variable portion based on company performance criteria reviewed by the Compensation Committee, identical to those applicable to all executives and a large number of our managers, and on their individual performance.

3.4 MEMBERS OF THE BOARD OF DIRECTORS

The only compensation paid to the Directors by Alcatel-Lucent is a director's fee. Directors fees, in accordance with the Board of Directors' Operating Rules, consist of:

- a fixed portion, for performing their duties on the Board of Directors and, where relevant, on one of the Board's committees, and
- a variable portion, for their attendance at the various meetings, in compliance with the AFEP-MEDEF Code.

Additional directors' fees are spread 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 throughout 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.

Read more in 20F – Sections 7.2.2.2 "Chairman of the Board of Directors", 7.2.2.5 "Chief Executive Officer, 7.2.2.8 "Management Committee" and 7.1.2 "Management Bodies of the Company"

4.0 CORPORATE RESPONSIBILITY

The principles of Corporate Responsibility (CR) are essential part of our corporate governance. The Board of Directors supports the initiatives of the company that cover a scope beyond the limited part of what is meant by CR.

The Board of Directors is kept regularly informed about the CR proceedings that are reported by the different organizations within the company to the Board's Committees: the Technology Committee is concerned with the areas of the environment, the Audit and Finance Committee with the conformity and risk management areas, and the Board itself with the strategy and human resources fields.

Read more in the 20F – Section 7.1.3 "Powers and Activity of the Board of Directors"

5.0 INDEPENDENCE OF STATUTORY AUDITORS AND INTERNAL AUDIT

External auditors' fees are closely monitored and controlled. Their budget is approved by the Audit and Finance Committee and a process has been established to approve additional audit services fees (audit related or not audit related). It has to be noted that services (not audit related) rendered by the two statutory auditors in 2011 represent less than 5% of the total amount paid to our two external audit firms.

The corporate audit function is in charge of all internal audit engagements, as well as the Sarbanes Oxley Project Management Office. To accomplish its mission, in accordance with the Audit Charter, Corporate Audit Services team (CAS) has full access to all areas of the organization. With a team of approximately 50 people, the Chief Audit Executive reports to the Audit and Finance Committee and CFO 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 anticorruption reviews). The audit results and the follow up of the audit recommendations made by the audit team are regularly shared with the Audit and Finance Committee.

The audit department is regularly audited by a certified independent organization to assess its conformity with professional standards.

6.0 E-NOTICE OF MEETING AND E-VOTE FOR 2012 SHAREHOLDERS' MEETING

To enable shareholders (mainly the holders of ordinary shares) to participate in the company's commitment to eco-responsibility, the company offered to send notices of shareholder meetings by email and to vote via Internet.

Those shareholders who have agreed to this will receive meeting notices by email with a link to a dedicated and secure website where they can access and download the Board's report on resolutions, the Shareholders' Meeting notice and the Document de reference 2011 filed with the AMF. In addition, as of the Shareholders' Meeting of June 2012, they will also be able to cast their vote by this dedicated website.

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 also implemented for these shareholders a "lightweight" notice of meeting in compliance with the applicable law that authorizes the sending of a two-page "Important Notice" with the access to the dedicated website for the Shareholders' Meeting, and to get (if specifically requested) a paper copy of the documents regarding this meeting.

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

7.0 OUR APPROACH TO RISK AND CRISIS MANAGEMENT

7.1 ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) at Alcatel-Lucent is built on a comprehensive framework that covers 80 risks in the areas of operations, finance, legal and compliance, HR and security, and strategy. Corporate responsibility-related topics such as respect for human rights, anti-corruption, raw material prices and environmental regulations are either directly addressed or nested into the risk catalogue.

ERM includes risk identification and evaluation as well as the setup and capture of mitigating actions for key risks. It gives enterprise-wide visibility to the impact of all types of risks on processes, activities, stakeholders, products and services, allowing the company to define effective and sustainable risk responses.

Specifically, our risk-management process identifies the most significant risks and prioritizes them according to the following evaluation criteria:

- Severity of impact
- Likelihood of occurrence
- Control effectiveness

The company's Head of Corporate Finance & Investment Office reviews the ERM program for the Board of Directors and its Audit and Finance Committee; within Corporate Finance, the head of Risk & Insurance owns the ERM process.

Initiated more than 10 years ago, Alcatel-Lucent ERM complies with COSO II, an integrated ERM framework that allows companies to structure all kinds of risks and organize appropriate mitigating actions. Our ERM process is also in line with the AMF (Autorité des Marchés Financiers) recommendations and the Sarbanes-Oxley act, Section 404 compliance process.

After prioritization, a number of key risks have been identified as warranting particular attention by the company on the basis of consolidated 2011 ERM results and inputs from select corporate stakeholders. These risks are at least annually communicated to and reviewed by the Board of Directors and its Audit & Finance Committee, and ERM disclosure is reconciled with 20-F risk factor disclosure. Corporate risk owners and associated mitigating actions are identified for each key risk. Actions can either be recurrent (control activities) or corrective (ad hoc). Action plans are monitored on a quarterly basis through specific indicators working with the corresponding Management Committee member or his/her direct reports. Risks and the status of mitigation actions are submitted quarterly to the Corporate Finance & Investment Office and Corporate Audit Services, which inform senior management and share information with the Board of Directors and its Audit & Finance Committee. Reporting on key risks and mitigating actions is complemented, where relevant, by the presentation of hot risk topics to ensure our perspective on risks remains current.

In 2011, one of the key risk mitigation programs focused particularly on supply chain contingencies and crisis management.

The company enforces a policy to minimize industrial risks in order to avoid high frequency occurrences and control the impact of potentially serious losses. More than 63% of our total insured values are classified as HPRs, or "Highly Protected Risks"[1]. Contingencies and interdependencies linked to internal and external manufacturing and logistics nodes were thoroughly analyzed and a corrective risk-engineering program was driven throughout our supply chain organization (again, both internally and externally). This policy and level of mitigation benefits everyone: our customers, employees, suppliers and stakeholders.

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

2012 TARGETS

1

Ensure that updating of all three regional ERM deliverables (risk maps) is executed according to the two-year process cycle.

2

Complete the updating of the corporate-level ERM deliverable (risk map) by the end of 2012.

3

Cover more than 80% of the company's key risks with regular follow-up of mitigating actions over the course of the year.

4

Organize an annual Audit & Finance Committee to review ERM achievements and efficiency.

2011 ACHIEVEMENTS

The overall key achievement of the year was full deployment of a mature ERM. Others included:

Delivery of current risk maps covering the company's three regions.
Asia-Pacific risk map was updated in 2010 and Americas, Europe Middle-East and Africa risk maps were updated in 2011. These are systematically updated every other year and were delivered accordingly.

Update of our corporate-level risk map.

Definition of mitigating actions for 100% of the company's key risks.
92 action plans were defined, implemented and monitored by risk owners.

Completion of a global ERM review by the Audit & Finance Committee
on March 15, 2011, supported by quarterly reporting to the Audit & Finance Committee on the status of action plans.

MINIMIZING EARTHQUAKE EXPOSURE IN CALIFORNIA

The 2011 earthquakes in Christchurch, New Zealand and northeastern Japan spurred a review of Alcatel-Lucent sites in earthquake-prone areas. Following a Business Impact Analysis, structural summaries were developed for two buildings housing labs at the IP Division's R&D facilities in Mountain View, California, identifying improvements to increase their robustness. An integrated business continuity plan test involving an earthquake scenario was also conducted; opportunities for improvement identified during the test have been addressed.

7.2 BUSINESS CONTINUITY AND CRISIS MANAGEMENT

Our enterprise-wide Business Continuity Management (BCM) Program, an integrated part of the ERM, is designed to enable Alcatel-Lucent to continue business-critical functions and meet customer expectations during significant business disruptions. BCM is closely linked to and supports our Corporate Crisis Management process. If and when needed, business continuity plans are activated to support continuity of critical functions such as product delivery, installation and technical support for customers.

Alcatel-Lucent has completed three years of a four-year plan launched in 2008 to establish a standard format and centralized repository for its business continuity plans. The four-year initiative aims to integrate plans for coverage throughout the company. The objective is to have a mature BCM program with more than 90% of all identified critical functions covered by the end of 2012. Program progress is on track to achieve this target.

Business Continuity Management is complemented by a robust Corporate Crisis Management process approved by the CEO. The process establishes an integrated approach to incident management of crisis situations for Alcatel-Lucent and provides the framework for efficient interaction between local, national, regional, corporate and external stakeholders.

The Corporate Crisis Management team is activated in the case of a major event threatening 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 geopolitical crisis.

2012 TARGETS

1

Cover more than 90% of all identified critical functions with our consolidated, enterprise-wide BCM Program by end of year (i.e., have a mature BCM Program).

2

Run at least one crisis trial.

2011 ACHIEVEMENT

By the end of 2011, more than 69% of all identified critical functions were covered by our consolidated, enterprise-wide BCM Program.

7.3 CONTINGENCY PLANS FOR ENVIRONMENTAL AND CR-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. As of this writing, 77 real estate facilities plans were in place. These target locations with more than 500 employees (or more than 200 employees in areas with elevated risks, such as proneness to earthquakes or political volatility). The plans 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, business continuity and crisis-management plans are put in place to manage the appropriate response to identified key risks.

LOCAL INITIATIVES ENSURING BUSINESS CONTINUITY IN EGYPT

Business continuity plans were activated in Egypt in February 2011 due to political unrest in that country. Personnel were able to work effectively from home until the government interrupted Internet service. Even though this was not specifically anticipated in the plans, IT personnel were able to develop and implement an alternate data connection to facilitate communication and minimize business disruption. In parallel, country evacuations were planned and executed for those who needed/ wished to evacuate.

MAINTAINING CONTINUITY DURING NATURAL CATASTROPHES

Various business continuity plans were activated in consequence of the Japan earthquake in March 2011, the landfall of Hurricane Irene in the U.S. in August, and flooding in Thailand in October/December. Execution of plans in these cases was effective. As part of our commitment to continuous improvement, "Lessons Learned" sessions were held after each incident to help improve our risk response.

HOW WOULD YOU WANT A COMPANY TO DO BUSINESS WITH YOU?

ETHICS, COMPLIANCE AND BUSINESS CONDUCT

Alcatel-Lucent is dedicated to upholding the highest standards of ethical conduct – ensuring that customers are proud to do business with us, partners are proud to work with us, and our communities are proud we are making a difference.

1.0 OUR APPROACH TO ETHICS AND COMPLIANCE

At Alcatel-Lucent, our commitment to ethics and compliance is communicated widely and regularly and is an essential aspect of how we conduct business.

OUR COMMITMENT

Alcatel-Lucent has a zero tolerance policy for compliance violations and reinforces full integrity in every business action from every employee. We treat each other with respect and empathy at all times.

To deliver on our commitment, Alcatel-Lucent has developed and implemented a comprehensive Ethics & Compliance Management System. This system is designed to promote compliance and ethical behavior consistent with the highest standards of our customers, shareholders and employees, and to contribute to our long-term success. Specifically, it aims to prevent and detect violations of law, regulation and company policy, and to cultivate an ethical business culture throughout the company.

The following are key elements of our Ethics & Compliance Management System:

- A comprehensive compliance governance structure
- The Alcatel-Lucent Code of Conduct
- Policies, procedures and controls
- Monitoring and auditing practices
- 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
- Consolidated Compliance Hotline and other reporting venues
- Global compliance resolution process

Building a comprehensive Ethics & Compliance Management System within the framework of a corporate culture of integrity has been a dominant focus for Alcatel-Lucent since 2007 and has continued throughout 2011. Every individual has a role in maintaining high standards of ethical conduct.

THE MAIN CHARACTERISTICS OF OUR APPROACH TO ETHICS AND COMPLIANCE

A STRONG "TONE AT THE TOP"	THE CEO AND ALCATEL-LUCENT MANAGEMENT COMMITTEE HAVE DEFINED THE CORPORATE CULTURE AND ETHICS & COMPLIANCE MANAGEMENT SYSTEM PRINCIPLES.
A KEY ROLE FOR PEOPLE MANAGERS	THEY SET THE BAR FOR BUSINESS INTEGRITY WITHIN THEIR RESPECTIVE TEAMS.
SENIOR LEADERSHIP RESPONSIBILITY FOR BUSINESS INTEGRITY	THE SENIOR BUSINESS LEADERS ARE ACCOUNTABLE FOR PROGRAM IMPLEMENTATION AND RESULTS.
INCREASING REGIONAL LEADERSHIP AND OVERSIGHT	THE REGIONAL LEADERS ARE RESPONSIBLE FOR IMPLEMENTING ETHICS AND COMPLIANCE ACROSS THE BUSINESS
COMPREHENSIVE COMPLIANCE MEASURES AND RELATED INTERNAL CONTROLS	THEY ARE PUT INTO FORCE TO HELP AVOID AND MITIGATE COMPLIANCE RISKS.
AN INTEGRAL ETHICS & COMPLIANCE MANAGEMENT SYSTEM	PROGRAMS AND RELATED INITIATIVES ARE INTEGRATED INTO BUSINESS OPERATIONS AND CONSISTENT WITH BEST PRACTICE STANDARDS AND EVOLVING LEGAL REQUIREMENTS

2011 ACHIEVEMENTS

99% of employees globally completed review and acknowledgment of the Alcatel-Lucent Code of Conduct

Developed web-based "Leading with Integrity" training for people managers, accompanied by a robust communications plan highlighting the role of people managers in enhancing a culture of integrity

2012 TARGETS

1

Target 100% participation in ethical leadership training for people managers

2

Target 100% participation by employees globally in deployed ethics and compliance training

3

Increase transparency around disclosure of potential conflict of interest issues

1.1 COMMUNICATING ETHICS AND COMPLIANCE

2011 ACHIEVEMENT

Ethical behavior considerations were incorporated as part of the 2011 employee performance management process.
For this specific context, resource materials such as briefing documents and questions & answers were developed and provided for employees and people managers, outlining expectations for ethical behavior and what that means for the business.
These materials were published on our Intranet.

In 2011, Alcatel-Lucent initiated a comprehensive communications campaign to promote its culture of exemplary business ethics. Under the leadership of the Office of Business Integrity & Compliance, the company took advantage of various communications means, including town hall meetings, CEO videos, blogs, employee stories and management messages, to underscore the importance of establishing and maintaining a corporate culture of integrity. Particular attention was paid to communicating with people managers, who have a significant impact on the behavior of employees throughout the company in their dealings with customers, vendors, government authorities and others.

1.2 ZERO TOLERANCE POLICY

The company continued to implement a zero tolerance policy consistent with its established regional and corporate compliance resolution processes, requiring 100% integrity in all business practices. Management expects all employees to comply with applicable legal and company requirements. Any identified violations are addressed swiftly, consistently and fairly. Last year, we continued to execute on our mandate to terminate the use of agents and consultants in conducting commercial activities to reduce the risk of corruption.

The status of this program is reviewed regularly at the highest levels of the company, including the Alcatel-Lucent Ethics & Compliance Council and the Board of Directors.

Alcatel-Lucent has not identified any non-compliance with laws or regulations regarding the provision and use of its products and services and, as such, the company did not pay any fines in 2011 (significant or otherwise).

1.3 COMPETITION

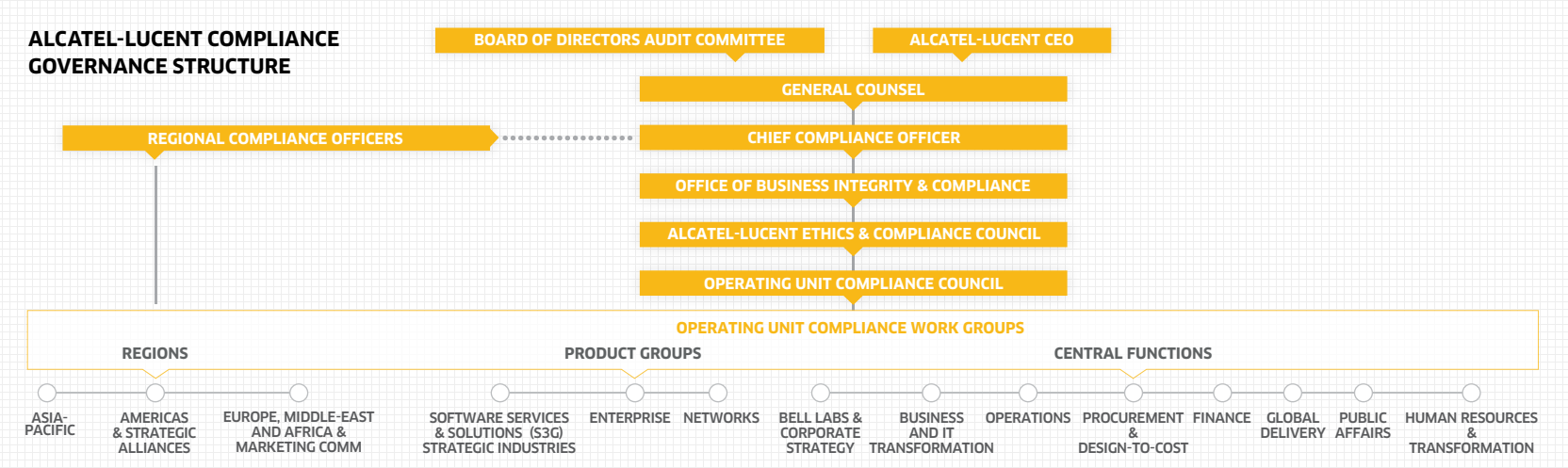
Alcatel-Lucent has a clear policy to obtain business solely on the merits of its products, services and people. Compliance with laws promoting and protecting competition in the marketplace, known as competition laws (or antitrust laws in the U.S.), is carefully spelled out in our Code of Conduct.

We engage in lawful means of obtaining information about our competitors. We comply with all international trade laws, including applicable export, import and sanctions laws and regulations in the countries where we conduct business.

Our employees know that to win in the marketplace, we must provide a compelling offer comprised of competitive pricing, strong support and integrated services for reliable, quality, technologically advanced products.

The company's competition/antitrust law policy is readily available through its Intranet, and employees whose jobs are affected by this policy participate in relevant training programs. Alcatel-Lucent employees are instructed to avoid contact with competitors except for participation in certain types of activities that have been reviewed in advance by the Alcatel-Lucent Law Division (e.g., industry forums, standards-setting organizations, research projects). Employees are not permitted to participate in any agreements or exchanges of information with competitors to avoid or reduce competition. When in doubt, they are urged to consult the Law Division to ensure their activities comply with competition/antitrust laws.

2.0 OUR COMPLIANCE GOVERNANCE STRUCTURE



2.1 A GLOBAL COMPLIANCE GOVERNANCE ORGANIZATION

Alcatel-Lucent has developed and implemented a global compliance governance structure that defines responsibilities for designing its Ethics & Compliance Management System, implementing program elements and ensuring overall accountability for results. The structure incorporates guidance from global standards and elements consistent with evolving best practice standards, as well as defined accountabilities to ensure alignment with business requirements.

Key elements include:

- **CEO**: sets tone and demonstrates the importance of business integrity consistent with our zero tolerance policy.
- **Chief Compliance Officer**: oversees the Ethics & Compliance Management System, setting strategic direction and ensuring Alcatel-Lucent operations are consistent with a culture of integrity.
- **Office of Business Integrity & Compliance**: executes the strategic direction and provides expertise and leadership for ethics and compliance initiatives across Alcatel-Lucent.
- **Regional Compliance Leaders**: provide support and operationalize ethics and compliance initiatives regionally.
- **Alcatel-Lucent Ethics & Compliance Council**: chaired by the Chief Compliance Officer, consists of senior management responsible for overseeing program status across the business.
- **Operating Unit Compliance Council** (and Work Groups): with representation from each business unit, accountable for implementing initiatives and ensuring measurable results.
- **Compliance Program Owners**: consisting of the subject matter experts for the company's key compliance program areas, responsible for ensuring that programs are fully integrated into business operations, effectively managed and consistent in quality across the organization.
- **Law Division**: supports the enforcement of company policies by the Alcatel-Lucent Ethics & Compliance Council, the Chief Compliance Officer and the Regional Compliance Officers.
- **Compliance Issues Reporting Methods Initiative**: provides several options for employees to report suspected violations of law or company policy without fear of retaliation.

2.2 THE ROLE OF THE BOARD OF DIRECTORS

Separate from, but aligned with the governance mechanisms established through the Ethics & Compliance Management System, the company's Board of Directors – with support from the Audit & Finance Committee – plays an important role in overseeing compliance performance. The company's Chief Compliance Officer and the General Counsel provide periodic updates to the Audit & Finance Committee and to the entire board on the status of ethics and compliance activities at Alcatel-Lucent. These status reports occur at least twice per year and more often, as required. In addition, the Chief Audit Executive provides regular updates on significant compliance-related audits and investigations to the Audit & Finance Committee. In 2011, the board received compliance training to ensure its knowledge in critical areas, with a focus on anti-corruption. In addition, the board reviewed and acknowledged the Alcatel-Lucent Code of Conduct.

3.0 OUR ANTI-CORRUPTION COMPLIANCE PROGRAM

3.1 ANTI-CORRUPTION APPROACH

Anti-corruption is the company's top compliance priority. 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 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 (FCPA) and the United Kingdom Bribery Act.

Key activities in 2011 included:

- 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 EZVisit, a tool to ensure that gifts, travel and hospitality events are granted in accordance with anti-corruption policies.

In 2011, every part of Alcatel-Lucent's 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. In addition, unit compliance leaders provide quarterly status reports to the Office of Business Integrity & Compliance on how their units are implementing their action plans. In 2011, 100% of operating units (i.e., regions, product groups and central functions) across all aspects of the company's business were analyzed for risks related to corruption. The anti-corruption risk assessment facilitated by the Anti-Corruption Competency Center assesses all Alcatel-Lucent entities using a prescribed set of anti-corruption risk factors.

3.2 CORPORATE INVESTIGATION SERVICES

In addition to the corporate-wide Anti-Corruption Compliance Program (which establishes the anti-corruption standards, policies and procedures), the Corporate Investigation Services (CIS) organization established an Anti-Corruption Competency Center responsible for facilitating a global anti-corruption risk assessment used to identify high-risk entities for inclusion in the company's internal audit plan. CIS also developed and maintains the audit testing approach and methodology used by Corporate Audit Services to test the effectiveness of the controls in place to help ensure compliance with Alcatel-Lucent's internal anti-corruption policies and procedures.

CIS also administers the Corporate Compliance Hotline and performs investigations (globally) of allegations affecting accounting, internal control and audit-related issues, overall compliance and Code of Conduct incidents, including anti-corruption. Legal guidance is sought on all investigations to ensure compliance with local laws and regulations.

3.3 LAW DIVISION

Our Law division plays a critical role in supporting the company's Anti-Corruption Compliance Program. In this regard, the Law division drives the development and implementation of anti-corruption policies; administers and implements the gifts, travel and hospitality approval process; and administers and implements the company's third party screening and approval process. The Law division is also involved in terminating former agent/consultant relationships and handling any ensuing disputes. Further, the Law division actively monitors sales practices to ensure that company policy is not circumvented through the inappropriate use of consultants disguised as, for example, resellers.

Concerning political contributions, Alcatel-Lucent does not directly spend corporate funds on political activities. Our employees in Alcatel-Lucent USA have formed a voluntary political action committee (PAC), which made $20,500 in political contributions to candidates for federal office consistent with employee priorities in 2011. The Alcatel-Lucent USA employee PAC operates in accordance with all U.S. law and Federal Election Commission regulations.

REACHING SETTLEMENT

In December 2010, Alcatel-Lucent entered into final settlement agreements with the U.S. Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) related to alleged violations of anti-bribery, internal controls and books and records provisions of the U.S. Foreign Corrupt Practices Act (FCPA). Under its agreement with the SEC, the company neither admitted nor denied the allegations. Through the SEC complaint, the company is permanently restrained and enjoined from future violations of U.S. securities laws, and has paid U.S. $45.4 million in disgorgement of profits and prejudgment interest. The agreement with the DOJ, approved by the Court on June 1, 2011, is a three-year deferred prosecution agreement (DPA) charging the company with violations of the internal controls and books and records provisions of the FCPA. Under the agreement, the company will pay a total criminal fine of U.S. $92 million in four installments over three years. Assuming full compliance with the terms of the DPA, the DOJ will dismiss the charges upon conclusion of the three-year term. In addition, three of our subsidiaries – Alcatel-Lucent France, Alcatel-Lucent Trade International AG and Alcatel Centroamerica – each pled guilty to conspiracy to violate the FCPA's anti-bribery, books and records and internal accounting controls provisions. In August 2011, pursuant to a requirement in both agreements, Alcatel-Lucent engaged a French anti-corruption compliance monitor for a three-year term, and has since been supporting the monitor's activities in furtherance of this mandate.

LAURENT COHEN-TANUGI
FRENCH ANTI-CORRUPTION COMPLIANCE MONITOR

AR

Watch the video
'READY AND VIGILANT'

To experience Augmented Reality,
1. Download the app using the QR code
2. Scan the video picture with your phone.

AR

Read more

4.0 COMPLIANCE HOTLINE

Fundamental to the success of the Alcatel-Lucent Ethics & Compliance Management System is the confidence of employees and contractors to raise ethical questions and concerns without fear of retaliation. Under the Compliance Issues Reporting Methods initiative implemented by the company, several options are available for reporting suspected violations of law or company policy. Employees are encouraged to initially raise issues with their direct line manager or to use the Compliance Hotline where permitted under local law.

The Compliance Hotline has been formally deployed in 114 countries and is available 24 hours a day, seven days a week. Employees who want to enter a report can use a multilingual web interface available in 11 languages. The company has a "non-retaliation" policy that specifically prohibits adverse action against employees who report, in good faith, suspected violations of law or company policy.

Employees and contractors of Alcatel-Lucent (or one of its affiliates) also have other options available to report suspected violations of company policy or the law, including contacting their human resources business partner or regional compliance leader.

4.1 DATA AND METRICS ON VIOLATIONS OF THE CODE OF CONDUCT

There were a total of 558 issues/allegations reported to the Compliance Hotline for fiscal year 2011. Of the 558 issues/allegations reported:

- 79 were substantiated with "cause found" after the investigation was completed. Of these 79 cases, 71 matters resulted in disciplinary action, up to and including termination. Sixteen of the 79 cases were opened in 2010.
- 65 were allegations of potential harassment or discrimination (including those categorized as sexual harassment). Of the 65 cases reported, 19 cases of harassment or discrimination resulted in a "cause found" determination.

4.2 MANAGEMENT OF INCIDENTS DECLARED THROUGH THE COMPLIANCE HOTLINE

All reports made to the Compliance Hotline are subject to due diligence to determine the organization best suited to respond. The majority of issues are investigated by a corporate investigation team with assistance from other corporate organizations, as appropriate (e.g., Law, Human Resources, Audit).

The investigation protocol includes the following steps:

- Understanding the issue or allegation
- Consulting with Alcatel-Lucent's Law division
- Gathering and reviewing evidence and documentation
- Interviewing key individuals
- Analyzing all evidential materials to conclude and determine if company policies or local laws have been violated.

If the investigation determines there has been a violation, a compliance resolution team is convened. This team follows a process established for resolving all compliance issues requiring individual corrective action, including disciplinary action and internal control opportunities, where appropriate. Disciplinary action can include coaching, written warnings, suspension and termination. All reported incidents are documented in a secured, limited access, central database repository, 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.

2011 ACHIEVEMENT

In 2011, consistent with its goal to promote transparency, the company shared Compliance Hotline metrics and related incident reports quarterly with the company's extended compliance community to enhance awareness of the prevailing issues and to encourage input on improving the overall program. Modified case information, including summaries of regional compliance matters, were shared with employees to promote a culture where employees feel comfortable reporting issues related to local laws without fear of retaliation, as well as to enhance overall transparency.

We will continue to report statistics related to breaches of the company's Code of Conduct.

5.0 PRIVACY PROTECTION AND INFORMATION SECURITY

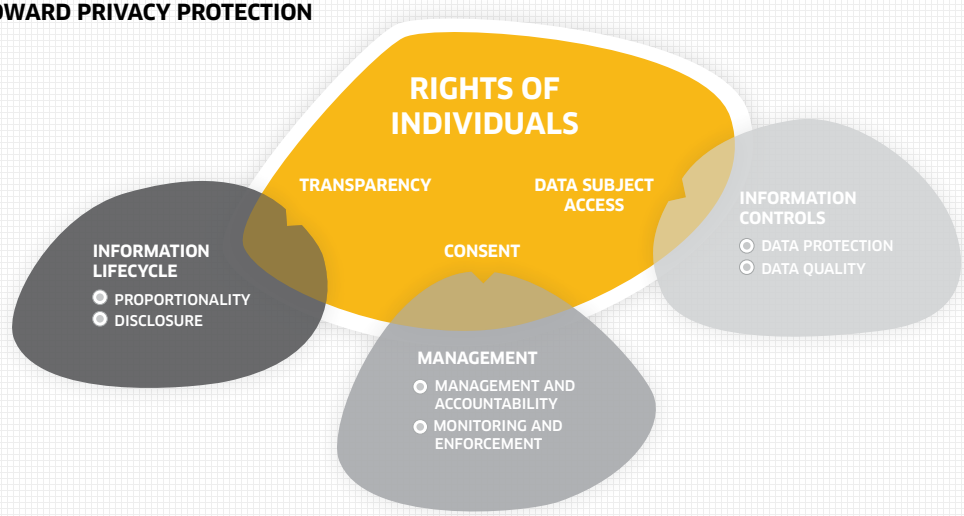
5.1 COMMITMENT TO PRIVACY PRINCIPLES

Alcatel-Lucent is committed to respecting individual privacy rights and expectations, and to protecting personal data against unauthorized access, use, retention/storage or disclosure. In 2011, the company revised and enhanced its internal global privacy and data protection policy to fulfill this commitment. This policy relies on and reflects the following privacy principles:

5.2 GOVERNANCE OF PRIVACY-RELATED ACTIVITIES

The Chief Privacy Officer is responsible for ensuring Alcatel-Lucent has a consistent and effective privacy and data protection strategy in line with its overall business strategy and with applicable privacy and data protection laws. He or she also has responsibility for defining, documenting, promoting and communicating the company's global privacy and data protection policies. These policies are applicable to all personal information processed by or for the company.

ALCATEL-LUCENT APPROACH TOWARD PRIVACY PROTECTION



READ MORE

on our global privacy and data protection policy

2011 ACHIEVEMENTS

In 2011, the company's Privacy & Data Protection (P&DP) Program was audited by Corporate Audit Services (perimeter covered customers, vendors, employees and third parties), and remediation actions are underway. The company will continue to implement audit action plans and recommendations in 2012.

Also in 2011, the company continued to implement the overall P&DP Plan.

Accomplishments included:

- Compliance assessments of 50 identified critical applications well underway; all application privacy profiles completed; country reviews continuing
- Awareness modules for Information Security/Information Technology fully completed; Human Resources course launched in English; Sales & Marketing awareness module design initiated
- Privacy policy revised to align with privacy principles
- Vendor communication reiterating data protection responsibilities drafted and approved
- Guidelines for internal and external surveys released.

The owner of the Privacy and Data Protection (P&DP) Compliance Program establishes and executes the program and is responsible for developing and implementing processes and procedures to ensure global compliance with defined strategies and policies.

Other key stakeholders include:

- **The Privacy & Data Protection (P&DP) Steering Committee**, which provides cross-functional leadership and direction to the P&DP Compliance Program, is chaired by the owner of the P&DP Compliance Program. It gathers the Chief Privacy Officer, the Chief P&DP Counsel, and members of Human Resources and Business & Information Technology Transformation (B&ITT) about once per quarter.
- **The Chief P&DP Counsel**, who ensures that the Chief Privacy Officer, the owner of the P&DP Compliance Program and all other personnel with responsibilities for privacy and data protection have all the necessary legal advice and support.
- **The Data Privacy Network**, which consists of legal, human resources and other specialists representing countries in which Alcatel-Lucent operates.

2012 PRIORITIES

In 2012, the Privacy & Data Protection (P&DP) Compliance Program will focus on raising the compliance profile of the company's most critical applications, such as those containing human resource data.

Specific groups of employees (e.g., sales and marketing, law, or research and development) will receive tailored training to heighten their awareness of the issues and ensure they understand the policies and related actions.

In the medium term, the program also intends to develop metrics to measure the effectiveness and track the progress of the company's privacy and data protection initiatives.

6.0 INFORMATION SECURITY

6.1 GOVERNANCE OF INFORMATION SECURITY-RELATED ACTIVITIES

Alcatel-Lucent has established an information security governance function under the direction of the Director of Information Security, part of the Business and Information Technology Transformation (B&ITT) department. This individual is responsible for establishing the information security policies, strategies, architecture and compliance programs needed to protect our valuable information assets, which include data, information systems and IS/IT services.

An Information Security Steering Committee ensures corporate-wide implementation of strategies focused on the following areas:

- Service hardening and compliance management
- Threat and incident response
- Data protection
- Access and collaboration
- Security awareness and cultural transformation.

Risk mitigation plans are also developed at the operating unit level, in alignment with the overall information security strategy. Compliance assessments are used as a core management practice to drive accountability and awareness of compliance and security risk management into all areas of the company. Executive-level information owners provide additional focus on protection measures for customer data, personal data and technical information on our product and financial data. A strong investment and gating process ensures that new service and system designs comply with approved security architectures and include appropriate protection measures. In 2011, more than 300 projects underwent internal security reviews. Compliance assessments were conducted on more than 100 applications, 100 labs, 6,000 servers, 60 suppliers and 21 IT services.

6.2 ENSURING THE SECURITY OF INFORMATION SYSTEMS AND DATABASES

Alcatel-Lucent has established a comprehensive set of information security policies to cover the full spectrum of security domains: physical security, applications and operations security, access control and identity management, security monitoring and incident response, information classification, business continuity, and compliance management. These policies are accessible by all employees on internal corporate web pages, and communications related to specific information security topics are delivered on a regular basis. The company regularly audits implementation of these policies, using both internal and external audit 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 audits of information security also guide the company's overall information security strategic plan.

6.3 PREVENTING HACKER ATTACKS

Like many other large enterprises, Alcatel-Lucent employs a defense-in-depth approach to fend off hacking attacks against its network. Controls such as firewall, intrusion detection and prevention, anti-virus, encryption and monitoring technologies are used in conjunction with strong passwords and other proven security practices to reduce the likelihood of a successful attack.

A relatively new form of cyber attack, known as an advanced persistent threat, uses a high degree of stealth over a prolonged period to avoid detection while compromising systems and obtaining sensitive information from them.

Alcatel-Lucent has implemented a variety of measures to counter this type of threat and will continue to enhance its defenses in 2012.

ENSURING COMPLIANCE WITH OUR INFORMATION SECURITY POLICY

Alcatel-Lucent's information security policy defines the fundamental principles for the protection of Alcatel-Lucent information resources, the proper controls needed to ensure compliance with internal policies and external regulations, and strives to uphold Alcatel-Lucent's reputation for safeguarding information it is entrusted with by its customers. All Alcatel-Lucent employees and contractors are responsible for ensuring compliance with this policy. Control standards provide requirements for specific, technology-independent areas of policy. In addition, baseline standards are maintained to provide detailed instructions for implementing security controls within a specific technology.

7.0 COMPLIANCE RISK ASSESSMENT, ENHANCEMENT AND MITIGATION

Alcatel-Lucent continued its efforts to ensure that key compliance program areas – such as anti-corruption, data privacy and protection, information security and others – were fully integrated into business operations, effectively managed and consistent in quality across the company. In 2011, compliance experts worked closely with management – supported by the Office of Business Integrity & Compliance – to review and enhance compliance programs, both on an ongoing basis and formally at least once per year. These reviews ensure that the internal controls embedded within each program area are comprehensive, robust and reflective of the evolving nature of the company's business and applicable regulatory requirements. Inputs into the continuous improvement process included experience from prior audit cycles, guidance from the compliance risk assessment process, changes in the regulatory environment and compliance issues encountered by the business.

In continuing to implement the 2011 program, compliance experts worked with each operating unit to assess implementation of the compliance program across the business. To address identified gaps and associated risks, business leaders and their respective work groups, with the support of functional compliance experts, were responsible for developing, implementing and monitoring remedial action and ongoing enhancement plans. To ensure full alignment throughout the company, every risk assessment was reviewed and approved by a member of the appropriate Alcatel-Lucent senior management team. In 2011, the company achieved 100% across this review and validation process.

Operating unit compliance leaders are required to provide periodic status reports on how they are implementing their enhancement plans. This information, along with the risk assessment, action plans and related resource materials, are posted on a web-based SharePoint site for easy access and to promote information sharing of best practices. This ensures stakeholder access to important resource information and ongoing connectivity between the business and compliance experts.

CONTROVERSIES

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

Read more

8.0 EDUCATION AND TRAINING

The company's compliance training program is designed both to educate employees about their personal and professional responsibilities under the Code of Conduct and to instill an ethical culture that fosters a commitment to the highest levels of ethical business conduct. The training program provides all employees with a general introduction to the company's major compliance areas as well as specialized training based on job function.

2011 ACHIEVEMENTS

12 specialized ethics and compliance courses targeting key stakeholders.

10,000+ people managers were identified as candidates to undergo ethical leadership training in 2011.

Training courses are updated annually and as needed to ensure they reflect current business needs and evolving regulatory requirements. All training is documented through our Compliance Training Roadmap and tracked to verify full participation through our Compliance Dashboard.

In 2011, the company continued to implement a comprehensive global ethics and compliance training program, deploying 12 specialized compliance courses targeted to key stakeholders. Compliance areas included export compliance, preventing harassment and discrimination, privacy and data protection, ethics and integrity training, information security training for contractors and, most importantly, anti-corruption training.

In recent years, Alcatel-Lucent has focused particularly on middle management through enhanced communications and targeted training to help people managers be effective compliance role models and ethical leaders. In 2011, the company developed a web-based ethical leadership training module for people managers, targeting more than 10,000 people managers globally. This important training was supported by an extensive communication plan to inform people managers of their role in continuing to enhance a culture of business ethics and integrity.

8.1 ANTI-CORRUPTION TRAINING

2011 ACHIEVEMENT

97% participation rate in Alcatel-Lucent anti-corruption training.

Formal anti-corruption training at Alcatel-Lucent is delivered over the web and through in-person sessions.

Targeted training on anti-corruption was updated and deployed in 2010 to an audience of more than 29,000 employees globally, including corporate executives and employees who interact or interface directly or indirectly with external parties. This training was completed in 2011 with an overall participation rate of 97% by year's end, with additional follow-up to achieve 100% completion of this requirement across the target audience.

In November 2011, the company delivered anti-corruption training to new hires and other employees based on their job function. To accommodate changes in anti-corruption legislation around the world, the company developed and deployed targeted web-based and in-person training for employees, highlighting the U.K. Bribery Act.

The company's web-based ethics and integrity overview training, which is mandatory for all employees and contractors, also includes an entire section on anti-corruption.

8.2 INTERNAL COMMUNICATIONS

In 2011, Alcatel-Lucent continued to develop and implement a comprehensive, multi-media communication initiative focused on enhancing its culture of business ethics – directed to all employees and, in particular, people managers. Through CEO/senior leader-hosted broadcasts to all employees, audiocasts and town hall meetings – with links provided to important policies and processes – the initiative informed employees about their responsibilities, emphasized the importance of integrity, and promoted a "speak-up" culture.

Specific key messages included:

- Value of compliance and consequences of lapses, both to the business and to employees
- Imposition of consequences consistent with the company's stated zero tolerance policy
- Management's role in holding employees personally accountable for wrongdoing, operating with integrity themselves, and actively monitoring to ensure compliance
- Importance of supporting the business in finding "compliant solutions"
- Resources to support employees in reporting potential violations without fear of retaliation.

An important component in the communication effort – the Office of Business Integrity & Compliance web site – consolidates essential compliance and business conduct resources in one central location. In 2011 there were 24,818 visits to the site, up from 21,508 in 2010.

2011 ACHIEVEMENTS

99% of employees globally completed review and acknowledgment of the Alcatel-Lucent Code of Conduct.

24,818 visits to the Alcatel-Lucent Office of Business Integrity & Compliance web site.

CODE OF CONDUCT

The Alcatel-Lucent Code of Conduct is the cornerstone of the company's Ethics & Compliance Management System. It sets out the company's standards for ethical business conduct and is binding on all employees globally in their daily activities, including relations with competitors, suppliers, shareholders, partners and customers. The standards in the Code of Conduct are based not only on the laws and regulations in force, but also on the notions of integrity, respect, equity, diversity and ethics. The code is available in 22 languages and is posted on the company Intranet site, which also provides links to additional resources.

In 2011, all employees were required to review the code and acknowledge their understanding of their obligation to abide by its terms. The company achieved 99% compliance globally for this review and acknowledgment process. In addition, all board members completed the required review and acknowledgment. Understanding of the code is further reinforced through mandatory ethics and integrity training, as well as specialized training in key compliance areas.

Read more

9.0 INTERNATIONAL INITIATIVES

Alcatel-Lucent participates in numerous cooperative anti-corruption initiatives to contribute to an ethical business environment and help us keep abreast of evolving requirements and best practices, assuming a leadership role in the ethics and compliance global arena.

9.1 WORLD ECONOMIC FORUM

Alcatel-Lucent CEO Ben Verwaayen was the first chief executive in the information and communications technology sector to sign the World Economic Forum (WEF) Partnering Against Corruption Initiative (PACI) in 2009. PACI brings together companies across industries and regions to fight bribery and corruption. In addition, the status of the risk assessment process is reviewed with senior management and the various compliance stakeholders on a regular basis throughout the year.

More than 150 chief executive signatories are engaged in the implementation of a zero tolerance policy toward bribery and an effective internal anti-corruption program. PACI is a multi-stakeholder initiative that works with organizations such as the Basel Institute on Governance, the International Chamber of Commerce (ICC), the Organisation for Economic Co-operation and Development (OECD), the United Nations Global Compact, Multilateral Development Banks, and select international financial institutions.

In 2011, CEO members of the WEF International Business Council (IBC) and the ICC collaborated to develop integrated proposals for G20 governments on seven topics corresponding to the G20's 2011 agenda.

Within this framework, Mr. Verwaayen engaged with other international business leaders to contribute substantive private-sector input into the G20 process. More specifically, he provided leadership as a member of the WEF G20 Working Group on Improving Transparency and Eliminating Corruption in developing specific actionable anti-corruption recommendations for the G20's consideration at its November 2011 summit in Cannes.

This group collaborated with other organizations (such as the OECD and Transparency International) and incorporated input from representatives from the French, Korean and Mexican governments in the crafting of the proposed recommendations. To ensure a cohesive overall private-sector message to the G20 leaders, these recommendations were developed in close coordination with Mouvement des Entreprises de France (MEDEF), the national business confederation in France.

Several key concepts recommended by the WEF G20 Working Group were reflected in the final G20 declaration. These underlined the need for swift implementation of a strong international legislative framework, the adoption of national measures to prevent and combat corruption and foreign bribery, the strengthening of international cooperation in fighting corruption, and the development of joint initiatives between the public and the private sector.

UN HUMAN RIGHTS AND BUSINESS DILEMMA FORUM

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

Read more

RESIST

Alcatel-Lucent was the only telecommunications supplier among the 27 companies and organizations that contributed to the first and latest editions of the RESIST guide, published in June 2010. RESIST, an acronym for Resisting Extortion and Solicitation in International Transactions, is a training toolkit published by the International Chamber of Commerce (ICC), Transparency International, the United Nations and the WEF. Designed as a practical tool for companies of all sizes and available now in six languages, the RESIST guide helps companies train employees to respond appropriately to bribery solicitations.

Read more

- Read more about the WEF
- Read more about the G20
- Read more about MEDEF
- Read more about the OECD
- Read more about Transparency International
- Read more about PACI

9.2 INDUSTRY/TRADE ASSOCIATIONS

9.2.1 Industry dialogue on human rights

Alcatel-Lucent considers the UN Guiding Principles on Business and Human Rights establishing the UN Protect, Respect and Remedy Framework – the so-called "Ruggie Principles" – a significant milestone.

This framework, which was 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 business operations and eco-system.

Alcatel-Lucent is now working with other stakeholders in the industry, such as telecommunications operators and vendors, to define how the UN Framework should be applied in our sector, especially as it relates to freedom of expression and privacy.

An industry dialogue was initiated during the summer of 2011 to explore the interaction and boundaries between the duty to protect and the responsibility to respect human rights. The participating companies want to jointly develop and provide broadly accepted principles, tools and due diligence mechanisms to ensure the respect for privacy and freedom of expression. The participants are seeking input, ideas and feedback from a wide range of stakeholders at these early stages of the dialogue to ensure that its work is built on a good understanding of stakeholder expectations, rather than industry principles developed in isolation.

As it is still very early in the process, specific deliverables and timelines are still to be developed.

INDUSTRY DIALOGUE ON HUMAN RIGHTS

Alcatel-Lucent took an active role in a dialogue initiated in June 2011 by global telecommunications operators and vendors to address the issues of privacy and freedom of expression in the telecommunications sector. As a result of today's changing geopolitical landscape, Alcatel-Lucent has updated its human rights policy and will continue to work with key industry stakeholders to initiate dialogue on our common responsibilities to human rights around the world.

Read more

9.2.2 Ethics & Compliance Officer Association

In 2011, Alcatel-Lucent continued its leadership position in the ethics and compliance arena through active representation on the Board of Directors of the Ethics & Compliance Officer Association (ECOA).

The ECOA is the leading global member-driven association exclusively for individuals responsible for their organization's ethics, compliance and business conduct programs.

Alcatel-Lucent is also represented and is an active member in the ICC's International Commission on Corporate Responsibility and Anti-Corruption.

WHAT IF TELECOMMUNICATIONS TECHNOLOGIES COULD NOT ONLY BRING US CLOSER, BUT ALSO MAKE OUR WORLD MORE SUSTAINABLE?

ENVIRONMENT

Telecommunications technologies have the potential to make our world greener and more sustainable. Alcatel-Lucent is committed to leading the industry in developing and deploying globally recognized innovation in eco-sustainable communications technologies that enable our customers to compete and win amidst growing environmental challenges and resource constraints.

1.0 OUR ENVIRONMENTAL SUSTAINABILITY STRATEGY

OUR COMMITMENT

Lead the industry in developing and deploying globally recognized innovation in eco-sustainable communications technologies that enable our customers to compete and win in a world facing increasing environmental challenges and resource constraints.

We seek, with the GreenTouch™ Consortium initiated by Bell Labs, to make communications networks 1,000 times more energy efficient than they are today.

1.1 HOW WE APPROACH ENVIRONMENTAL SUSTAINABILITY

Alcatel-Lucent is transforming communications for a sustainable planet.

Environmental responsibility and sustainability are cornerstones of Alcatel-Lucent's corporate strategy. In addition to reducing our own direct impact on the environment, we understand our business in the long term depends on helping our customers respond to their environmental challenges as well. With this in mind, we have factored environmental considerations into virtually every aspect of our business, taking a three-part approach.

This approach relies on Alcatel-Lucent's ability to leverage its capacity for eco-innovation and play a leading role with key stakeholders. Bell Labs actively participates in open, collaborative partnerships and forums focused on establishing broad sustainability strategies and initiatives.

1.2 COMMITTED AT THE HIGHEST LEVELS

Alcatel-Lucent CEO Ben Verwaayen has long been an outspoken advocate for recognizing the "low-carbon economy" (economic activity that produces as few greenhouse gas emissions as possible) as a fundamental driver of innovation and growth. In November 2011, he co-chaired the India Sustainability Growth Summit in Mumbai. He also chairs the Confederation of British Industry (CBI) Climate Change Board.

TARGETS

1

Developing eco-sustainable networks

Creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks.

2

Enabling a low-carbon economy

Helping businesses and consumers reduce their respective environmental impacts with innovative applications and solutions.

3

Reducing our carbon footprint

Shrinking our absolute carbon footprint from our operations by 50% by 2020 from its 2008 baseline. To date our footprint has decreased by 22%.

Since joining Alcatel-Lucent in 2008, Mr. Verwaayen has insisted the company:

- Develop low-carbon communications technology solutions
- Reduce its own carbon footprint
- Participate in key global discussions on combating climate change, with participation led by company executives and specialists

In 2010, Mr. Verwaayen was a strong proponent of the formation of the global GreenTouch Consortium by Bell Labs, which aims to make communications networks 1,000 times more energy efficient than they are today. GreenTouch has been recognized worldwide – including by the World Economic Forum (WEF) – as an industrial best practice for meeting today's global sustainability challenge.

ENERGY EFFICIENT NETWORKS SERVICE PROVIDERS' GREEN CHOICES

AR

Watch the video, which features various customers as they discuss how energy efficiency is one of the most critical issues facing service providers.

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AR

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"The world really needs growth, and you need to be green to grow."

BEN VERWAAYEN, CHIEF EXECUTIVE OFFICER, ALCATEL-LUCENT

Watch the video from Ben Verwaayen 'BROADBAND BRINGS GREEN AND GROW TO LIFE'

In 2011, Alcatel-Lucent strengthened its commitment to sustainability by the launch of a breakthrough green technology solution: lightRadio™, a technology that streamlines and radically simplifies mobile networks while shrinking their carbon footprint by more than 50%.

1.3 ENGAGING FOR SUCCESS: STAKEHOLDER ACTIVITIES

No single company can achieve lasting, large-scale global change on its own. We recognize the need to work closely with other organizations in pursuing our vision of a connected, green world. As a result, we have made stakeholder engagement fundamental to the way we do business.

In every case, we choose to approach organizations with whom we feel we can achieve mutually meaningful outcomes – taking care from the start to establish a shared understanding of the issues, the nature of the engagement and measures of success. Particularly when working toward longer-term goals, this kind of engagement can yield tremendous benefits and also produce enduring relationships.

One of the issues we have found to resonate strongly among stakeholders over the years is the role information and communications technology (ICT) can play in combating climate change – and how this responds to the UN's Millennium Development Goals (MDGs). Our part in the launch of GreenTouch, our commitment to and engagement

OUR PRINCIPAL GLOBAL COMMITMENTS

To encourage the uptake of low-carbon ICT solutions locally, regionally, nationally and internationally, Alcatel-Lucent has publicly endorsed the following commitments and allocated staff to support their related goals, action plans and deliverables. These commitments represent areas where we believe we have the greatest possible opportunity to achieve meaningful impact for our stakeholders and our company:

Global Commitments

- Broadband Commission eHealth and Climate Change Task Forces – a UN initiative formed in 2010 to respond to the Millennium Development Goals and made up of visionary leaders from UN agencies, ministries, academia, civil society and business
- Business for Environment Global Summit (B4E) Green Imperative Manifesto
- International Chamber of Commerce (ICC) Green Economy Task Force – with United Nations Environment Programme (UNEP) coordination on the green economy in connection with the Rio+20 international development conference
- United Nations Global Compact (UNGC) Caring for Climate Initiative – through participation at the global level and at the Steering Committee level within a UNGC local network
- World Economic Forum Green Growth Board – Gee Rittenhouse (Chairman GreenTouch, COO S3G Business Group) is a member
- World Resources Institute (WRI) – by leading standards development in greenhouse gas emissions (GHG) measurement and reporting for ICT hardware, and by contributing to the WRI's telecom network services chapter

Industry Commitments

- Digital Europe – Alcatel-Lucent participates in the Environmental Policy Group and its clusters on eco-design, resource efficiency, waste, chemicals and substance-related restrictions, as well as contributes toward Digital Europe's statements on ICT's contribution to a digital economy, low-carbon economy and energy efficiency policy developments, including the EU's 2050 Roadmap
- Global eSustainability Initiative (GeSI) – as co-chair of working groups on energy efficiency and communications, and as a participant in its Transformative Step of the Day initiative (launched at the UNFCCC COP-17 climate change negotiations), providing examples of transformative solutions and supporting initiative-related communications efforts
- GreenTouch Consortium – which was organized by Alcatel-Lucent Bell Labs to dramatically improve the energy efficiency of ICT networks
- International Electronics Manufacturers Initiative (iNEMI) – as a board member and as chair of or participant in environmentally focused work groups, such as lead-free solder assembly, PVC alternatives and Lifecycle Assessment (LCA) Estimator

Standards Developing Organizations

- Alliance for Telecommunications Industry Solutions (ATIS) – by contributing to standards development for ICT energy efficiency (STEP-TEE) and to the ad hoc committee studying environmental initiatives (EGG)
- European Telecommunications Standards Institute (ETSI) – as chair of its Technical Committee and actively contributing to energy efficiency standards, and by leading liaisons between ETSI and several other telecommunications standards development organizations such as IEC, CENELEC, ATIS and ITU-T
- GSMA – collaborative efforts on cellular industry commitments and policy recommendations
- International Telecommunications Union (ITU) – as an active participant in the ITU-T Focus Group for ICT and Climate Change since its establishment in 2008; in the ITU's Study Group 5; and in developing two important recommendations on, respectively, the environmental impact assessment of ICT goods, networks and services (L.1410) and organizational requirements for assessing energy consumption and GHG emissions (L.1420)

in the Global eSustainability Initiative (GeSI), our leadership in the World Economic Forum (WEF) and dedication to the United Nations Global Compact's (UNGC's) climate change efforts are all collaborative initiatives in which we apply our ICT expertise to eco-sustainability.

Read more

In addition to these commitments, we consider the views of new and potential longer-term stakeholders. In 2011, for instance, we began consultations with Greenpeace International in connection with their CoolIT Leaderboard evaluation, and increased our participation in UNGC Local Networks to engage with our stakeholders about best practices and insights gained from implementing UNGC 10 principles in our business.

1.4 GOVERNANCE AND SUSTAINABILITY

The two highest-level Corporate Responsibility governing bodies within Alcatel-Lucent are the Corporate Responsibility Council and the Corporate Responsibility Network. As part of their broad CR responsibilities, the pair shares the tasks of monitoring performance and tracking progress on environmental issues.

For more information, see p. 7

The members of the Alcatel-Lucent Green Team and Office of Sustainability oversee operational sustainability issues linked to the environment and climate change. Green Team leaders ensure carbon footprint information is reported reliably and on time, and that local action plans are implemented properly. Carbon footprint is calculated twice a year and communicated not only internally but externally as well, with full transparency.

The company's Environment, Health & Safety (EHS) Office is responsible for developing policies and compliance assurance programs to meet legal, customer and company requirements. The EHS Office provides technical support to local EHS representatives for the implementation of EHS programs, and uses the EHS Management Systems approach to ensure compliance, continual improvement and performance in line with industry best practices.

The Chief Technical Office (CTO) of Bell Labs addresses environmental initiatives and goals linked to products, services and solutions. In collaboration with product and research teams, the CTO looks for ways to minimize the environmental impact of the company's products throughout their lifecycle, developing and deploying eco-conscious design processes, practices and tools. Bell Labs' CTO also seeks to identify ways ICTs can be used to enable a low-carbon economy.

HIGHLIGHT

More than 75 Bell Labs green research team scientists are involved in research and worldwide collaborations focused on green networks and energy-efficient services for various sectors of the economy.

1.5 ADOPTING COMMON CARBON FOOTPRINT ASSESSMENT STANDARDS FOR ICT PRODUCTS

Proper measurement of GHG emissions – using externally verified, industry-standard methodologies and metrics – is essential for the accurate assessment of GHG emission impacts and the net savings associated with ICT solutions. In general today, measurement approaches are not entirely mature. Given their importance, Alcatel-Lucent is taking a major role in advancing GHG emissions assessment and the development of metrics and standards. Examples of this work include:

- Leadership in determining GeSI's contribution to the GHG Protocol Product Standard ICT Sector Guidance development process, launched in 2011.
- Serving as co-author on two ITU-T SG5 documents on assessing energy and emissions related to ICTs: L.1410 – Methodology for environmental impact assessment of ICT goods, networks and services and L.1420 – Methodology for energy consumption

SUSTAINABLE CONSUMPTION REPORT 2012

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and greenhouse gas emissions impact assessment of ICT in organizations.
- Proposing and leading an International Electronics Manufacturing Initiative Work Group to develop a lifecycle assessment approach that efficiently evaluates and produces environmental impact information for ICT products.

GHG Protocol Product Standard

Alcatel-Lucent has taken a leadership role in GeSI's contribution to this multi-stakeholder initiative, a partnership between the World Resources Institute (WRI), the World Business Council for Sustainable Development (WBCSD), the Global e-Sustainability Initiative (GeSI) and the Carbon Trust established in March 2011.

The initiative is developing guidelines for assessing the GHG impact of ICT products (including goods and services) as part of the GHG Protocol Product Life Cycle Accounting and Reporting Standard. The guidelines are meant to help practitioners measure GHG emissions in a clear and credible way.

Alcatel-Lucent has provided expertise at both the steering and technical committee levels, and co-authored chapters on ICT hardware and telecommunications network services – in the latter case, drawing on specific expertise in network energy use modeling. Both chapters will be available for public comment in 2012.

Read more

International Telecommunications Union (ITU) Study Group 5

Alcatel-Lucent is co-author for the drafts of both L.1410 – Methodology for environmental impact assessment of ICT goods, networks and services and L.1420 – Methodology for energy consumption and greenhouse gas emissions impact assessment of ICT in organizations. These will be used to assess energy and emissions generated from ICT goods, networks and services, and also for organizations from activities related to their operations.

Alcatel-Lucent is also participating in the ITU's development of Guidelines for Environmental Sustainability for the ICT Sector, serving as lead author of a chapter on sustainable products. The guidelines will provide technical guidance on environmentally conscious design principles and best practices as to how ICT companies can provide products that are more "environmentally conscious" throughout their full lifecycle – from development and manufacture through usage to end-of-life treatment.

Read more about ITU-T Study Group 5

Read more about the ITU Guidelines for Environmental Sustainability

PILOT TESTING WITH BT AND CISCO

In 2011 the European Commission (EC) called for volunteers from across the ICT industry to pilot test methodologies recently completed or under development by international standards development organizations including the ITU, ETSI and IEC, and by industry bodies such as the WRI. This was associated with implementation of the Digital Agenda for Europe Key Action 12, with the goal of establishing a common methodological framework for measuring energy intensity and carbon emissions from the production, transport and selling processes of ICT goods, networks and services. Importantly, the framework is to be broadly adoptable by the ICT industry.

In response, Alcatel-Lucent joined a consortium with BT and Cisco to pilot three methodologies for a wholesale Internet service offered by BT. The results will be submitted to the EC and analyzed with those of other entities, with conclusions published in mid-2012. Through the pilot tests, Alcatel-Lucent is contributing to the standards and helping demonstrate their usability.

Read more on the EC call for volunteers

2011 ACHIEVEMENT

We have introduced and are gaining adoption of Bell Labs-developed LCA methodology through industry consortia and reporting standards. In 2011, Alcatel-Lucent provided key expertise in network energy and GHG modeling methodology to WRI-GHG Protocol and ITU standards development organizations, and initiated pilot testing for the EC to evaluate a telecom network service under the new measurement standards from WRI, ETSI and ITU.

2012 TARGET

1

We want to leverage our innovation to establish common methodology for measuring the carbon footprint of network telecommunications products over their lifecycle by 2012.

Read more Seven Steps to Greater GHG Awareness in ICT

"Alcatel-Lucent has carbon footprint expertise that is cutting-edge."

GABRIELLE GINER, PROGRAM MANAGER, ENVIRONMENTAL SUSTAINABILITY AT BT

Listen to an interview with BT

International Electronics Manufacturers Initiative (iNEMI) eco-impact lifecycle assessment – data collection and analysis tools

Lifecycle assessment (LCA) is an essential ICT industry practice for developing products that use materials, manufacturing processes and energy resources efficiently and sustainably. A major obstacle to the use of LCAs today is the lack of sufficient, current environmental data for processes and materials used in ICT products – compounded by the fact that ICT products are composed of hundreds and even thousands of separate components from a multitude of suppliers. This can make the collection of environmental data and LCA-based information extremely complex.

Alcatel-Lucent proposed and is leading an iNEMI work group to develop a framework for more efficiently evaluating and producing environmental impact information on ICT products, drawing on initial R&D by Bell Labs. Key to this is assessing data needs for use in developing an LCA-based tool for the industry. We have shared Bell Labs' preliminary work through industry partnerships and consortia for broader adoption and evolution with strong, industry-wide support.

Read more about Eco-Impact Evaluator for ICT Equipment

2.0 OUR APPROACH PART 1: DEVELOPING ECO-SUSTAINABLE NETWORKS

2.1 MEASURING IMPACT FROM END TO END

Broadband traffic – both fixed and wireless – is growing dramatically[1] in mature and developing markets as people continue to embrace video and other media for social and professional communication.

As a result, service providers are having to deploy more capacity in their networks in the form of new technologies such as Long Term Evolution (LTE). However, this needed network evolution can increase operational costs, power demands and overall network complexity. Developing efficient, eco-sustainable options has become critical to ensuring the long-term affordability of telecommunications networks – and requires a shift in how technology companies like Alcatel-Lucent think about their products.

To know what the ultimate environmental impact of any network technology will be, companies have to take an end-to-end view of their products, processes and systems. In communications networks, this means solutions have to be assessed from initial design through to the end of the equipment's life, taking into account how all related elements work together and influence each other.

Alcatel-Lucent has built this end-to-end thinking into its High Leverage Network™ (HLN), offering service providers a simpler, more integrated network infrastructure that is less costly to operate, maintain and evolve – and cuts power consumption as well, leveraging alternative energy sources to build a more eco-sustainable network. HLN-based solutions comprise 48% of our Network sales (Q4 2011) which is 1.913 Billion Euros.

Read more about HLN

GREEN MAKES ECONOMIC SENSE IMPACTS A SIGNIFICANT PORTION OF CUSTOMERS' OPEX

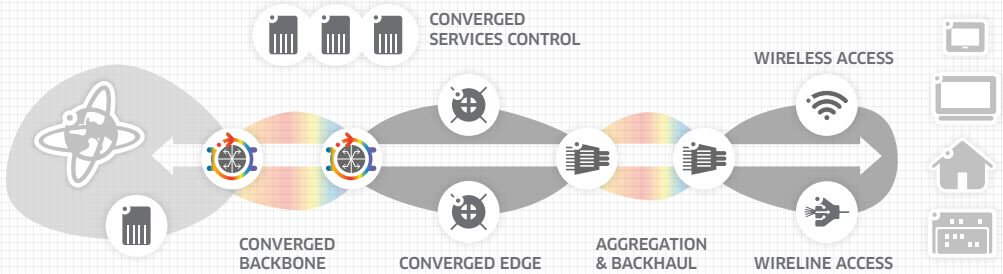
MOBILE BROADBAND
+60%
INCREASE
In the number of mobile broadband subscribers in 2010, with 558 million worldwide and should top 2 billion by 2015.

INTERNET
5th
HIGHEST COUNTRY
If the internet was a country, its energy consumption would be higher than Russia and a little less than Japan.

INTERNET
~75%
ENERGY BILL
70 to 80% overall energy bill of an operator
RAN: +70% of network electricity cost

ENERGY BILL
7-20%
OPERATOR OPEX
From 7% in mature countries to +20% in emerging countries

CONVERGED, GREEN AND EFFICIENT NETWORK REDUCES CARBON FOOTPRINT AND LOWERS COSTS



WIRELESS INNOVATION
lightRadio, smart antenna, dynamic power save, direct cooling, alternative energy

AUTOMATED
Self-configuring, self-optimizing, self-healing

GREEN DSL & PON
Higher bandwidth, less power, higher efficiency, lower carbon footprint

SILICON INNOVATION
Low power, high thermal efficiency, fewer watts per gigabit

INTEGRATION
IP/optics, service control, unified management

Looking at the whole lifecycle

For all new products and technologies, such as lightRadio, that incorporate significant differences in the materials used from previous generations, Alcatel-Lucent performs a full life cycle assessment to evaluate its impact on the environment and ensure it is manufactured and will operate in an eco-sustainable manner. Some examples are replacing traditional solder with lead-free solder, using energy-saving chipsets in components or employing alternative energy powering sources for wireless base stations. We also examine non-product specific aspects of the lifecycle. For example, in looking at the eco-impact of packaging materials, we have conducted a full LCA analysis of the Static Intercept packaging system invented at Bell Labs, with results showing a 40-fold improvement in GHG emissions over the use of traditional polyethylene packing bags due to longer shelf life and lower defect rates. The key findings of LCAs are continuously incorporated into our best practices for environmentally conscious product design.

Read more about Lifecycle Assessment Approach

The Alcatel-Lucent lifecycle assessment (LCA) estimator

To assist with these assessments, Alcatel-Lucent has pioneered a simple, accurate LCA estimator tool to provide eco-impact information on all new product families, with the results contributing to each product's eco-declaration. Alcatel-Lucent eco-declarations conform to the ECMA-370 standard issued by the European Association for Standardization Information and Communication Systems and the International Electrotechnical Commission (IEC) 62430 standard for Environmentally Conscious Design for Electrical and Electronic Products.

Alcatel-Lucent is championing further adoption and development of the LCA estimator framework for broader industry-wide use and alignment via the iNEMI consortium. Alcatel-Lucent is also introducing this methodology for GHG emissions measurement and reporting standards adoption under the WRI.

For more information, see page 70

(1) According to Infonetics, the number of cellular mobile broadband subscribers jumped almost 60% in 2010 to 558 million worldwide and should top two billion by 2015.

Read more

ABI Research estimates that the number of worldwide fixed broadband subscribers will rise to 548 million in 2015.

Read more

LIFECYCLE ASSESSMENT

ENVIRONMENTAL LIFECYCLE ASSESSMENT

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

- Extending product lifetime and value
- Occupying less space and generating less heat
- Providing more functionality per kilowatt used
- Operating on alternate energy when/where applicable
- Assuring electromagnetic environment safety
- Reducing acoustic noise
- Using materials with low environmental impact
- Managing end-of-life disassembly and treatment
- Providing eco-efficient product packaging and transport

2.2 RESEARCH AND INNOVATION

2.2.1 Extreme green innovation

Recognizing that communication networks are important engines of growth in the green global economy, Alcatel-Lucent has embarked on a path of "extreme green" innovation spearheaded by Bell Labs. Bell Labs has organized a formal approach to this green research, aiming to realize dramatic improvements in end-to-end network energy efficiency and services through out-of-the-box thinking, development of "clean slate" architectures, and open innovation.

Bell Labs green research involves more than 75 scientists around the world, collaborating with more than 50 companies, research institutes and universities. This represents a doubling of researchers and a five-fold increase in green university collaborations over 2010. Bell Labs also more than doubled its number of research projects with green as a major benefit (e.g., work on spatial division multiplexing for increasing the capacity and energy efficiency of optical transport systems, and on efficient storage and network coding for content delivery) over the same period. Almost 10% of all patent filings from Bell Labs today are green-related, and its researchers are on the technical program committees of, or presenters to, most of the major green conferences and workshops.

With this research highlighting some of the longer-term barriers to sustainable network growth – and the urgent need for innovation to address them – energy considerations have become an important concern in all new Bell Labs research. More than 30% of the projects in its pipeline have energy benefits as direct or indirect impacts.

IN 2011, WE DOUBLED THE NUMBER OF RESEARCH PROJECTS WITH GREEN AS A MAJOR BENEFIT

2011 ACHIEVEMENTS

At the end of 2011, we doubled the number of researchers working on green research. A focus on energy efficiency has been incorporated into more than 30% of the projects in the research pipeline. This number is expected to further increase over time.

We increased the number of research projects that have environmental sustainability as an indirect consequence (or as one benefit of many): three new projects were in place by the end of 2011 – smart grid, spatial division multiplexing and green DSL – up from zero in the previous year.

We also multiplied by five our green university collaborations.

In December 2011:

- 11 research projects were underway (versus two in 2010)
- Five additional projects were proposed for 2012
- U.S. government funding request will be submitted for five to 10 additional 2012 projects

Our objective is to maintain this high level of commitment to extreme green innovation for the next three years in terms of internal research efforts, external collaborations and university funding.

2.2.2 Open innovation

The eco-sustainability challenge is too broad for any one organization to meet on its own, so Alcatel-Lucent has made open innovation a strategic priority, assuming active or leading roles in numerous collaborative initiatives – from consortia such as GreenTouch to partnerships, standards bodies and industry groups. Open innovation will allow us to move towards realizing a truly global, end-to-end network approach that will fully address all facets of the eco-sustainability challenge.

2.2.3 The GreenTouch™ Consortium

The GreenTouch Consortium, launched by Bell Labs two years ago, is now a global research initiative dedicated to achieving a dramatic improvement in the energy efficiency of ICT networks. By 2015, GreenTouch aims to deliver the architecture, specifications and roadmap – and demonstrate key components – needed to increase network energy efficiency by a factor of 1,000 from current levels. A thousand-fold reduction is roughly equivalent to being able to power the world's communications networks, including the Internet, for three years using the same amount of energy that it currently takes to run them for a single day.

Since its introduction in January 2010, GreenTouch has made significant progress, now overseeing 12 research programs and more than 25 projects for all aspects of optical, wireline and wireless networking.

GEE RITTENHOUSE
GREENTOUCH CHAIRMAN

Watch the video 'UPDATE ON GREENTOUCH™'

In 2011, GreenTouch launched a demo based on the results of its Large-Scale Antenna System (LSAS) research project, proving that enormous energy efficiency can be gained in wireless systems by using many antenna elements working in a cohort. A second demo planned for early 2012 will show that significant energy savings can be achieved in wireline access through a new protocol that allows electronics to operate at slower, less energy-intensive speeds.

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1. Download the app using the QR code
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Read more

Apart from their specific findings, the progress achieved by GreenTouch also illustrates that cross-organization collaboration does enable faster innovation. The two demo projects are instructive in revealing a clear focus on the most power-hungry network functions (i.e., access).

Membership in GreenTouch has grown from 15 to more than 50, testament to its importance to industry stakeholders. The goal for year three is to grow beyond 75 members – not only universities, suppliers and equipment vendors but also more operators and policy makers. Last year GreenTouch signed an MOU with GeSI, creating further opportunities to introduce technological advancements into the policy environment. Together, GreenTouch and GeSI have great potential to demonstrate the ICT industry's contribution to mitigating and adapting to climate change.

As it has grown, GreenTouch has also evolved. In November 2011, a new branch of the consortium was created to focus on pre-standardization in preparation for deploying GreenTouch technologies into the commercial market. This new branch allows the GreenTouch community to present technologies to standards bodies in a coherent way and move from basic fundamental research into the pre-competitive arena – increasing the value and relevance to members as they start to see commercial gains as well as intellectual and knowledge gains from their participation.

INCREASE NETWORK ENERGY EFFICIENCY BY A FACTOR OF 1,000

WHO IS PART OF GREENTOUCH?
More than 50 members bring more than 300 individual participants from major regions around the world, including from Asia, Europe and North America, and all sectors of the communications industry. They include:

- Service providers such as China Mobile, France Telecom Orange, Korea Telecom, Portugal Telecom, Swisscom and Vodafone
- Academics such as Cambridge University, the University of Melbourne and Tsinghua University
- Telecoms solutions and equipment providers such as Fujitsu, Huawei, Samsung and ZTE Corporation
- Industrial labs such as CEA-Leti, imec and INRIA

PROJECT HIGHLIGHTS

Wireless: Large-Scale Antenna System (LSAS)

Because wireless networks need to transmit signals in all directions – even though the signal only needs to reach a thin antenna – wireless is the least energy efficient communication technology, yet it is also the most popular because of the flexibility it affords. GreenTouch actively addresses the wireless power consumption challenge through its LSAS research, which formed the basis of the consortium's first-ever technology demonstration in February 2011. The goal of LSAS is to develop wireless access systems that use hundreds to thousands of small antennas for wireless communication rather than large, power-hungry base stations. The LSAS research group has shown that the energy required for transmission can be significantly reduced as the number of antenna elements is increased: an antenna array of 100 elements might transmit just 1% of the energy transmitted by a single antenna while giving the same quality of service. lightRadio and other Alcatel-Lucent product offerings now use multi-antenna systems to improve their energy efficiency. In November 2011, GreenTouch founding member and Alcatel-Lucent customer Swisscom demonstrated LSAS to the Swiss authorities at its annual technology showcase as an example of the collaborative work done by GreenTouch.

GREENTOUCH™ DEMONSTRATES LARGE-SCALE ANTENNA

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Watch the video

GREENTOUCH™ SHAPING A SUSTAINABLE FUTURE

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Watch the video

Read more

2.2.4 Other green research partnerships

In addition to GreenTouch and the multiple cross-organizational collaborations within, Alcatel-Lucent and Bell Labs participate in several other major collaborative efforts focused on green innovations. Some of them are listed below:

Centre for Energy-Efficient Telecommunications (CEET)

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

This partnership includes:

- 22 researchers and technology experts over three years
- Projects to manage energy consumption: Cloud computing, content distribution and information logistics; energy efficiency of next-generation networks; Internet services energy star rating
- Projects to reduce energy consumption of transmission equipment: Energy efficiency of future modulation format; low energy point-to-point access network; analogue to digital converters

Future possibilities: Energy efficient wireless networks; fundamental limits of switching and information transfer; router power measurement

Read more

Centre for Telecommunications Value Chain Research (CTVR)

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

Read more

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(2) ABI Research estimates that worldwide fiber broadband subscriber numbers will more than double in 2016 to 142 million subscribers, from 69.6 million in 2011.

Read more

Wireline: Bit-Interleaved Passive Optical Network (Bi-PON)

In early 2012, GreenTouch demonstrated a new technology that will dramatically reduce energy consumption in fiber-to-the-home (FTTH) networks, as well as other applications. The breakthrough Bi-PON technology is the second major milestone reached by the consortium. When deployed, it will enable a power reduction of 30 times over current technologies while improving performance and reducing cost. The access network is a significant contributor to the total power consumption of the overall communications infrastructure. FTTH is expected to nearly double over the next five years, reaching 142 million subscribers worldwide by 2016, according to ABI Research(2). With Bi-PON instead of the current optical technology in use, the impact on the carbon footprint is that of taking half a million cars from the roads. Bi-PON represents the next major leap in passive optical network (PON) technologies. It is expected to be a necessity as electronic processing will increase with future 40GPON systems. Current optical network units in access discard 99% of all processed data, without ever being used, whereas Bi-PON is built around a new protocol that significantly simplifies the electronic circuitry by using a selective data processing technique that dramatically reduces this energy consumption.

Read more

EARTH

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

Read more

Gachon Energy Research Institute (GERI) in Korea

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

Our research project focuses on the development of an IP-based, decentralized and data-centric information infrastructure (SeDAX) that can reliably, securely and cost-effectively support the operation and innovative applications of the next-generation grid. The prototype, demonstrated in July 2011, is self-healing, self-configurable and reliable.

LAUNCH OF THE CENTRE FOR ENERGY-EFFICIENT TELECOMMUNICATIONS

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Watch the video

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It implements a novel cloud-based, high-performance demand response system that enables certain tasks to be performed without direct control from utilities and can fully exploit current network conditions. We also developed market models and strategies for the effective deployment of micro-grid environments within the utility grid to facilitate broader penetration of renewable energy throughout the grid.

BOOSTING GREEN RESEARCH EFFORTS IN INDIA

In India, Bell Labs has expanded its green research efforts by partnering with two of the most prestigious research institutes in the country: the Indian Institute of Science (IISc) in Bengaluru and the Indian Institute of Technology in Delhi. These collaborative efforts have resulted in several workshops and other meetings for universities and businesses, including service providers, and have already generated two proposals that have been submitted for project funding to Indian agencies. These partnerships are furthering our broad green goals of pulling in the best minds in the world for research on sustainable network growth, and we expect innovations tailored to meet the sustainability needs of India will also address rural inclusion. Both the Indian Institute of Science, Bengaluru, and the Indian Institute of Technology, Delhi are now members of GreenTouch.

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 lifecycle, from design to end of life.

2.3.1 Managing materials

We place paramount importance on minimizing and managing the environmental impacts of materials used in our products and supply chain. Expectations for the control and tracking of material content are specified in our supplier requirements along with prohibitions against materials that are banned, restricted or to be avoided in products or packaging provided to Alcatel-Lucent. Our materiality assessment has shown that the traceability of raw material is an increasingly sensitive topic and is one we take seriously. Suppliers must track material content information according to the Joint Industry Material Composition Declaration Guide for Electronic Products. 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, upholding the following principles:

1. We meet regulatory material restrictions in all markets we serve.
2. We are proactive in going beyond legislative material restrictions where there is a sound scientific basis for doing so – including abiding by regional legislative

requirements on a global level and respecting material restrictions.

3. We invest in R&D both alone and through partnerships to minimize the eco-impact of materials – including research into alternatives, processes, technical feasibility and eco-impact quantification.
4. We advocate the use and adoption of lower eco-impact materials with our suppliers, customers and industry at large.

For more information about our supply chain, see p. 139

For more information about our materiality assessment, see p. 4

2011 ACHIEVEMENT

We are working with suppliers, industry standards technical committees, academia and consortia to ensure the readiness of alternatives to PVC. In 2011, we surveyed the suppliers who represent more than 90% of our spend and completed an assessment to determine the technical and economic viability of PVC alternatives – driving our substitution plans.

2012 TARGET

1

Alcatel-Lucent is proactively pursuing the elimination of polyvinyl chloride (PVC) from its products globally by 2015.

HIGHLIGHT

Our principles in action

While compliance with materials-related legislation such as the EU RoHS Directive(1) and REACH Regulation(2) is primarily EU-focused, we have adopted these globally for all our products. Alcatel-Lucent is fully RoHS compliant – and although network infrastructure equipment is currently exempt from the requirement to eliminate lead-based solders, we are taking steps to completely eliminate lead from our products. Our Enterprise products have been lead-free since 2006, and in 2008 we started shipping our first lead-free network infrastructure equipment. All new network infrastructure equipment since 2010 is designed to be lead-free by default. Our research program – conducted in collaboration with industry partners, including iNEMI, High Density Packaging User Group (HDPUG) and the Unovis AREA Consortium – has helped advance global knowledge of lead-free technology to enable a more reliable, rapid and complete transition to lead-free assembly. Thanks to this research we were able to advocate industry acceptance for lead-free technology, which increased adoption of reliable lead-free products for service provider applications.

(1) EU Directive 2002/95/EC on Restriction of certain Hazardous Substances (RoHS)
(2) EU Regulation 2009/1907/EC Restriction, Evaluation and Authorisation of Chemicals (REACH)

ALL NEW NETWORK INFRASTRUCTURE EQUIPMENT SINCE 2010 IS DESIGNED TO BE LEAD-FREE BY DEFAULT

LIFECYCLE ASSESSMENT (LCA) OF PRINTED WIRING BOARDS

Alcatel-Lucent is contributing to the HDPUG industry consortium on the eco-impact LCA of printed wiring boards. This includes a comparative assessment of the most commonly employed materials and processes for manufacturing today against new halogen-free materials and manufacturing technologies to determine their overall advantages from an eco-sustainable perspective.

Read more

2.3.2 Safety within the electromagnetic environment

Alcatel-Lucent closely follows health and regulatory issues related to wireless communications, including those associated with the electromagnetic environment. We are committed to ensuring our product portfolio complies with international standards and regulations on human exposure. Our position regarding the electromagnetic environment is based on the opinion of expert committees mandated by national and international authorities to assess the advancement of scientific knowledge: we support worldwide research efforts and dialogue to promote the dissemination of scientific information and actively contribute to the international standardization bodies that develop exposure assessment standards. In 2011, this effort has been recognized by the Dow Jones Sustainability Index (DJSI), which assigned Alcatel-Lucent the best and highest score achievable in the Electromagnetic Fields category of its Environment dimension.

Read more

2.3.3 Packaging and distribution

Lean packaging

Packaging directly impacts the environment by the consumption of raw materials and by the waste stream created from those converted materials. Indirectly, product packaging affects transportation-related GHG emissions by defining associated transport space required to deliver

those products. This ultimately affects the number of vehicles (trucks, aircraft) to be dispatched. In 2011, Alcatel-Lucent committed to reducing primary packaging use of wood (plywood/solid wood) containers by 90% by end of 2012. By switching these containers to cartons with high-recycled fiber content, demands on natural resources such as forests are lessened and the associated weights are reduced, thereby lowering GHG emissions in transport.

Truck-fill optimization projects for some of our major North American suppliers were undertaken in 2011. For example, by adapting packaging to allow full double stacking of pallet loads within transport vehicles, the resulting truckloads were reduced by approximately 400 annually. Software optimization tools were employed to plan pallet and truckloads to maximize the number of units shipped per truckload. Similar efforts will continue for key suppliers in all regions.

Work also commenced to reduce package volume associated with transport of our products. By more efficiently packaging and eliminating unnecessary over-pack layers, space may be saved in transport vehicles to allow additional cargo. Alcatel-Lucent aims to eliminate more than 9 million kilograms of GHG emissions annually in associated air and truck transport by this effort.

Efficient transport

Transporting products via airfreight is significantly more carbon intensive than other modes of transport. Alcatel-Lucent continued to reduce the carbon footprint of its logistics by further shifting freight from air to surface transit, especially ocean shipping. In 2011, Alcatel-Lucent deployed a transportation upgrade process (TUP). It requires project shipments to be shipped via ocean vessel or truck, unless a waiver is authorized for an urgent material delivery. Overall, all Alcatel-Lucent regions report greater than 81% compliance to TUP, above the target 80% (with the exception of EMEA which reports 59.8% compliance to TUP). We also implemented our LightTouch initiative – moving our manufacturing centers closer to our customers.

These combined actions have enabled the company to shift freight from air to surface transport, shipping more than 98% domestically by truck and more than 40% internationally by ocean vessel. For 2012, our goal is to increase international shipments by ocean vessel to 50%.

SHIFTING OUR FREIGHT FROM AIR TO SURFACE TRANSIT: WE SHIP MORE THAN 98% DOMESTICALLY BY TRUCK AND MORE THAN 40% INTERNATIONALLY BY OCEAN VESSEL

2.3.4 Increasing the energy efficiency of products in use

Lifecycle assessments (LCAs) repeatedly show that the use of a typical network product accounts for 80-90% of its total environmental impact – the bulk of which is associated with power consumption. Consequently, reducing power consumption is a primary goal of our product eco-sustainability strategy. Between 2008 and 2010 we met the target of improving our products' functional energy efficiency by at least 20% – with many products significantly exceeding that target. Our target now is to improve functional energy efficiency for key products by an additional 25% by the end of 2012. Highlights of our product-related energy efficiency achievements include:

2011 ACHIEVEMENT

Alcatel-Lucent is on track to meet and exceed its 2012 goal.

2012 TARGET

1

Our objective is to improve the functional energy efficiency of key products* by at least 25% by end of 2012 (compared to 2010).

*"Key products" are new or recently developed products on an upward lifecycle curve.

Wireless access

lightRadio

Alcatel-Lucent's breakthrough lightRadio product line launched in 2011 for mobile and broadband infrastructure equipment offers a way to satisfy the needs of mobile data users and network operators everywhere, including under-served rural areas. At the same time, its design shrinks and simplifies current base stations and massive cell site towers, helping reduce the energy consumption of mobile networks by up to 50% over current radio access network equipment. This is significant given that Bell Labs research has found mobile network base stations to be globally responsible for roughly 18 million metric tons of carbon dioxide per year. lightRadio reduces total cost of ownership by 51% which Bell Labs has estimated in 2010 was 150 billion Euros. Alcatel-Lucent studies have concluded that the total addressable opportunity for the multitechnology radio market, which lightRadio addresses, will be over 12 billion Euros in 2014, representing more than 55% of the total wireless RAN market. The cumulative total addressable market will be over 100 billion Euros from 2011-2018.

lightRadio also holds the potential to extend wireless and broadband access to regions not currently served. By reducing the cell site to just an antenna and leveraging anticipated future technical advances, lightRadio has the potential to create broadband coverage virtually anywhere power (electricity, sun, wind) is available.

Read more

LIGHTRADIO HELPS REDUCE THE ENERGY CONSUMPTION OF MOBILE NETWORKS BY UP TO 50%

LIGHTRADIO A BREAKTHROUGH FOR THE MOBILE INDUSTRY AR

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1. Download the app using the QR code
2. Scan the video picture with your phone.

Read more

2011 ACHIEVEMENT

We are on track to meet (and exceed) our 2015 goal.

2015 TARGET

1

Our target is to improve the functional energy efficiency of lightRadio by at least 75% between 2008 and 2015.

Fixed access

VDSL2 line card

Low-power line drivers, optimized interworking function, and greater integration of digital and analog processing building blocks have helped cut power consumption in our latest VDSL2 cards by up to 20% from the previous generation.

IP routing and switching

7750 SR-12

The Alcatel-Lucent 7750 SR-12 service router's enhanced fan trays are capable of moving (SR) twice as much air as previous fans – meaning that over the same operating range as the original 7750 SRs, this new generation realizes energy efficiency gains of 33–42% while being more than seven decibels quieter.

Fans are the most visible components in terms of determining the heat dissipation capabilities of a chassis, but a properly engineered design also addresses aerodynamics and airflow characteristics. All the air paths within the Alcatel-Lucent SR portfolio have been designed to minimize turbulence and maximize the aerodynamic cooling efficiency within the system. Heat sink topologies and choice of materials are also very important for cooling performance. Properly engineered heat sinks are custom-designed for each board assembly. SR portfolio heat sinks make liberal use of heat pumps to draw heat from warmer to cooler areas on the board for optimal cooling.

FP3

The new FP3 chip enables greater speed, better service delivery and applications, and greener networks. With 400 Gb/s, the new FP3 400G network processor is four times more efficient than its predecessor.

Incorporating dynamic power-saving features to balance performance/services and power consumption, it helps reduce IP network power consumption by consuming 50% less power than its FP2 predecessor. It also requires 30% less space.

Optical transport

1830 Photonic Service Switch (PSS)

The 1830 PSS platform, used by more than 70 customers worldwide including 360networks, BT and Softbank, reduces power consumption by 69% over previous solutions.

REACHING FARTHER, FASTER ORION AND THE 100G TRANSPORT SOLUTION AR

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Converged Backbone Transformation

Combining best-in-class IP and optical portfolios with emerging technologies to achieve lowest cost-per-bit delivery, significantly reduce transport-related capital expenditures (CAPEX) and cut power consumption by up to 50% due to fewer IP ports and links in the network.

Capturing the environmental advantages of the cloud

Alcatel-Lucent solutions and technologies allow service providers to transform the ways they create, manage and deliver services to their customers. In 2011, we launched our CloudBand solution portfolio, providing the foundation for a new class of "carrier cloud" services. CloudBand brings together the computing power and flexibility of the cloud with the high performance, reliability and security of traditional communications networks. It allows service providers to improve their own operations while generating revenue from cloud services. Bell Labs found that moving to the cloud also reduces both capital and operating expenses, which in turn provide environmental benefits through virtualization, energy savings and footprint. These include 100% savings in energy and real estate expenses for network elements eliminated through hardware reduction.

Utilizing alternative energy sources

Alternative energy base stations help service providers deploy wireless networks even in areas not served by reliable electrical power. In such

BREAKING THE 100G BARRIER – WITH 75% LESS POWER CONSUMPTION

Alcatel-Lucent has led the commercialization of 100G networking technology, which allows service providers to transport data, media and other content at rates of 100 Gb/s. Since 2010, the company has been deploying a 100G solution for optical networks that reduces power consumption by 75% compared to slower transmission technology.

Canada's Ontario Research and Innovation Optical Network (ORION) adopted the 100G coherent optical solution in 2011. Connecting research and educational institutions in the province of Ontario, ORION anticipated huge growth in the use of its network and needed a faster, higher-capacity network to keep up. A 6,000-km fiber-based network with 26 points of presence (climbing soon to 29), ORION went with 100G optics partly because its members are looking to make more use of video systems, video teleconferencing and exchanging large video files for online learning, and partly to support the use of cloud-based applications. The accelerated network meets the needs of Ontario researchers who require bandwidth well above the previous threshold of 10G to make, share and drive discoveries.

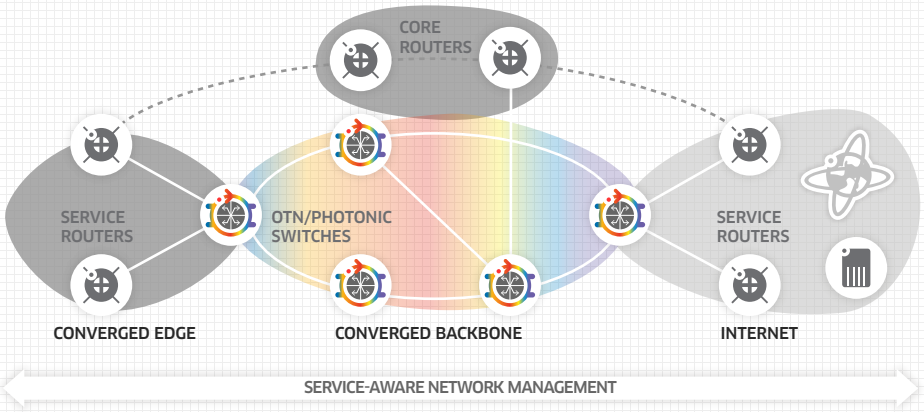
MAXIMIZE CAPACITY AND EFFICIENCY WITH A CONVERGED BACKBONE

Integration of the IP and optical layers across data, control and management planes

SCALABLE BRANDWITH
Efficient handling of massive traffic volumes at the lowest possible layer reduces costs

INTELLIGENT CONTROL
Improves resource utilization, cross-layer visibility, network resilience and flexibility

EFFICIENT MANAGEMENT
Seamless network visibility, provisioning and operational troubleshooting across IP and optical



situations, powering wireless base stations with solar, wind and other alternative energy sources removes the need for traditional diesel generators. By drastically reducing operating expenses and carbon footprint, it is possible to bring all of the social and economic benefits of telecom services to even the most remote areas.

Data Center for Enterprises

The Alcatel-Lucent Application Fluent Network helps enterprises address today's data center network challenges by recognizing the unique requirements of each application, user, device and conversational context to automatically adapt the network to ensure optimal performance. It flattens and converges data and storage networks and transforms power and cooling hardware into smart, adaptive systems. Our data center switching solution enables enterprises to manage applications as a service across a range of data center deployment models.

The winner of the 2011 Best of Interop award in the data center and storage category, this energy-efficient solution dramatically reduces power requirements for large data centers. The award recognized Alcatel-Lucent for having the most compelling design and supporting products for building scalable, high-performance, cloud-like data center networks suitable for today's virtualized applications. The design for the core of the fabric includes the OmniSwitchTM 6900-X40, a new breed of cloud network core switches with power efficiency being an essential value. Based on an open industry evaluation by the Lippis Report, a comparative analysis found that its WattsATIS/10GbE port is 3.38, offering the lowest power consumption rates available in most markets. The Alcatel-Lucent OmniSwitch 6900-X40 power cost per 10GbE is calculated at $12.36 per year, with the three-year cost to power it, estimated at $790.87, representing less than 2.82% of its list price.

2011 ACHIEVEMENT
In 2011, Alcatel-Lucent's goal was to increase the number of deployed base stations with alternative energy power solutions by 40% relative to the 2010 baseline. We exceeded this target by 19%, bringing our total number of deployed alternative-energy base stations to 793.

Read more

2.3.5 Take-back, remanufacturing and recycling

Alcatel-Lucent offers global product take-back, remanufacturing and recycling services for any type of telecom products, regardless of vendor. Members of our global network of approved recycling vendors collect and recycle products that have reached their end of life. Customers are provided with an online request form to arrange equipment pick-up. Where possible, Alcatel-Lucent participates in public recovery systems.

In 2011, the company managed 6,314 metric tons of electronic waste. Of this, 378 metric tons of equipment and components were remanufactured and/or resold. Approved recycling partners recycled 5,688 metric tons. All told, greater than 96% was recycled or re-sold; less than 4% was disposed of via secure landfill.

In 2011, six new product families were added to our remanufacturing and resale operations. The overall number of Alcatel-Lucent product families under current remanufacturing/resale has increased since 2008 from 45 to 71 product families.

Read more

> "The [low] total cost of ownership is another benefit of the Alcatel-Lucent solution. It allows us to reuse the existing fiber plant, reduce our equipment footprint, and also reduce the power consumption, which is really important to us."
>
> **EMMANUEL LEBEL, SENIOR NETWORK TRANSPORT ENGINEER, ORION**

IN 2011, MORE THAN 96% OF 6,314 METRIC TONS OF ELECTRONIC WASTE ASSOCIATED WITH ALCATEL-LUCENT PRODUCTS WAS RECYCLED OR RE-SOLD

WHAT GOES INTO OUR PRODUCTS: TWO EXAMPLES

In 2011, Alcatel-Lucent delivered 72,729 metric tons of equipment to market. Information on product compliance with environmental regulations where the products are manufactured, distributed and sold is tracked at a local level. The following are examples of the kinds of direct materials that make up finished Alcatel-Lucent products:

GPON ISAM 7342 (wireline product)

- Total weight of finished product (typical configuration supplied to customer): 88.4 kg
- Metals: stainless steel: 60.6 kg; copper: 10.3 kg; aluminum: 0.8 kg; tin: 0.6 kg; lead: 0.4 kg; other metals: trace
- Percentage of metals in finished product: 82%
- Plastics: epoxy resin: 12.4 kg; polycarbonate: 3.3 kg; other plastics: trace
- Percentage of plastics in finished product: 18%
- Other (e.g., ceramics, glass, elastomers): trace

9234e Base Station d2U (wireless product)

- Total weight of finished product (typical configuration supplied to customer): 139.6 kg
- Metals: aluminum: 55.8 kg; copper: 35.4 kg; stainless steel: 10.7 kg; steel: 0.8 kg; other metals: trace
- Percentage of metals in finished product: 73.6%
- Plastics: epoxy resin: 32.1 kg; ABS/polycarbonate: 4.5 kg; other plastics: trace
- Percentage of plastics in finished product: 26.2%
- Other (e.g., ceramics, glass, elastomers): 0.2%

RECYCLED INPUT MATERIALS

Alcatel-Lucent works closely with its 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 materials typically contained within our feedstock metals:

- Aluminum – 40% avg.; extruded forms – up to 85%; sheet products – up to 63%; electronic components – up to 5%
- Zinc – coatings – up to 36%; die castings – 10%
- Lead – battery plates – ~50%
- Tin – solder – up to 5%
- Steel – 47% avg.; structural parts – ~80%; rolled sheet goods – up to 35%
- Stainless steel – 60% avg.
- Copper –38% avg.; structural – up to 75%; electrical/electronic – up to 5%
- Nickel – 34% avg.
- Packaging – ~50% in cardboard packaging for shipped products

Example: for a single Alcatel-Lucent product (e.g., GPON ISAM 7342):

- Total weight of materials in product: 88.4 kg
- Total weight of metals in product: 72.7 kg
- Total weight of recycled material in metals: 37.4 kg
- 42% of recycled input material in product

3.0 OUR APPROACH PART 2: ENABLING A LOW-CARBON ECONOMY

3.1 THE CARBON-REDUCING CAPACITY OF ICT

Information and communications technology (ICT) providers have a unique opportunity to contribute to the battle against climate change. Although the ICT sector as a whole is directly responsible for only about 2% of total GHG emissions, the use of ICT could help cut global GHG emissions by as much as 15% by 2020[1]. ICT applications and solutions where Alcatel-Lucent technology helps reduce the environmental impact of other sectors include:

- Smart grids deployed for power utilities
- Intelligent transport systems for transportation and logistics companies
- Energy and building managements for smart cities
- Remote patient care and monitoring, state and local government, and public safety and cloud services (virtualization and dematerialization) for smart cities

In addition, the ICT industry is developing methodologies and standards for evaluating the carbon-reducing potential of ICT solutions.

(1) According to the GeSI and Climate Group report, Smart 2020.

3.2 BRINGING NEW CAPABILITIES TO SMART GRIDS

Electricity generation and distribution account for an estimated quarter of total worldwide GHG emissions. As part of its efforts to help customers reduce those emissions, Alcatel-Lucent is combining its expertise in utility communications with its experience in telecoms applications for the evolving smart grid markets, enabling utilities to:

Increase operational efficiency – by collecting, aggregating and correlating metering data in strategic areas of the grid so utilities can reduce electricity wastage, for example by monitoring distribution network transformers and determining how to reduce their total number, minimizing equipment susceptible to power losses, or by addressing electricity theft and loss. Only 35% of the total energy generated worldwide is turned into useful electricity: India, for example, loses nearly one-third of its electricity during transmission and distribution, and in that country electricity generation accounts for 57% of total GHG emissions. Losses could be reduced by 30% through better grid monitoring and management.

Engage with end users – through monitoring real-time usage and alerting consumers to opportunities to be more energy aware, with incentives and flexible tariffs as ways of encouraging consumers and enterprises to reduce usage during high-cost, peak production periods.

Integrate renewable energy sources
Integrating renewable sources into the energy supply chain poses a technical challenge because their output tends to be lower and less regular than traditional electricity generation (except for hydro). Alcatel-Lucent mission-critical communication solutions let utilities connect to and thoroughly supervise renewable energy sources to balance them with traditional production methods.

Alcatel-Lucent is running more than 80 mission-critical networks and smart grid transformations worldwide. We have helped utilities in Australia (Energy Australia), Austria (Kelag), Canada (AltaLink), China (State Grid Corporation of China), Denmark (EnergiMidt), Egypt (EETC), France (RTE), Germany (Stadtwerke Pasewalk, Vodafone), New Zealand (Transpower) and the U.S. (OG&E) implement smart grid solutions.

Read more

170,000 CUSTOMERS SERVED BY ELECTRIC POWER BOARD'S SMART GRID

SMART GRID PRODUCT OF THE YEAR AWARDS

In August 2011, SmartGrid.TMCnet.com announced winners of its second annual Smart Grid Excellence Awards and granted the 2010 Smart Grid Product of the Year Awards to the Alcatel-Lucent 7705 SAR product. The awards recognize achievers delivering Smart Grid technology products brought to market in 2010 and their commitment to quality and excellence while addressing real needs in the marketplace.

LIVING IN A SMART CITY CHATTANOOGA, TN

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Watch the video

EPB Chattanooga is in the process of deploying smart grid technology as an upgrade to its electric distribution system, which serves 170,000 customers, with more than 90,000 smart meters already installed. It is the fastest fiber-based smart grid in North America that manages electrical usage information in real time, giving customers unprecedented levels of convenience and control. Full buildout is expected in 2012. Once the system is fully operational, EPB plans to further reduce its carbon footprint by eliminating manual reading of meters, using the built-in, two-way communications capabilities of the smart grid and meters instead.

With its smart grid in place, EPB will be able to offer customers the option to pay lower electricity rates when generation is less expensive, and higher rates when it is more so. With near real-time data about their own usage available through smart meters, customers can choose when to use electricity, managing their consumption and budgets without sacrificing comfort and convenience. And if customers prefer, EPB can switch off power to certain devices when they are not in use, or turn on appliances when power is less expensive.

The EPB smart grid is providing increased power reliability, greater operational efficiency and more power management tools for the utility's customers as well as reducing customer outage minutes by 40%. Overall, the Electric Power Research Institute has estimated the value to EPB's customers in the form of reduced outages, energy conservation and other efficiencies at roughly $300 million over 10 years, while several economists at the University of Tennessee at Chattanooga have projected the service area's total economic and social benefits from the fiber project at $600 million during the same period – results that will help drive the customer-based value proposition for utilities in the years ahead.

Alcatel-Lucent is supplying EPB with smart meters and a smart meter management system, and Bell Labs is working on a research project with EPB to design and develop analytical tools and techniques to mine smart meters and other data sources. This will inject further intelligence into the grid, turning raw data into information for control, operations and planning. Novel models will be developed to predict demand, detect voltage anomalies, estimate transformer reliability, and identify anomalies in home energy consumption. Detailed requirements for implementation of these models along with initial prototypes are also being developed; the project is currently in the early phases of data exploration, model development and high-level requirements specifications for a smart grid data analytics system.

The fiber optic network that provides the infrastructure for the smart grid project is also being used to deliver high-speed, high-capacity cable TV, phone and Internet services, contributing to economic development in the region. It helped Chattanooga build a broadband management and control system that incorporates everything from streetlight control to IP surveillance cameras. As a consequence, Chattanooga has seen reductions in crime, improved public safety and reduced operational costs (thanks to more efficient lighting and controls). In the future, the network is expected to provide the infrastructure for e-services that will help reduce carbon emissions, such as tele- and videoconferencing e-learning and e-healthcare services.

To experience Augmented Reality,
1. Download the app using the QR code
2. Scan the video picture with your phone.

AR

Read more

JOINT SMART GRID INNOVATIONS FOR MORE EFFICIENT POWER DISTRIBUTION

In 2011, Alcatel-Lucent announced a partnership with China's State Grid Information and Telecommunication Co. (SGIT) – a unit of utility company State Grid Corporation of China (SGCC) – to provide technology that accesses data used to track energy usage from devices such as smart meters, analyze that data and deliver that information to the utility company. This technology can help utilities more effectively manage peak electricity demand, identify opportunities for power savings and cut down on energy usage. The information can then be used by utility companies to monitor and control peak and off-peak demand, and to more effectively manage delivery during those times, helping cut costs and reduce outages and waste. These solutions will also provide the customers of utility companies with access to reliable power distribution as well as information on their own power usage, allowing them to make educated decisions about their power consumption (for example, changing their normal usage patterns to take advantage of lower pricing structures at off-peak times).

3.3 PROPELLING SMART TRANSPORTATION

The transport sector is the second leading source of global GHG emissions after energy. ICT-driven transport solutions could save 1.52 $GtCO_2e$ by 2020. Alcatel-Lucent deploys traffic management solutions for its customers that support this goal.

Smart rail

With fuel costs rising, road congestion, increased urbanization and the global goal of reducing CO_2 emissions, rail has returned to the spotlight as a compelling transportation option for both passengers and freight. To cut CO_2 emissions, a June 2011 European Commission report recommended moving 50% of passenger and freight journeys from roads to rail and waterways. It also called for the completion of a European high-speed rail network by 2050.

With growing numbers of trains, passengers and kilometers of track, rail operators are investing in communication infrastructures to enhance safety and security and improve operational efficiency. They are also seeking to improve the passenger experience by addressing demands for multimedia, Internet and voice connectivity during travel. Business commuters in particular expect broadband services comparable to those they experience in offices and at home. With more than 75 years of experience in transportation systems integration, Alcatel-Lucent has proven expertise in designing, deploying, maintaining and operating mission-critical networks.

Read more

ALPTRANSIT GOTTHARD, SWITZERLAND: HIGH-SPEED CO_2 EMISSION REDUCTION

The new Gotthard base tunnel consists of two parallel 57-km bores that will help shift trans-alpine heavy goods traffic in Europe from road to rail. It will also allow high-speed passenger trains to move at speeds of up to 250 km/h, which will in turn enable substantial efficiency enhancements and help reduce CO_2 emissions. The project is scheduled for completion early this year, with handover to the customer in 2017. As part of this project, Alcatel-Lucent is providing a turnkey radio tunnel solution to ensure operational security and people safety.

INNOVATIVE COMMUNICATION AIDS EFFICIENCY ON DELHI AIRPORT METRO EXPRESS

A lot of people still think of public transport as a poor alternative to individual travel, even if the trip by car is a lot longer. Recent advances in interactive communication applications for passengers and onboard comfort features might change this perception. To convince customers to trade in their one-hour car ride for an 18-minute metro ride, Delhi Airport Metro Express (DAME) decided it needed to dramatically improve the customer experience to encourage people to give up their cars. DAME took steps to create a memorably comfortable travel experience by providing their customers with services such as real-time information systems, airline check-in facilities, luggage drop-off in two stations and other train assistance services. Passengers have already voiced satisfaction with the level of services. The line is currently carrying 20,000 passengers daily and it could reach 30,000 to 40,000, helping to reduce further CO_2 emissions in one of the world's biggest and busiest cities.

Smart roads

The rapid growth of cities has in many cases intensified the challenges associated with urban living such as protecting public safety, managing traffic and transportation, maintaining public infrastructures, disposing of waste, delivering basic public services and so on.

Traffic congestion in urban areas has been increasing worldwide as a result of demographic shifts and greater motorization. Increasing travel time, air pollution, fuel consumption and traffic hazards reduce cities' economic attractiveness and competiveness. Traffic congestion already represents costs equivalent to 2–3% of gross domestic product (GDP) every year in industrialized countries. Smart transportation aims to reduce the time collectively spent in traffic.

In 2011, Alcatel-Lucent introduced the Intelligent Travel Time System (ITTS) to help reduce vehicle carbon emissions by monitoring and measuring traffic flow. By placing Bluetooth scanners at many points across a city and correlating observations between them, ITTS can accurately compute travel time estimates between any two points in a geographic area. Using an intelligent, patent-pending algorithm from Bell Labs, it then suggests alternative traffic routes. This can help traffic authorities, planners, emergency services dispatchers and everyday drivers plan ahead and react quickly to real-time traffic situations – and anticipate the consequences of extreme weather, road work or special events. Not only does ITTS contribute to safer, smoother driving conditions but it also helps reduce GHG emissions and the carbon footprints of cities.

ITTS ON THE MOVE

Knowing that congestion costs Europe 1–2% of GDP every year and that in 2010 gridlock cost the U.S. more than $100 billion – the equivalent of $750 in time and gas for the average commuter in many of the nation's major metropolitan areas – helps explain why relieving road congestion has become a priority. In September 2011, the City of Orlando began a trial of the ITTS; one month later ITTS took a spotlight at the 18th World Congress on Intelligent Transport Systems. A second ITTS trial also kicked off at the end of 2011 – in Vélizy-Villacoublay, a key commercial zone southwest of Paris where roads are often congested at peak hours. Both systems monitor traffic while also providing motorists with journey times in real time, advanced warning of delays, traffic forecasts and alternative routes.

Read more

3.4 BUILDING SMART CITIES

The world's urban populations will grow by an estimated 2.3 billion over the next 40 years, and as much as 70% of the world's population will live in cities by 2050. This catches the planet between the pressures of global warming and population explosion: cities consume 75% of the world's energy and produce 80% of its GHGs. As well, the composition of the world's population is changing: the percentage of those over the age of 60 is climbing each year and by 2050 is expected to triple, outnumbering the population under 15 for the first time in human history.

The concept of the smart city is a framework for a particular vision of modern urban development that recognizes the growing importance of ICTs – broadly characterized here as "networks" – in driving economic competitiveness, environmental sustainability and general livability. Smart cities leverage a broadband network through which numerous devices are connected to share information with citizens and make daily living easier. Practical applications include:

- Smart traffic management, enabling citizens to avoid traffic congestion and efficiently find parking; reducing the transit time of public transport; and helping emergency services respond more quickly
- Smart grids coordinating electricity generators and electrical consumption, reducing peak capacity requirements and delivering only as much energy as required, reducing waste
- Smart buildings that include building management systems to run heating, lighting, computing or display systems according to occupants' needs
- Smart logistics and multi-modal transport optimization to reduce transport needs, mix transportation modes and select the most energy-efficient end-to-end logistics
- Smart environment applications including management systems to measure carbon emissions or other environmental performance metrics in cities and help monitor efficiency improvement
- e-substitutes and e-services such as videoconferencing (to replace travel), e-health (to increase availability, and provide more rapid, accurate diagnoses) and e-education (to increase access, improve quality and reduce costs)

URBAN TRAFFIC MANAGEMENT SOLUTIONS HELP REDUCE VEHICLE CARBON EMISSIONS BY MONITORING AND MEASURING TRAFFIC FLOW

To better understand the dynamics of smart city development projects and identify potential applications and solutions that deliver environmental as well as socio-economic benefits, the Alcatel-Lucent Market and Consumer Insight team conducted an in-depth analysis of 52 smart cities in 2011.

The research revealed that how and where ICT is used to create smart cities varies from project to project. However, it is usually applied to improve a mix of public and private services with direct or indirect environmental benefits (as mentioned in the above examples).

To achieve these objectives, smart cities require common open platforms and an underlying ubiquitous ICT infrastructure that includes high-speed Internet access, wired infrastructure and wireless networks. They also need an ICT application and service enablement suite, which includes smart media service enablers and city-wide open access to sensors and actuators.

Each smart city development project is driven by a variety of motivations. The Alcatel-Lucent analysis revealed three major motivating thoughts behind a smart city project:

- The need to construct or invent a new economic model (the economic motivator): This was clearly the case in Masdar (Abu Dhabi, United Arab Emirates), where the driving idea was to change the oil-based business model of the Emirate of Abu Dhabi to one based on renewable and alternative energy sources.
- The need or wish to reduce energy consumption (the eco-sustainability motivator): The best example of this is the Amsterdam (the Netherlands) smart city project, where reducing energy consumption and enabling more efficient energy usage were the key motivations for the project.
- The need to improve the quality of life in a city environment (the social motivator): This is best exemplified by the Suwon (South Korea) smart city project where the initial goal was to improve the lives and education of citizens, and improve government services.

Key smart city projects in 2011

Curitiba – Brazil

Alcatel-Lucent is deploying a broadband network to provide better services to the city of Curitiba, the largest in the south of Brazil and eighth largest in the country. A new service provider organization, Horizons Telecom, was created to provide high-speed government connectivity and ICT services for state and local authorities, initially via GPON.

Curitiba wants to leverage its ICT infrastructure for urban traffic management – to reduce congestion by optimizing commuter trips, directly reducing carbon footprint.

By leveraging ICT, Curitiba expects to foster economic growth, improve the lives of citizens, create opportunities for urban development and renewal, support eco-sustainability initiatives, improve the political and democratic process, and provide access to advanced financial services. ICT will affect the way the city evolves, and will allow it to develop smart buildings, smart infrastructures (water, energy, heat and transportation) and smart services (health, entertainment).

Lusail – Qatar

Lusail's vision is to provide residents and users with a seamless, integrated smart city offering, providing innovative next-generation services that inspire a new way of living. Lusail's stated mission is to offer city users and occupants the most current and feasible telecom and non-telecom services and systems.

Like in Curitiba, Brazil, by leveraging ICT Lusail will foster economic growth; improve quality of life; pursue urban development, renewal and eco-sustainability; improve its political and democratic processes; and provide access to advanced financial services.

Alcatel-Lucent is partnering with a local service provider to design complete, end-to-end solutions based on open standards and multi-vendor products – ensuring the seamless integration of different sub-systems over a single telecommunications infrastructure. Alcatel-Lucent is responsible for the end-to-end integration.

In addition to building a broadband network, we will integrate numerous features to make the city "smart", such as telecoms coordination, urban traffic management, building automation, lighting, energy management, access and security networks.

Read more

Alcatel-Lucent smart applications

TeleConsult, a healthcare application using new videoconferencing technology, Bluetooth sensors, video content, and voice and text applications, enables citizens to "visit" a healthcare professional remotely via a high-speed network connection, reducing the need for travel. Information can be transferred securely to the consumer's healthcare team electronically, minimizing physical medical files, images and reports.

Next Gen TV offers more connectivity options and richer interactive services, including video calling, e-health services, home power monitoring using RFID technology, and the ability to easily interact with TV programs in real time (e.g., to learn where to buy a jacket being worn on a favorite television show).

Safe at Home uses next-generation wireless (LTE)-enabled routers and mobile devices to deliver value-added services, including security, environmental management, automation, telecare and video, to what's being called "the connected home".

SMART BUILDINGS: SHERATON WAIKIKI

Sheraton Waikiki, managed by Starwood Hotels & Resorts Worldwide Inc. and owned by Kyo-ya Hotels & Resorts, LP, recently upgraded its legacy network to enable high-speed, carrier-grade delivery of advanced guest services using Alcatel-Lucent solutions. The upgraded network provides state-of-the-art wired and wireless Internet access to all 1,636 rooms and suites over existing copper wiring, providing reliable high-speed connections no matter where guests are on the property. Alcatel-Lucent's broad expertise enabled delivery of a solution that was a cost-effective, more eco-sustainable and easy-to-deploy alternative to copper replacement. By integrating existing facilities with ultra-high-speed networks, the Sheraton Waikiki can broaden entertainment options, improve energy-control systems, make possible other advanced capabilities and improve guest satisfaction.

Enabling e-health

Alcatel-Lucent and the University of Pittsburgh Medical Center signed a joint development agreement in March 2011 to collaborate on the development of a new teleconsultation platform called Patient Centered Telemedicine (PCT). The platform will support a collection of telemedicine services such as scheduled real-time remote consultations, emergent non-scheduled services and post-operation procedures. Through PCT, a patient visiting a local clinic in his or her hometown might consult virtually with a specialist located 500 kilometers away in a larger city. PCT would eliminate the need for the patient to travel to receive specialist care.

In addition, PCT supports multi-party collaboration on any web-enabled device (including third-party videoconferencing systems) and does not require dedicated tele-presence rooms. It also incorporates hospital clinical workflows.

4.0 OUR APPROACH PART 3: REDUCING OUR CARBON FOOTPRINT

4.1 TRACKING AND REPORTING ON CARBON EMISSIONS

4.1.1 Commitments and achievements

Alcatel-Lucent has committed to reducing its carbon footprint from 2008 levels by 50% by 2020 (direct carbon emissions from our operations [GHG Protocol[3] scopes 1 and 2]). Alcatel-Lucent also measures and reports on Scope 3 emissions, and has been recognized by the Environmental Investment Organization (EIO) for its leadership in Scope 3 transparency. Only three public companies in the EIO Global 800 reported more on Scope 3 emissions categories than Alcatel-Lucent in 2011.

Read more about the EIO

(3) The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify and manage greenhouse gas emissions. A decade-long partnership between the WRI and the World Business Council for Sustainable Development (WBCSD), the GHG Protocol is working with businesses, governments and environmental groups around the world to build a new generation of credible and effective programs for tackling climate change.

Read more

While Scope 3 activities are not part of our 50% reduction target, we do have considerable influence over emissions from our supply chain. For example, emissions related to product logistics amount to more than 200,000 metric tons of CO_2 equivalent emissions annually. By moving to a regionalized manufacturing model, using more, shorter-distance surface transport, and further shifting freight from air to surface transit, we are taking concrete steps to reduce our Scope 3 emissions. Similarly, investing in videoconferencing systems at key locations enables faster and better collaboration among employees without the need for carbon-intensive business travel.

2020 TARGET

1

Alcatel-Lucent has committed to reducing its absolute carbon footprint from its operations[1] by 50% by 2020 (from 2008 levels).

(1) We have clarified the wording of our commitment, "reduce our absolute carbon footprint (CO_2 equivalent) by 50% of 2008 baseline by 2020", by adding the term "from our operations", meaning Scopes 1 and 2 only. The reason for this is that we are adding new Scope 3 indicators year over year and need to keep a stable baseline from which to track our progress on reducing our carbon footprint. Additionally, we constantly work with our key suppliers to reduce our Scope 3 emissions, even though they are not part of our 50% reduction goal (see our environmental indicators on page 16).

2011 ACHIEVEMENT

In 2011, we reduced our carbon footprint from our operations (Scopes 1 and 2) by 11%. At the same time, we included a greater range of Scope 3 emissions than in past years when calculating our carbon footprint.

Since 2008, we have reduced our carbon footprint from our operations by more than 22% (or more than 185,000 metric tons of CO_2 equivalents), which is nearly halfway to our ultimate goal of 50%.

The Carbon Disclosure Project (CDP)

Each year, Alcatel-Lucent responds to the Carbon Disclosure Project (CDP). 2011's response yielded a score of 89 out of 100 possible points, and a spot on the Carbon Performance Leadership Index. The CDP performance score assesses the level of action taken on climate change evidenced in companies' CDP responses, and this honor highlights our ability to put commitments into action. We also invested in a purpose-built Enterprise Carbon Accounting tool in 2011 that will help 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 – maintaining our leadership position in carbon footprint measurement and reporting.

What's ahead

Alcatel-Lucent has successfully reduced its direct and indirect carbon emissions thanks to strong senior management commitment and a wide range of initiatives involving its entire workforce across the full breadth of its activity, from facility operations and logistics to IT and business travel. As we advance toward our 2020 goal, we are implementing a three-phase plan.

TARGETS

1

Reduce carbon emissions directly related to our business operations – for example by cutting electricity usage and investing in our own 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 and reduce business travel through the use of technology.

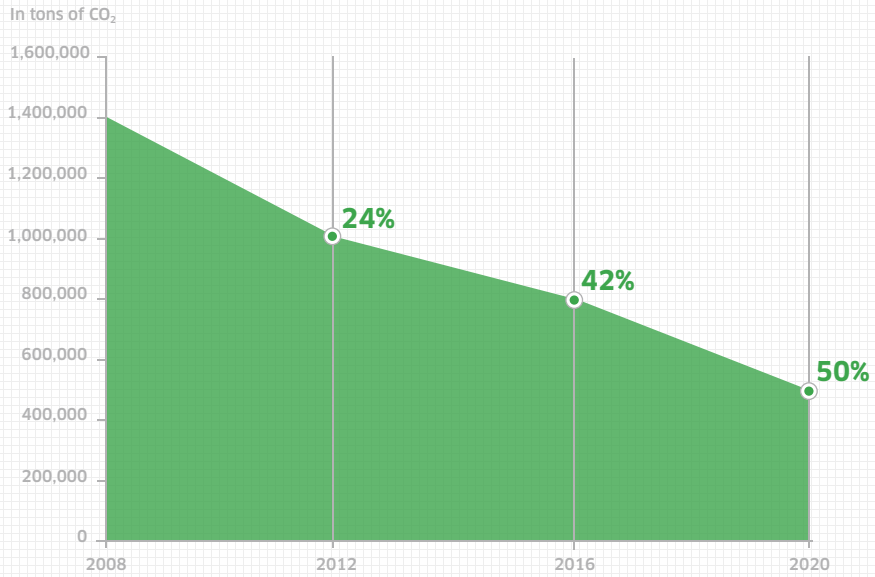
2

Engage with suppliers through audits to ensure they follow the EICC Supplier Code of Conduct, and when needed help them reduce carbon emissions.

3

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



1. GET OUR HOUSE IN ORDER

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

2. ASK MORE FROM SUPPLIERS

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

3. USE RENEWABLES FOR THE REST

- Use Renewable energy
- Use Renewable energy credits

SINCE 2008, WE REDUCED OUR CARBON FOOTPRINT BY MORE THAN 22%

ALCATEL-LUCENT NAMED TO CARBON DISCLOSURE PROJECT'S CARBON PERFORMANCE LEADERSHIP INDEX

In 2011, Alcatel-Lucent earned a place in the Carbon Performance Leadership Index of the 2011 Europe 300 report of the 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 in 2011, its mission is to "accelerate solutions to climate change by putting relevant information at the heart of business, policy and investment decisions". More than 3,000 organizations voluntarily disclose their carbon emissions to the CDP. For the 2011 Europe 300 report, the CDP analyzed disclosures from 271 of the largest European corporations based on market capitalization (90% of the FTSEurofirst 300 Index). The CDP provides companies meeting certain criteria with a disclosure score and a performance band. In addition to being listed in the Carbon Performance Leadership Index, Alcatel-Lucent placed in the "A" band and its disclosure score improved by 10% over the previous year.

Because it comes from the most visible carbon and climate change non-governmental organization, we consider this a strong acknowledgement of our climate change and sustainability program. It is particularly gratifying coming on the heels of being named a sector leader in the DJSI in September 2011, and being ranked fourth worldwide in November 2011 by the EIO for our comprehensive approach to, public reporting on, and verification of emissions in our annual Corporate Responsibility report as well as with the CDP.

Read more

4.1.2 Scope 1, 2 and 3 emissions

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 our business operations. We also report Scope 3 emissions from outsourced activities such as leased vehicles and vessels, product logistics, company business travel, contract manufacturers, employee commuting, and purchased goods and services. We follow the Greenhouse Gas Protocol to determine which elements to measure and report on. Each year, as the ability to collect and report information improves, we add additional indicators, and in 2011 we added indicators to our carbon footprint per the newly issued Scope 3 categories summarized at the beginning of this report.

We believe it is important to measure and report as many Scope 3 emissions categories as possible. By being transparent about the emissions from our supply chain, we can identify the largest contributions to climate change made on our behalf and work cooperatively with suppliers and partners to reduce them. Going forward, we will add Scope 3 reporting categories as we are able to collect data for them.

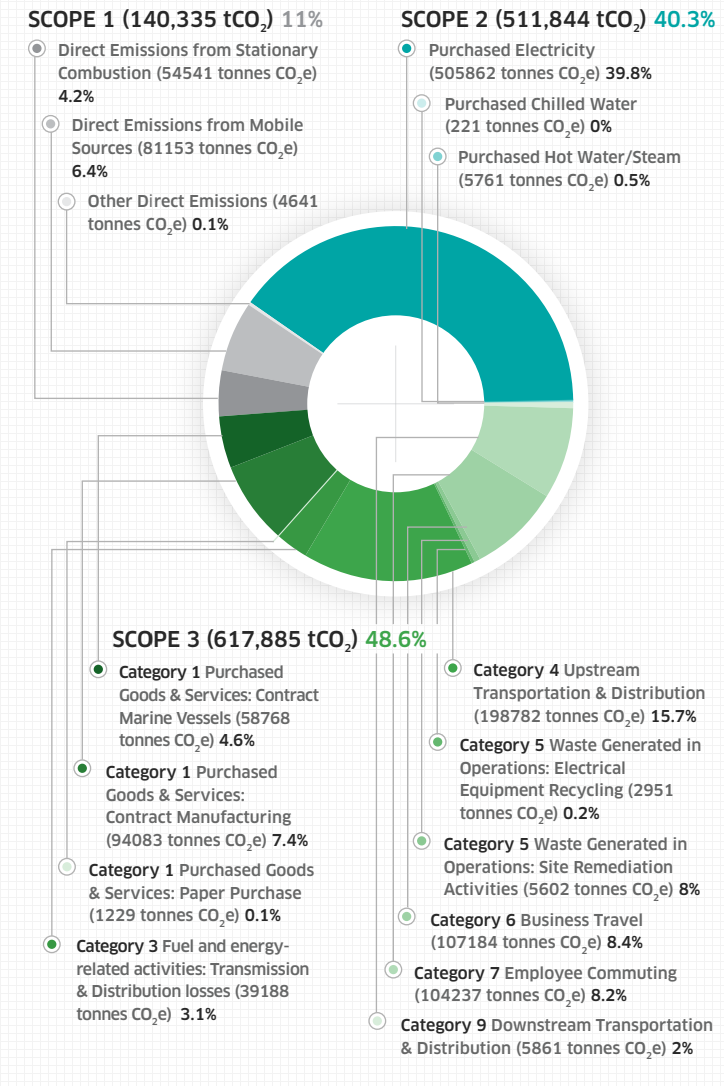
For more information on our Scope 3 categories, see p. 16-18

Read more about the Greenhouse Gas Protocol

4.1.3 Green teams

Green 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 are implemented to reduce environmental impact. Organized into three regions, our Green teams work with experts from the Office of Sustainability who provide structure, direction and access to best practices, and facilitate knowledge sharing.

2011 CARBON FOOTPRINT ASSESSMENT



In addition to reporting energy usage data, Green team members identify opportunities to reduce energy consumption and emissions. These include simple, straightforward behavioral changes and short-term payback initiatives such as lighting changes as well as longer-term measures.

Energy optimization projects

In 2011, the company made several major capital investments to further reduce energy consumption and related emissions in its buildings. More than 115 energy optimization projects are now underway in 27 of our largest facilities worldwide, targeting efficient illumination, occupancy sensors, time-of-day adjustments and alternative energy use.

115 ENERGY OPTIMIZATION PROJECTS IN 27 OF OUR LARGEST FACILITIES WORLDWIDE

HIGHLIGHT
Reducing our emissions at sites around the world

Alcatel-Lucent has made it a top priority to reduce GHG emissions at its 677 sites worldwide, which account for more than two-thirds of the company's Scope 1 and 2 emissions. Since 2008, emissions at these sites have been reduced by more than 20% thanks to the efforts of dedicated site leaders and regional Green teams.

4.2 LIVING OUR BEST PRACTICES

Actions implemented to minimize our environmental impact:

4.2.1 Electricity consumption

Electricity accounts for roughly half of our operational carbon footprint. In 2011, we lowered emissions from our electricity consumption by 12% from the previous year and continued to implement projects and invest in facilities to achieve ongoing reductions.

IN 2011, WE LOWERED OUR ELECTRICITY CONSUMPTION BY 12%

Greening our network

The Business & Information Technology Transformation function within Alcatel-Lucent is actively supporting the company's commitment to carbon footprint reduction, progress against which is measured quarterly as a part of the Business & Information Technology Transformation operational scorecard, available for review by all Alcatel-Lucent employees. Programs currently underway cover four key areas: PCs, printers, data centers and videoconferencing solutions.

PC refresh

In 2011, 6,500 laptop computers were replaced with devices 85% more energy efficient as a part of a rolling program that will continue over the coming years. The old devices were donated to charitable programs where possible.

Printer refresh

Most printers in North America have gone through this process, and additional locations will be addressed in 2012. Old printers are replaced with new units that consume less power, default to black-and-white and back and front printing, can accept recycled paper stock, and include intelligent ink-level monitoring to minimize polluting waste. New print devices are networked, so fewer are required per location. In 2011, 324 printers were removed and we plan to remove 1,737 in 2012.

Data center refresh

In 2011 we completed the closure of three data centers (536 servers decommissioned and 127 servers migrated). We continue to decommission servers and migrate the remainder to HP data centers, centralizing our facilities. HP next-generation data centers provide energy-saving solutions to reduce power consumption and cooling requirements; new hardware and virtualization capabilities help reduce carbon footprint and contribute to our green IT targets.

Videoconferencing

Investments in our video and audio conferencing solutions help minimize the need for travel within our company. Currently, we maintain more than 300 videoconferencing rooms around the world, covering most of the countries in which we operate; we are enhancing these to increase usage as an alternative to travel. Our Suffren (France), Plano (U.S.) and Shanghai (China) locations have access to state-of-the-art Halo Telepresence video rooms; employees attempting to book travel between these locations are advised by the reservations system that videoconferencing is available as a cost-effective and environmentally sound alternative.

300 VIDEOCONFERENCING ROOMS AROUND THE WORLD

Other power-saving initiatives

Argentina: Time of day adjustments pay off

At one of the key facilities for Alcatel-Lucent in South America, the company's Real Estate team worked with colleagues in the building to modify the operational hours of its lighting and HVAC systems to lower electricity consumption. In 2011, this resulted in a reduction of almost 100,000 kWh, equivalent to avoiding the annual GHG emissions of 11 passenger vehicles.

Belgium: Our own technology to reduce energy consumption

Alcatel-Lucent University delivers technical training to customers from a central lab in Antwerp, Belgium – but only the instructor enters the classroom. Using high-speed network conferencing capabilities, trainers present hands-on lessons remotely. This reduces travel-related impacts, results in optimum equipment usage, and reduces the environmental impact of classroom-based training. Alcatel-Lucent teams also developed a database called "Labman" to keep track of equipment in the company's 770 labs around the world. This is now being combined with our Eco-Server technology, which can be used to control equipment remotely. Rather than keep equipment running all night, the Labman-Eco-Server arrangement turns machines on so they are ready to go when staff come in, and shuts them down in the evening.

In 2012 the sophisticated testing and monitoring equipment located in Antwerp and running on alternative energy sources will be available to multiple Bell Labs and other Alcatel-Lucent labs on a round-the-clock basis through communications networks. High-speed Internet access will enable already-on equipment to be used by scientists in our facilities around the world. Taking advantage of communications technology – often invented in-house by Bell Labs – to work more efficiently reduces our global reliance on fossil fuels and contributes to a reduction of our carbon footprint.

China: Energy-saving campaign

At Alcatel-Lucent Shanghai Bell headquarters, measures were taken to encourage energy-saving efforts: energy-saving tips were displayed in all elevators, and a small public office was prepared for employees working overtime during weekends, while air-conditioning systems were switched off for the rest of the offices. Hot water systems are turned off over the weekends and temperatures were set higher or lower in summer and winter to save power. These measures ended up saving 1,150 MWh of energy in 2011.

France: Powering down

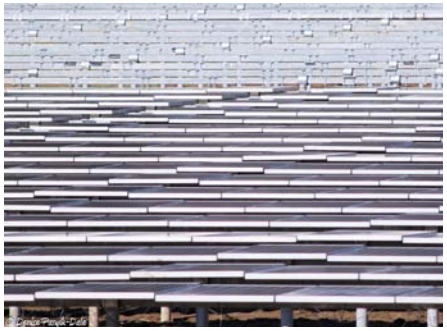
A project launched in late 2010 aims to reduce energy consumption at our R&D labs in France by encouraging users to switch off unused electrical equipment during working hours as well as overnight and on weekends. In 2011, the project led to an energy reduction of 4.73% or 485 tons of CO_2e. Other actions, such as the implementation of smart metering devices, have been set up at several sites allowing us to better monitor energy consumption and to quantify progress made.

India: Intelligent "sleep mode"

Alcatel-Lucent IT developed an intelligent "sleep mode" that more precisely reflects our lab equipment's power consumption requirements. The new sleep mode was introduced, tested in line with our Building Management Systems and monitored to ensure proper functioning of lab equipment. The result in our labs in Bangalore, India has been a net reduction of power and related emissions. This intelligent sleep mode is part of our Building Management System and an example of how IT enabled a reduction of carbon emissions at our Bangalore location.

Switzerland: Reversible heat pump system

Alcatel-Lucent Switzerland's Facility Management Team designed and installed a reversible heat pump system that cut annual heating oil purchases at the company's Zurich headquarters by more than 75%. The new heat pump reclaims all waste heat from the facility's testing and laboratory operations. This investment will be recouped by annual savings within five years. In addition to installation of the heat pump, the project included a new refrigeration system and renovation of the existing boiler plant. Substantial savings in electricity consumption were also realized through the project.



▲ Alcatel-Lucent solar panel field, Murray Hill, New Jersey, U.S.

Use of alternative energy

A key area of our mitigation plan includes the use and installation of alternative energy projects whenever possible.

In 2011 we installed a solar array at our Bell Labs and Americas headquarter building in Murray Hill, New Jersey. The array generates 1.2 MW of electricity – enough to power approximately 120 homes annually. The array will offset fossil-fuel-generated electricity purchased from the local utility and reduce carbon emissions by an estimated 850 metric tons annually. This is equivalent to planting 121 acres (nearly 50 hectares) of trees. The Murray Hill site was chosen in part because of the excellent incentives for solar power in the state of New Jersey and because the site has sufficient unused land to support the array (about six acres). Alcatel-Lucent consumes 100% of the electricity generated by the solar panels.

IN BELGIUM, AUSTRIA AND SWITZERLAND, 100% OF THE ELECTRICITY WE BUY IS FROM RENEWABLE SOURCES

As of today, we source less than 5% of our power from renewable sources; however, we are expanding our use of this type of energy. For example, in Belgium, Austria and Switzerland, 100% of the electricity we buy is from renewable sources. As availability and financial conditions warrant, we will expand our purchases of renewable energy.

4.2.2 Travel, commuting and telecommuting

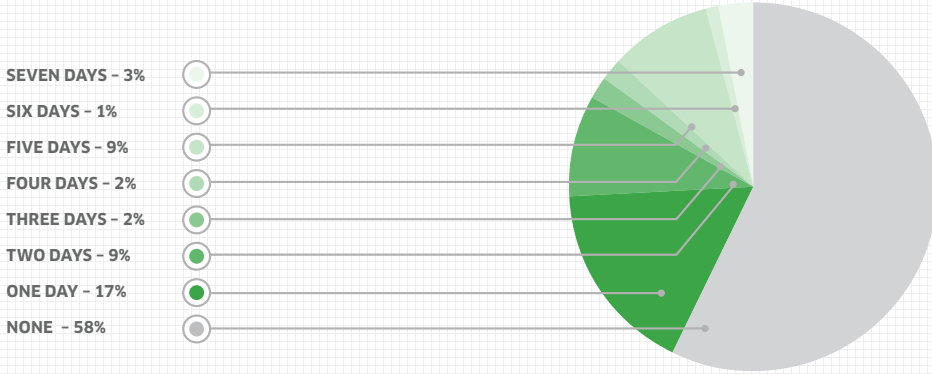
In 2011, we undertook a global employee survey to provide accurate information about the commuting habits of Alcatel-Lucent employees between their homes and their main place of work. Sent to 5,000 employees and with a response rate of 23%, the survey enabled us to calculate the carbon emissions associated with employee commuting and to add one more relevant Scope 3 emissions category to our reporting. We determined that employee commuting represents 104,237 tons of CO_2e.

Through this survey we learned that the average distance between home and the office is 23 kilometers and the car is the primary means of transport for 59% of our employees. About 20% use public transportation (bus or train) and 7 percent walk or bicycle to work. The survey also revealed that teleworking is highly developed at Alcatel-Lucent with 42% employees teleworking at least one day per week. Some countries have rates above 50% such as Spain (75%), U.K. (72%), Belgium (71%), U.S.A. (58%) or Mexico (56%).

FRANCE: TELECOMMUTING

In France, 47% of our employees work from home at least one day per week. The result is annual economies totaling more than 3,000 tons of CO_2e, the equivalent of removing nearly 550 passenger cars from the road for a year. On a global basis, further economies are achieved through flexible office space, which optimizes use of real estate resources. Because employees often travel or work from home or customer sites, the company aims to provide about 75 desks per 100 employees. Since 2010, the implementation of flexible office space enabled us to close more than 300,000 m^2 of space used for offices. This not only reflects the habits of a modern workforce, but reduces our need for office space, cuts our carbon footprint and supports our telecommuting efforts.

NUMBER OF TELEWORKING DAYS PER WEEK



Dematerializing business travel

Responsible for nearly 10% of the Alcatel-Lucent carbon footprint, business travel offers the company a double opportunity: we can reduce our own carbon emissions and demonstrate the advantages of our advanced multimedia communications solutions. Thanks to alternatives such as videoconferencing, Alcatel-Lucent has reduced emissions from business travel by 9% since 2008. At the same time, videoconferencing for internal meetings increased by more than 40% since 2008, a sign of the profound evolution in corporate culture as Alcatel-Lucent employees embrace eco-sustainability.

4.2.3 Protecting biodiversity

On the ground

Alcatel-Lucent continues to assess its real estate portfolio, creating natural habitat enhancements at company-owned locations and identifying remediation/clean-up projects. Our property in Naperville, Illinois, U.S.A., for example, covers 117 acres including 28 acres of natural prairie and 55 acres of low-maintenance areas that require grass cutting and mulching only at two-week intervals. Prairie maintenance is performed every year on a three-year cycle, with tree saplings taller than two feet removed, promoting growth of the natural environment.

At our Murray Hill, New Jersey campus, a new 10-acre meadow was developed and has continued to mature with an increasing amount of wildlife present. The property is in the third year of a forest management plan that encompasses 57 wooded acres.

▲ Murray Hill Meadow and Forest area

Other locations of biodiversity interest include Plano, Texas, U.S.A. (where we are planting native, heat-tolerant plants to eliminate the need for water irrigation); and Ottawa, Ontario, Canada (where we have converted a campus lawn to forest/shrubs). A good number of our facilities have been pesticide- and herbicide-free for more than 10 years.

Under the sea

We make sure that when we lay submarine cable on the ocean floor, we do so in compliance with specific environmental standards and after obtaining all the necessary permits from authorities. These cables are small, about 17 mm in diameter, and are designed to have no impact on the environment.

4.2.4 Paper products

In 2011, Alcatel-Lucent reduced carbon emissions from paper usage by 2%. Using more recycled paper is one major way we plan to reduce our carbon footprint in this category. Overall, we are committed to lowering our emissions from paper usage from 2010 levels by 20% by 2013. As an example of our worldwide efforts, Alcatel-Lucent France has reduced its paper consumption by 61% in 2011 compared to 2006.

4.2.5 Conserving water

Alcatel-Lucent does not require a significant amount of water for its business processes or operations, which focus mainly on integration rather than on the manufacturing of equipment. The company does, however, measure its consumption and has managed to reduce water use by 20% since 2007. We are committed to a further reduction of 20% by 2013 from our 2010 baseline.

2011 ACHIEVEMENT

In 2011, water usage rose less than 1% year over year. The main reasons for this were an extraordinarily hot summer in many parts of Europe as well as better reporting from facilities.

2013 TARGET

1

Reduce water consumption by 20% by 2013 from 2010 baseline.

GOING PAPERLESS

ONLY THE PHONE IN THE BOX

Apart from essential safety instructions, every new office desk phone Alcatel-Lucent Enterprise division introduced to the market in 2011 had no paper documentation. Instead, all user guides were made available electronically. Packaging was also minimized, with smaller box sizes having the double effect of reducing paper use and enabling more efficient shipping, thereby reducing GHG emissions associated with transport. Paper documentation will be removed from 8- and 9-series desk phones starting in 2012.

"FISCAL PAPERLESS" WITH FRANCE TELECOM & ORANGE

Since July 2011, as part of its Principal Operating Model (PrOM) transformation program, Alcatel-Lucent is moving toward completely paperless invoicing for its two major customers in France – France Telecom & Orange (FT Orange). The company is the first telecom supplier to do so with the FT Orange group. The step marks a logical progression in the electronic transmission of orders and invoices using the EDI (Electronic Data Interchange) flow implemented in 2006 between Alcatel-Lucent France and FT Orange, simplifying and automating information exchanges between the companies, streamlining costs, minimizing the need for manual adjustments and reducing the risk of errors.

Water use within Alcatel-Lucent is limited to cafeteria services, landscaping, toilets and facility cleaning and cooling. At each of our facilities we comply with local legal requirements for water discharges. Any discharges from cleanups associated with historical operations also comply with local legal requirements. Contaminants of concern, such as metals and volatile organic compounds, are removed prior to discharge.

Despite the fact that water discharges are not significant due to the nature of our business, we have implemented or initiated projects to reduce their environmental impact. A prime example relates to the use of hydrogen peroxide in the cooling water system at our Murray Hill facility. We began investigating alternatives to the standard chemical treatment of cooling system water in 2007 due to concerns over increasing chemical costs and wastewater discharge. A unique approach involving the use of hydrogen peroxide was discovered and tested at Murray Hill, with a safety and effectiveness study beginning in February 2007. That process concluded in September the same year, and a temporary system was installed in conjunction with other water reclamation/reduction initiatives. Alcatel-Lucent continued this program into 2011 and plans additional installations at other sites in its global portfolio, including less use of water for landscaping purposes.

4.2.6 Handling spills

Alcatel-Lucent maintains a process for monitoring spills in the countries where it operates; no spills above any legal reportable quantities took place in 2011.

4.3 ENCOURAGING ECO-AWARENESS AMONG OUR PEOPLE

While many environmental goals are achieved through the disciplined enactment of large-scale company policies, individuals everywhere can take powerful steps toward going green on their own. Alcatel-Lucent seeks to inspire its people to be aware of environmental issues and act in ways meaningful to them and their communities. For example, as part of its new profit-sharing arrangement with employees in France, the company includes two criteria: 1) customer satisfaction; and 2) the energy performance of Alcatel-Lucent France.

INDIVIDUALS EVERYWHERE CAN TAKE POWERFUL STEPS TOWARD GOING GREEN ON THEIR OWN

4.3.1 Earth Week 2011

For Earth Week 2011, Alcatel-Lucent launched a communication campaign to raise internal awareness of the company's environmental sustainability strategy and initiatives, share local best practices, and boost employee engagement in all countries. The campaign's centerpiece was an Intranet site that included stories about our eco-sustainability approach; video-animations highlighting our environmental commitment, achievements and examples of major initiatives; customer video interviews; speeches from three company vice-presidents; videos and blog posts from internal green experts; and tips on eco-friendly actions people can take at work, such as carpooling, e-meetings, water saving, waste sorting, green printing, device monitoring and reduced lighting use.

The campaign also invited employees to share local initiatives and ideas about eco-sustainability through Engage, our internal social media platform, from which we selected and highlighted local best practices.

▲ Earth Week 2011 – Alcatel-Lucent internal campaign

ALCATEL-LUCENT EMPLOYEES IN NIGERIA MARK WORLD EARTH DAY

Alcatel-Lucent employees in Nigeria marked World Earth Day by cleaning the area around their offices. The team, led by Country Senior Officer Cenk Kivilcim, cleaned out the streets of Muri-Okunola. Staff cleared blocked drains of dirt and debris to allow the free flow of runoff water. Plastic bottles, bags and other trash were picked up, and staff members cut tall grasses growing along the street. Later the trash was sorted out into bins for recyclable and disposable waste. The entire staff participated, and while they were out of the office they made sure to turn off the lights and air conditioning to reduce their own carbon emissions.

The project was fun for the employees, fostered teamwork and gave each member more insights into what he or she can do to protect the environment. The team is now focusing on fulfilling initiatives it committed to, including:

1. Using the recycling bins introduced in the office for paper and other recyclables
2. Reducing printing to the barest minimum
3. Using large refillable water bottles instead of small bottles to reduce plastic waste
4. Turning off all lights and other electronics at the close of business every day
5. Sending emails with reminders that urge recipients to not print the message.

Employees were invited to take part in the Billion Acts of Green campaign organized by the Earth Day Network. Alcatel-Lucent teams in China teamed up with the WWF (World Wildlife Fund) and launched an Earth Hour event on March 26 for the third consecutive year, switching off unnecessary lights and promising to donate 3,256 trees to offset carbon emissions by 814,000 kg.

4.3.2 Our people making a difference around the world

Saving energy in Japan

The Alcatel-Lucent team in Japan rallied behind a government initiative last summer to reduce power consumption by 15% in response to the lower capacity of the country's electricity system in the wake of 2011's devastating earthquake and tsunami. By keeping indoor climate controls set two degrees higher than usual, relaxing the dress code to permit cooler clothes, making teleworking mandatory every Wednesday and setting lights on timers, Alcatel-Lucent Japan cut consumption by 20%. Many of the steps taken, such as removing bulbs from lights, are being continued, helping Alcatel-Lucent keep its energy usage down year-round.

Listen to an interview with Martin Jordy (Alcatel-Lucent's President of Japan)

Greening our California commute

The adoption of electric vehicles (EVs) in the U.S. continues to increase, including among Alcatel-Lucent employees, reducing the emissions generated by their commutes to work. The IP Division team in Mountain View worked with its in-house electrical vendor in the summer of 2011 to have five utility-charging stations installed for employees and vendors to use. Based on positive feedback from that deployment, the company is now planning to expand the use of charging stations for EVs wherever it makes financial sense.

▲ Pictured above are some of the members of the Japan "Beat the Heat (& the Competition)!" team from left: Ryota Maeda (Real Estate), Junko Ngao (Genesys Japan), Nozomi Endo (IS/IT), Naoko Osawa (HR), Martin Jordy (President), Hirofumi Tsuchida (Leader of BTH team), Shin-ichi Sakamoto (PDC) and Masao Inouye (CAT). Not pictured: Patrick Consolla (Operations) and Yukiko Yamazaki (Communications)

Shanghai Roots & Shoots

Alcatel-Lucent Shanghai Bell sponsored the Green Action Program of the environmental non-governmental organization Shanghai Roots & Shoots in 2011. The Green Action Program includes three initiatives: a Green Office Environment Audit, Green Act Ambassador Selection and One Million Tree Planting in Inner Mongolia. Student volunteers carried out the first of these initiatives in June 2011. With Roots & Shoots, we conducted an eco-office survey (assessing areas such as lighting, heating and cooling, kitchen, washrooms, office equipment and recycling), which gave a total score of 91.89 to Alcatel-Lucent, ranking number one among 122 surveyed companies.

vRideAlong India

Two young Alcatel-Lucent employees in Bangalore, Ritu Sama and Parashar Shah, developed the carpooling website vRideAlong.org last year to encourage green transportation among corporate workers. The self-funded, not-for-profit site includes a mobile carbon footprint calculator application. Since its launch in 2010, the site has gained some 430 registered active users, and the app has been downloaded 1,700 times in six months. In October 2010, NGO Mumbai Meter Jam joined as a partner.

Read more

RECLAIMING LAND FOR TREES IN POLAND

Alcatel-Lucent employees have been supporting the challenge facing the state forests organization in Poland, taking part in a project that aims to reclaim and revitalize an old military training field at Bydgoszcz near the Alcatel-Lucent facility. Within a few years, this neglected military area will be brought back to a state where a new and healthy forest can grow and flourish. New, organic soil and native flora and fauna are being introduced to the 74-hectare site; where the area has been revitalized, young birch and pine trees are already growing. On October 12, 2011, 50 new trees – lindens, rowans and buckthorn – were planted on behalf of Alcatel-Lucent employees.

CARBON NEUTRAL COMMUNICATION – THE ALCATEL-LUCENT CUSTOMER NEWSLETTER

The company continued tree-planting work last year to offset the CO_2 emissions generated by the production of its customer newsletter. The initiative began in 2010 when Alcatel-Lucent first assessed the environmental impact of its quarterly newsletter, determining how much CO_2 was generated during its creation and calculating the number of trees that would need to be planted to counter it. Twenty-five trees were planted in 2010; the 50 in Poland were part of 2011's offset. To further minimize the impact of the newsletter, production has shifted from printing to online publication.

Read more

WOULD INNOVATION HAPPEN WITHOUT PEOPLE INSPIRED TO ASK, “WHAT IF?”

OUR PEOPLE

The diversity of our workforce, client base and the communities where we do business supports our development of innovative approaches to a wide range of business and technological challenges. We believe innovation, which depends on breaking down boundaries and making new connections, is strongly linked to diversity. Increasing gender, cultural and generational diversity improves the company’s ability to perform.

1.0 FOCUSED ON OUR PEOPLE

OUR COMMITMENT

Invest in our people and talents while reflecting the diversity of the markets we serve and the communities in which we operate. We will ensure our employees work in a stimulating environment of continuous learning while fostering diversity and open dialogue via innovative tools to share knowledge and celebrate difference.
The Alcatel-Lucent University provided 1.3 million hours of training to our employees in 2011. Our award-winning Engage internal social networking platform is enabling employees throughout the company to share, collaborate and exchange best practices on each other's expertise and talents.

The company's human resources policies and practices continue to ensure in innovative ways that the ongoing transformation of Alcatel-Lucent aligns with changes affecting our customers, markets and the world at large. Because we serve global markets and customers who do business on a global scale, our approach to HR management and development is likewise global. At the same time, operating in 130 countries, Alcatel-Lucent nurtures a vast web of local partnerships and relationships – with customers and also with suppliers and subcontractors, local communities and educational institutions.

2011 HIGHLIGHT
More than 76,000 employees working and operating in more than 130 countries and representing more than 100 nationalities.

As part of our commitment to fulfill corporate responsibilities on the local level, we encourage employees to contribute to their communities by volunteering programs organized through the Alcatel-Lucent.

For more information, see p. 128 Philanthropy

As we endeavor to remove boundaries in our quest for constant innovation, we increasingly use tools developed within our own information and communication technology (ICT) department. For example, Alcatel-Lucent is using social networking to encourage more open collaboration across the organization. The company has created a global internal job market to expand the career possibilities open to all employees. Platforms such as Engage are helping nurture skills development throughout the company by identifying needs, highlighting talents and supporting community learning.

Innovative social networking tools foster a rich, ongoing dialogue between employees and management – critical to our business success. This helps everyone understand, embrace and contribute to the realization of the company's strategic goals.

THE POWER OF DIVERSITY

"We promote an agile workforce through open collaboration, training and development, and internal mobility. This is what leads to innovation throughout the company and how we will serve our customers' needs today and in the future."

CHRISTEL HEYDEMANN
EXECUTIVE VICE PRESIDENT, CORPORATE HUMAN RESOURCES AND TRANSFORMATION

AR

Watch the video

To experience Augmented Reality,
1. Download the app using the QR code
2. Scan the video picture with your phone.

AR

Read more

OUR 2012 GOALS FOR HUMAN RESOURCES ARE TO:

- **Support the organization by instilling a high-performance culture.** We will continue to support and develop people managers to be effective in their roles. Reinforcing the vital importance of ongoing employee/people manager dialogue on objectives and development, we will ensure all employees have well-understood goals aligned with company direction and success.
- **Execute on our strategic workforce plan, maximizing use of our internal talent.** We are taking steps to more accurately anticipate the company's overall workforce needs and then execute on that plan accordingly.
- **Invest in talent and skills upgrading,** with particular focus on expertise. We will launch our Technical Ladder initiative to foster technical expertise career evolution and continue to grow our leadership bench for the future, leveraging our renewed leadership pipeline with excellent, diverse talent.

For more information about commitments and targets focused on our people, see pages 10 and 21

2.0 OUR VALUES

CORPORATE VALUES

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

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

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

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

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

2.1 A PLATFORM FOR LEADERSHIP

Alcatel-Lucent's corporate values are currently being reviewed, with a revised set to be launched and communicated by mid-2012 through the company's strategic plan. During this process, the current corporate values remain applicable.

2.2 GLOBAL HUMAN RIGHTS POLICY

2011 HIGHLIGHT

The company's recently updated Global Human Rights Principles address four areas relevant to its global business operations and ecosystem as an employer, supplier of telecommunications infrastructure, a direct business partner and concerned corporate citizen.

Alcatel-Lucent supports and respects the principles of human rights defined in the United Nations Universal Declaration of Human Rights, the International Labor Organization's fundamental conventions and the United Nations Global Compact. Our policy is to protect and enhance the dignity of everyone who works for the company as well as those who have 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.

As an employer

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

Violations of this policy by employees should be reported using the appropriate Compliance Issue Reporting Mechanism as described on the Office of Business Integrity & Compliance website.

As a supplier of telecommunications infrastructure

- Alcatel-Lucent offers products and services in compliance with international standards, and supports 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 our suppliers, subcontractors and business partners, and expect them to adhere to these in their practices. We also encourage suppliers, subcontractors and business partners to be consistent and compliant with this policy and the Alcatel-Lucent Code of Conduct.
- Suppliers and subcontractors are asked 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 to assure their respect throughout the supply chain.

As a corporate citizen concerned about communities

- The company respects and complies with all human rights legislation, regulations and standards in the countries where we operate and conducts business and sales activities in strict compliance with international conventions regarding human rights. The company also respects indigenous rights and civil society where we operate and acts in full recognition of our social and environmental responsibilities.
- Alcatel-Lucent also plays an active role, via the Alcatel-Lucent Foundation, in charitable activities and supports its commitment to social responsibility.

Read more about our Human Rights policy

For more information about our Human Rights approach, see pages 31, 51, 66-67, 124, 143, 147

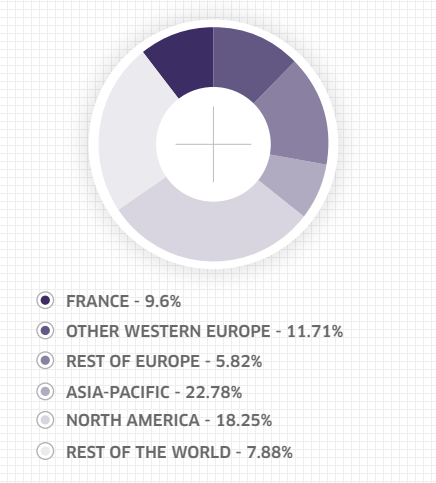
For more information about our Alcatel-Lucent Foundation, see p. 128

Further to the revision of our Human Rights policy this year, in order to reflect the UN Ruggie Principles, Alcatel-Lucent is scheduled to design and define at a corporate level a training program for employees on Human Rights principles by 2013.

3.0 OUR EMPLOYEES

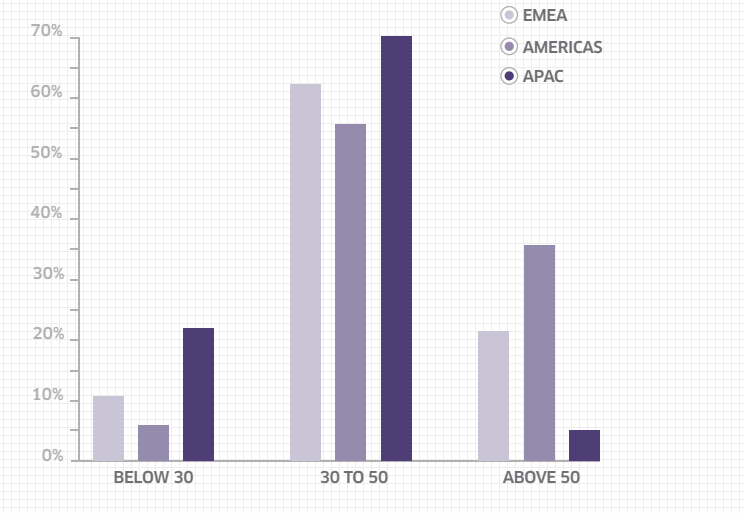
At the end of 2011, the company's total employee headcount was 76,002. Our balanced global presence reflects our constant aim to drive innovation everywhere our technical environment is changing and to remain close to customers.

BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA IN 2011



France	9,560
Other Western Europe	11,706
Rest of Europe	5,824
Asia-Pacific	22,780
North America	18,254
Rest of the World	7,878
Total Group	76,002

EMPLOYEE AGE DISTRIBUTION BY GEOGRAPHICAL AREA IN 2011



	Below 30	30–50	Above 50	Reg Total
Europe, Middle-East and Africa	11.9%	64.2%	23.9%	100.0%
Americas	6.6%	55.7%	37.7%	100.0%
Asia-Pacific	27.0%	69.5%	3.5%	100.0%

TOTAL NUMBER AND BREAKDOWN OF EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT

Following is a breakdown of permanent vs. fixed-term contract type for the "operational" employee population.

Table 1 displays percentage of Alcatel-Lucent total; table 2 displays percentage of heads within each region.

Operational Headcount Perm. vs. Fixed-Term Contract Type – % of Total

	Contract Type		
Region	Perm	Fixed	Grand Total
Americas	29.6%	0.1%	29.7%
APAC	21.8%	8.9%	30.7%
EMEA	39.4%	0.3%	39.7%
Total	90.8%	9.2%	100.0%

Operational Headcount Perm. vs. Fixed-Term Contract Type – % of Region

	Contract Type	
Region	Perm	Fixed
Americas	99.8%	0.2%
APAC	71.1%	28.9%
EMEA	99.2%	0.8%
Total	90.8%	9.2%

TOTAL NUMBER OF PERMANENT EMPLOYEES AND BREAKDOWN BY EMPLOYMENT TYPE

Following is a breakdown of full-time vs. part-time employment for the "operational" employee population.

Table 1 displays percentage of Alcatel-Lucent total; table 2 displays percentage of employees within each region.

Operational Headcount Full-Time vs. Part-Time – % of Total

	Contract Type		
Region	Perm	Fixed	Grand Total
Americas	29.5%	0.1%	29.7%
APAC	30.6%	0.0%	30.7%
EMEA	38.4%	1.2%	39.7%
Total	98.6%	1.4%	100.0%

Operational Headcount Full-Time vs. Part-Time – % of Region

	Contract Type	
Region	Perm	Fixed
Americas	99.5%	0.5%
APAC	99.9%	0.1%
EMEA	96.9%	3.1%
Total	98.6%	1.4%

2011 ATTRITION BY REGION AND GENDER

Attrition by Region	Attrition Total	Attrition Rate
Americas	2,309	10.11%
APAC	3,651	15.36%
EMEA	2,021	6.66%
Total Alcatel-Lucent	7,981	10.37%

Attrition by Gender	Attrition Total	Attrition Rate
Americas	**2,309**	**10.11%**
Female	596	11.49%
Male	1,708	9.68%
Information Not Available	5	45.45%
APAC	**3,651**	**15.36%**
Female	583	11.69%
Male	3,068	16.33%
Information Not Available	0	0.00%
EMEA	**2,021**	**6.66%**
Female	363	6.16%
Male	1,657	6.78%
Information Not Available	1	76.47
Total	**7,981**	**10.37%**
Female	1,542	9.60%
Male	6,433	10.57%
Information Not Available	6	48.45%

* Attrition includes all termination activity, including resignation, retirement, death, spinoff, outsourcing, layoffs, redundancy, violation of rules, and other miscellaneous payroll/company terminations. The information about attrition breakdown per gender is not available in all countries where Alcatel-Lucent operates due to specific data privacy policies.

4.0 FOSTERING INTERNAL DIALOGUE

4.1 COMMUNICATION AT ALCATEL-LUCENT

Innovation happens when ideas are shared. To ensure a good flow of information, open communication is encouraged and facilitated at Alcatel-Lucent in a number of ways. Video, audio podcasts, Intranet stories with comments and ratings, direct push mail and global online chats are all vehicles for sharing information with employees about the company. And communication should not be solely a top-down activity. Open communication among colleagues without boundaries or censorship is encouraged through collaborative platforms such as Engage. Currently, 26,000 employees actively use this internal social networking platform at least once a month. Management uses Engage to solicit input on decisions and, in 2011, to obtain suggestions on cost-saving measures that became the basis of discussion at the company's annual management meeting. Between 2010 and 2011, active use of this forum increased by 80%. An advocate from the start, CEO Ben Verwaayen remains an active Engage contributor, using his blog to share ideas and gather feedback from employees.

Both our video-sharing service and our Engage adoption rates have won awards indicating that these vehicles, and their use, are best in class.

Read more about Engage (Jive)

Read more about Engage (Jive) IT night award in French

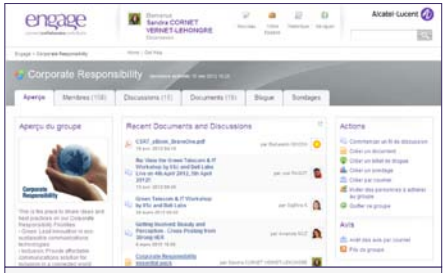
Read more about 2011 winners of the Intranet Awards

Management also seeks the input of employees through surveys targeted either by function or region. Topics include satisfaction, awareness and communication effectiveness. Responses gathered are compiled, reported back to employees and acted on as necessary.

The most effective and personal communication channels remain face-to-face meetings. Whether through large-scale, all-hands meetings and road shows or the more intimate coffee-and-connect sessions, personal exchange is encouraged. These events occur with varying regularity depending on travel schedules and locations. Due to the company's global presence and our commitment to reducing our carbon footprint, we leverage the power of the technologies we help make possible, such as videoconferencing and video-IM, to foster interactive exchanges among peers and virtual live interaction with senior managers. Although we want to strictly limit business travel, we also want to foster more live interactions

among employees, so we encourage videoconferencing. The result is that videoconferencing for internal meetings increased by more than 40% since 2008, a clear sign that Alcatel-Lucent employees embrace eco-sustainability.

For more information, see p. 92



HIGHLIGHTS

26,000 employees actively consult the Engage collaborative platform at least once per month.

80% increase in active users from 2010 to 2011.

4.2 EMPLOYEE RECOGNITION

The "CEO Excellence Award: Recognizing Change" program

This global initiative is designed to support transformation and recognize exceptional contributions to the company's transformation effort. The CEO Excellence Award is given annually to an employee or team selected by the CEO for contributions that can be replicated elsewhere in the company, either as an innovation or a way of working. Winners choose a charitable organization to receive a donation on their behalf. All nominees' submissions are published to spotlight internally the quality of work being done at Alcatel-Lucent.

2011 HIGHLIGHT

2011 saw 64 nominations for CEO Excellence Awards from around the globe.

▲ Michael Schabel and Jyoti Mahurkar-Thombre accepting the 2011 CEO Excellence Award for their teams from Ben Verwaayen.

2011 HIGHLIGHT

Employee Engagement

In 2011 Alcatel-Lucent focused on designing an end-to-end employee engagement approach and ensuring active sponsorship from senior leaders globally. The new employee engagement framework has three elements: a detailed, online survey; a best-practice results-to-action process; and an active network of employee engagement champions throughout the leadership pipeline. Combined, these will ensure a thorough assessment of the key engagement opportunities and a sustainable action-plan response across the organization. In the meantime, several internal organizations have completed measurements to look at employee engagement levels within a specific organization.

SRI LANKA/MALDIVES

Many local social activities were undertaken in Sri Lanka based on employee suggestions, including, in 2011, a blood donation campaign in Angoda. Apart from a monthly Country Senior Officer's tea-time meeting with employees from various teams, quarterly sports events are held as well as a year-end office get-together with a Night Out Awards celebration for high performers. An anonymous suggestion box is promoted to invite employee suggestions, ideas and requests for improvements.

4.3 DISCUSSIONS WITH UNIONS

We inform and/or consult with union representatives before making any major change in organization, respecting local regulations and those at the corporate level. Matters affecting individuals may require one to six months of discussions depending on the implications, especially if there is a transfer of work to a new location or a need for the individual to relocate.

Major collective agreements signed in 2011 included the Agreement on Equality at Work and GPEC (Gestion Prévisionnelle des Emplois et des Compétences) in France. The Collective Labor Agreement was signed in Alcatel-Lucent Bulgaria, covering these areas: salaries, benefits and rewards; training and development; and social partnership. In Alcatel-Lucent Italy, there were three agreements signed during 2011 (two agreements for social tools and one on transferring the company branch for Bari R&D site). In Germany, Alcatel-Lucent Network Systems GmbH's two company-related collective bargaining agreements (regulating working conditions and the amalgamation of 10 establishments into five) concluded in December 2011.

In France, a company-level committee representing employees (Comité de Groupe France) has been in operation since 1981. Composed of 30 trade union representatives, it meets at least twice a year (generally in June and December). The membership of the French Committee was renewed for two years in 2010. In 2011, the company-level committee met three times.

In the U.S., Alcatel-Lucent regularly communicates with its unions, consistent with local labor laws and commitments contained in our collective bargaining agreements. Major agreements signed in 2011 include a one-year extension of our collective bargaining agreement with the Communications Workers of America (CWA) with respect to wages, benefits and working conditions. We have a signed agreement with the CWA that addresses safety and health and in particular requires a National Union-Management Committee to meet at least three times per year.

In 2011 we conducted discussions with the European unions to adapt our current agreement based on more than 16 years experience to improve our communication with our unions at company level. We are currently waiting for the official position of our union, which should be available before May 2012.

HIGHLIGHT

European Committee

Alcatel-Lucent is committed to fostering an open dialogue with employees on important decisions directly affecting them, and with the unions and other bodies that represent them. The European Committee for Information and Dialogue (ECID), for example, supports dialogue between senior management and European employee representatives. It was renewed for two years in 2011 when new members from Bulgaria were added. It has 30 members, five of whom make up a coordinating committee – including representatives from Belgium, France, Germany, Italy and Romania. France is also in charge of the secretariat of the committee. ECID meets at least twice a year depending on developments at Alcatel-Lucent. In 2011, it met in March and October; five additional meetings with the coordinating committee were also organized. A dedicated meeting took place in December to consider updating the current agreement based on 16 years of experience and the evolution of the regulation at the European level.

5.0 EMPLOYEE HEALTH AND SAFETY

At Alcatel-Lucent, we strive to drive the idea of "think safe and be safe." As stated in our Employee Health and Safety (EHS) Policy, we are committed to operating in a sustainable manner that protects the environment and the health and safety of employees, contractors, customers and the communities where we do business. Meeting this commitment is a primary management objective and the individual and collective responsibility of all employees. Our global EHS network of correspondents ensures safety is part of who we are rather than an add-on concern.

Alcatel-Lucent's reporting requirements for serious incidents and occupational accidents ensure all business groups provide the information to support effective trend analysis and root cause identification, and to focus on accident-prevention programs. We use this data to continually improve our safety performance as we strive to reach our goal of zero lost work days due to injury or illness. We set internal objectives to reduce our work-related injuries/illnesses frequency rate. A preliminary trend analysis in 2011 pointed to slips, trips and falls; strain and sprain-related injuries; and motor vehicle safety as areas needing more attention. Consequently, the company is revising its ergonomic guidance to suit the current working style – for example, the increasing use of laptop versus desktop computers. We are also evaluating driver safety courses in all regions to ensure local issues related to motor vehicle safety are addressed.

In 2012, health and safety courses are also being offered through our online learning portal. We are utilizing Skillport, an off-the-shelf product with many applicable EHS titles that is hosted in the Alcatel-Lucent Learning Management System, starting with courses related to slips, trips and falls. This will increase the availability and speed of delivery of EHS training.

To make health and safety information more readily available, the Corporate EHS office created a common EHS SharePoint platform that allows EHS coordinators to input and utilize course content and customize it to their specific, local needs. Additionally, Alcatel-Lucent, through its travel services website, keeps employees informed about any risks associated with serious diseases.

Prevention and treatment of serious diseases is managed on a local level. Incorporating safe working habits into employees' lifestyles is a process that takes time, but the company is confident in the steps it has taken to make sure people understand doing things safely is part of doing them right.

2012-2014 TARGET

1

Achieve SA 8000 certification in Brazil and Mexico by year end 2012; extend to other countries that are already compliant with the requirements by 2014.

LOCAL INITIATIVES

Last year Alcatel-Lucent engaged in a number of local EHS initiatives, including:

In Turkey, the adoption of a GPS device to monitor and control vehicle speed, with results showing a reduction in average speed and fuel costs – both environmental and safety benefits.

In India, an EHS Road Show in the city of Gurgaon created awareness about EHS activities and facilitated the implementation of EHS management systems for employees in Real Estate, Services, Human Resources, Operations, Quality Assurance and Procurement.

In California, Alcatel-Lucent Real Estate/EHS and Corporate Insurance jointly sponsored an engineering inspection of a critical California Alcatel-Lucent facility to evaluate earthquake survivability. This identified improvement areas for employee safety and loss protection, and a brochure was developed for employees about what to do during and immediately after an earthquake event.

In the Asia-Pacific region, the Alcatel-Lucent Hong Kong team received the Hong Kong Electric Company Good Safety Performance Award, and Alcatel-Lucent Singapore achieved BizSAFE Level 3 certification in December 2011.

For more information, see p. 5

6.0 DIVERSITY AND EQUAL OPPORTUNITY

> "I am a true fan of diversity. We make much better decisions if we have different viewpoints and backgrounds. Gender diversity is a huge opportunity and leaders must set the example."
>
> **BEN VERWAAYEN**
> **CHIEF EXECUTIVE OFFICER, ALCATEL-LUCENT**

Alcatel-Lucent is an equal opportunity employer and actively seeks to promote a diverse and open workplace. We firmly believe that diversity and inclusion are great sources of our strength. As an equal-opportunity employer, Alcatel-Lucent acknowledges the unique contribution that all potential candidates can bring in terms of their culture, ethnicity, race, gender, nationality, age, religion, disability, sexual orientation, education, experiences, opinions and beliefs. Furthermore, we expect every Alcatel-Lucent employee to respect and support a globally diverse environment.

As a measure of its global commitment, in 2011 Alcatel-Lucent announced a Corporate Sponsor for Diversity (Paul Tufano, Alcatel-Lucent Chief Financial Officer) as well as a Diversity Action Lead group to formulate and track corporate objectives, and to develop a strategy and action plans to improve diversity across the organization.

6.1 GENDER DIVERSITY

Our corporate diversity strategy is to adhere to the principles of inclusivity worldwide, with an initial focus on gender diversity on a global level. Countries and regions are accountable for addressing diversity relevant to their local contexts. While women make up more than 50% of most talent pools and represent a large contingent of the company's end users, they are not present in our management ranks in similar proportions. This implies a loss or misalignment of a large talent pool. Alcatel-Lucent is focusing on this business imperative.

A global strategy and action plan was put in place at the end of 2011 involving the assignment of accountabilities at the organizational, corporate and country levels and the identification of actions in five focus areas: awareness building, leadership pipeline, staffing/recruitment, work/life balance, and equal pay for equal work.

HR and leaders were asked to identify their own objectives, action plans and diversity champions to raise awareness on the diversity topic in their organizations. Each Alcatel-Lucent organization has identified a measurable diversity-related objective for its business and will show progress against it annually.

In Asia-Pacific, the leadership team has committed to sponsoring high-potential women to prepare them for executive and upper management positions. Additional actions include support for flexible work practices and attention to diversity within the staffing and development processes across the APAC region. The Networks group identified a plan based on sponsorship of women, awareness building among people managers and a dedicated focus on improving women's development. The Networks leadership team attended a workshop in December to learn more about how gender stereotypes influence the behavior of men and women in the workplace.

A number of panel discussions with top executives were organized at the end of 2011 with participants discussing what people managers can do to improve the diversity of their teams and advice on how women can grow their careers. Participants also gave an overview of their commitments as leaders on the topic.

Read more about 'The week of diversity' (in French)

2011 HIGHLIGHT

The company set a target for 2011 to increase the number of women in executive positions by 20% of the total available within the company.

Over the course of the year, the number of women in these roles did increase – by 6% – but the overall proportion remained at 15% due to an increase in the number of male executives. The Alcatel-Lucent strategy and action plan to achieve greater gender balance will entail actions aimed at both genders. We are committed to strengthening our leadership pipeline of women through sponsorship, mentoring and coaching, and providing awareness-building sessions for people managers to help them re-examine their attitudes toward men and women in the workplace and increase understanding of the differences between the two in terms of leadership style, communication, behavior and career cycles.

2012–14 TARGETS

1

In light of the steps that need to be taken to improve the gender balance at the executive level of the organization, the company has shifted the 2012 target of a 20% increase in the percentage of executive women to 2014, a realistic timeframe within which to enact the action plans and propel measurable progress toward that goal.

We also commit to:

2

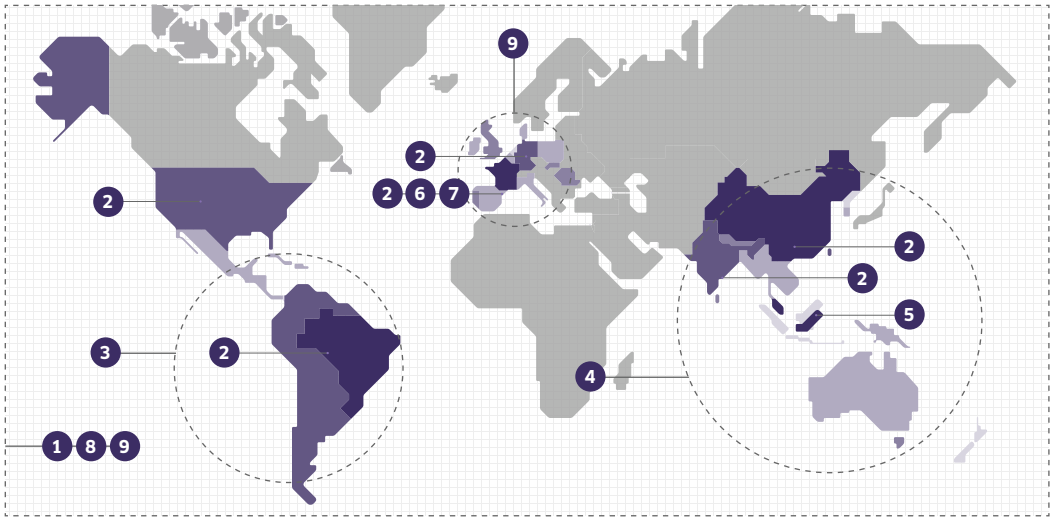
Developing gender diversity awareness-building training and making it available to all people managers by 2012

3

Extending existing equal pay agreements:
– by 2014, reduce unexplained gender pay gap of more than 5%
– by end of 2012, have a plan in place to address gender pay gaps of more than 5%

INTERNAL WOMEN'S NETWORKS: STRONG'HER/WOMEN'S LEADERSHIP NETWORK

Employee women's networks help foster gender diversity by bringing motivation and inspiration to Alcatel-Lucent employees, allowing women and men to share their experiences and ideas on parity and women's leadership.



1 **STRONG'HER:** This employee networking and support group was set up by Alcatel-Lucent women in 2011 on the Alcatel-Lucent collaborative platform, Engage. Strong'Her organizes local events in its growing number of worldwide antennas. Today the network has nearly 600 members (15% men) in more than 22 countries.

2 **WOMEN'S LEADERSHIP NETWORK (WLN):** This network has local chapters and members-at-large across the U.S., Brazil, China, France, Germany and India. The WLN's mission is to provide an avenue for all women in Alcatel-Lucent to demonstrate their leadership abilities, for women to mentor and be mentored, and to be a positive presence within the business and throughout the communities in which we work.

3 **THE WOMEN IN CALA PROGRAM:** This program focuses on the three human dimensions: the body, mind and spirit. Through a series of conferences and workshops, the program provides participants with tools for self development in a comprehensive way and for achieving balance in different dimensions of life. nearly 40 women attended the conferences, and 12 talent-pool women completed the training.

4 **DIVERSITY FORUM IN APAC:** To ensure there is a consistent and focused approach on gender diversity in APAC, a diversity champion was identified for each country in the region in order to create an APAC diversity forum. The Forum meets monthly to discuss corporate priorities, country-level execution plans and best practices. The focus for 2012 is to create awareness around gender balance, amongst men and women colleagues, and develop the leadership pipeline of women in the region.

5 **GENDER DIVERSITY IN MALAYSIA:** This quarterly online gender diversity newsletter was launched, featuring five women per issue. The selected women will share their career aspirations and challenges with the rest of the employees. To support working mothers, Alcatel-Lucent Malaysia increased the maternity leave entitlement from 60 to 90 days – well above the legally mandated level followed by most Malaysian companies. Additionally, a lactating room was set up to enable female employees to continue nursing after returning to work. Women employees were also given the opportunity to meet senior executives such as Ben Verwaayen and Rajeev Singh-Molares, as well as other executives visiting the country.

6 **COLLEGE@WORK:** In late 2011, many locations of Alcatel-Lucent France welcomed secondary school students for one week as part of the College@work project. College@work is aimed at encouraging disadvantaged youth, particularly the young women among them, to pursue a career in engineering. since its 2010 launch at the Alcatel-Lucent Villarceaux location, the program has been so successful that it was deployed in 10 locations in France in 2011.

During the week, students discover more about the activities and professions at Alcatel-Lucent and attend internally organized workshops facilitated by employees. Workshops range from meetings with operational employees to advice on building a CV, having a job interview and practicing English.

Read more (in French)

7 **THE TOWN OF VÉLIZY LAUNCHES "CLUB PERSPECTIVE FEMMES"**: This club supports professional women located near the Inovel Parc (Alcatel-Lucent, General Electric, Thales, Gunnebo, Schindler, Auchan and more), this network meets once every two months to discuss concrete actions – especially in schools and universities – that will encourage more women to enter scientific and technical fields. Members also attend conferences and workshops on professional evolution and gender diversity in organizations.

8 **THE WOMEN EMPOWERMENT PRINCIPLES (WEP):** These are principles for business, offering guidance on how to empower women in the workplace, marketplace and community. They are the result of a collaboration between the United Nations Development Fund for Women (UnIFEM, part of UN Women) and the United Nations Global Compact, of which Alcatel-Lucent is a member. Not only is Alcatel-Lucent a signatory of the WEP, but we support its activities by providing real-life business practices and input on the gender dimension of good corporate citizenship. Alcatel-Lucent representatives participated in the WEP 2012 conference to share the practices we have launched to empower and advance women in the workplace.

9 **EUROPEAN ROUNDTABLE OF INDUSTRIALISTS:** Alcatel-Lucent & Societal Changes Working Group Alcatel-Lucent has agreed to be part of a European Roundtable of Industrialists initiative to promote our corporate targets and actions on improving gender diversity among executives as an example of proactive leadership on this issue among DAX 30 companies in Europe. Other participating companies include Deutsche Telekom, Vodafone Group, Siemens, TOTAL, GdF Suez and Royal Philips Electronics.

Read more

6.2 BEING A MULTICULTURAL COMPANY

With more than 76,000 employees representing more than 100 nationalities, Alcatel-Lucent has employees of all ages, from all walks of life. This is a great source of strength that allows everyone within the company to develop new ways of looking at issues and to contribute creative thinking. In today's global environment, we believe more than ever that it is crucial to understand the cultures, customs and needs of employees, customers and regional markets. As a global enterprise, we seek to ensure that our employee body reflects the diversity of our business environment.

LOCAL INITIATIVES

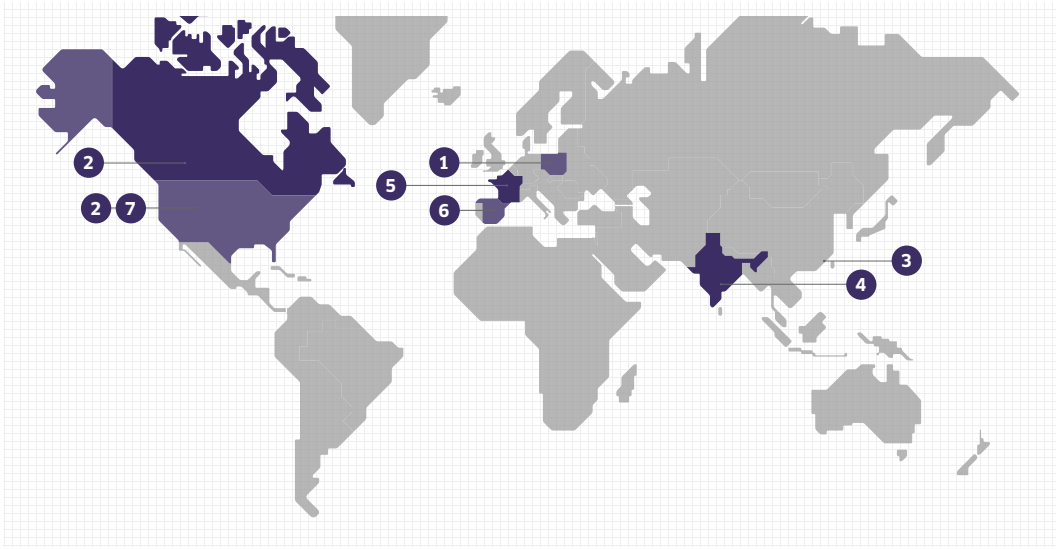
1 **EMPLOYEE TRAINING IN POLAND** An intensive training program for all employees in Poland aimed to enhance their skills and abilities and increase their opportunities for progression within Alcatel-Lucent globally. Certifications or promotions are significant examples of direct results of this program.

2 **LOCAL EMPLOYEE ENRICHMENT PROGRAM (U.S. & CANADA)** These include various location-based initiatives designed to educate employees and enhance their lives through learning, volunteering and other enrichment programs. About 25 cultural events were hosted during 2011 in which other employees could interact with and learn about different cultural groups working at Alcatel-Lucent.

Read more

3 **LOCAL INITIATIVES IN ALCATEL-LUCENT HONG KONG** Alcatel-Lucent's Hong Kong office was named a "Caring Company" by the Hong Kong Council of Social Service on April 19, 2011, owing to its support of and participation in the New Leaders Program hosted by Junior Achievement Hong Kong. Junior Achievement arranges for as many as 2,500 junior secondary girls in underserved communities to take part in programs designed to help them develop positive attitudes and the confidence to build a brighter future. The Hong Kong office started this program in 2010 and is committed to continue it until November 2012. Various ongoing initiatives around gender diversity, teleworking policy and employee volunteering continue to take place in Alcatel-Lucent Hong Kong.

For more information, see p. 132



6.3 NON-DISCRIMINATION

The company's strong commitment to advancing equality and non-discrimination policy is reflected in specific initiatives against harassment and discrimination in several countries (France, U.S.).

Some are "out" (i.e., open about their gender identity or expression) and others may not be. Given that many transitioning employees come out to their employers in order to be able to live consistent with one's gender identity full time, employers necessarily become involved in an employee's transition.

In addition, these guidelines have been developed to foster dialogue and understanding of transgender issues in the workplace. This document includes recommendations for employees, people managers and HR on providing a welcoming and supportive environment for employees undergoing transition at Alcatel-Lucent.

Ben Verwaayen was invited to serve on the World Economic Forum (WEF) Gender Parity Group for 2011–2012. The WEF Gender Parity Group is a multi-stakeholder community of highly influential and committed leaders – 50% women and 50% men – from business, politics, academia, media and civil society. It aims to identify the most successful interventions for closing gender gaps and develop a framework for gender parity that can be widely replicated. It meets once a year, on the occasion of the WEF Annual Meeting at Davos.

For more information, see p. 32

Strongly committed to advancing equality between men and women, Mr. Verwaayen joined other CEOs in July 2011 to sign the CEO Statement of Support for the Women's Empowerment Principles – Equality Means Business. This worldwide initiative was launched by the UN, UNIFEM and the UN Global Compact. Alcatel-Lucent's company gender initiatives were also included in the UN's publication Companies Leading the Way: Putting the Principles into Practice, which lists examples of actions and initiatives that companies are undertaking to empower and advance women.

Read more

Finally, Alcatel-Lucent was invited to join the newly launched UN Women Empowerment Principles Leadership Group and be a key speaker at its first meeting on March 8, 2012, in New York.

Read more

LOCAL INITIATIVES

See the map on previous page

4 GENDER EQUALITY PROJECT IN INDIA The Gender Equality Project (GEP) is a Swiss Foundation that aims to close the gap in opportunities between women and men in the workplace. In 2010 Alcatel-Lucent signed an agreement with GEP to become one of the member companies in the GEP's endeavor to launch the Global Gender Certification Label, with Alcatel-Lucent India being the representative legal entity for our company. The objective of the project was to be a participant in the gender certification pilot for testing and assessing the GEP methodology. The GEP methodology was a five-step process of gathering company data, documents, employee surveys, structured interviews and pay-gap analyses, and the assessment framework was focused on five key areas: equal pay for equal work, recruitment and promotion, training and mentoring, work/life balance and company culture.

5 PROFESSIONAL EQUALITY LABEL AND AGREEMENT IN FRANCE As part of an agreement between the unions and the company signed in January 2011, funding was allocated to support programs designed to promote gender equality, including reducing the salary gap between men and women. In the first year of the three-year program, the salary gap was reduced from a 7% difference to 1%.

Also, a specific training program has been implemented to fight against gender stereotypes and propose a professional development model among the company, based on skills only.

Thanks to this agreement and other initiatives to improve work/life balance, in December Alcatel-Lucent was granted the Association Française de Normalisation (AFNOR) Label for Professional Equality, which was awarded officially on February 9, 2012, by Roselyne Bachelot-Narquin, France's Minister of Solidarity and Social Cohesion.

6 FIRST CLASS IN EQUALITY IN SPAIN The Spanish Ministry of Health, Social Politics and Equality bestowed Alcatel-Lucent with the award "Equality in the Company." Alcatel-Lucent is the only company in the telecom suppliers' market that earned this designation. Also, an Equality and Transformation team was launched to establish a teleworking best-practice website to give visibility and promote teleworking. Policies for employees were put in place to encourage work/life balance (Alcatel-Lucent Club, flexible work hours included in the Collective Agreement) and promoting a mentoring program for women.

7 TRANSGENDER TRANSITION POLICY IN U.S. Gender transition guidelines were created and are consistent with company policies and practices at Alcatel-Lucent, which treats all employees consistently and without discrimination based upon a protected classification including, but not limited to, those employees who may be transitioning or dealing with gender identity issues.

6.4 ACCESSIBILITY IN THE WORKPLACE

Alcatel-Lucent is committed to fostering the professional integration of disabled people into its workforce. The company has defined and implemented a general, proactive company policy to fight all forms of discrimination and to increase diversity across Alcatel-Lucent.

LOCAL INITIATIVES MISSION HANDICAP IN FRANCE

Mission Handicap is a program designed to successfully integrate disabled employees into the Alcatel-Lucent work environment. The program has established training courses to educate employees on the challenges of working with a disability, sensitize them to the special needs of those with disabilities and the benefits of working with them. Awareness-raising activities are hosted at Alcatel-Lucent campuses every year and trainees with disabilities are commonly welcomed into Alcatel-Lucent working teams. The program also invested in physical adjustments to Alcatel-Lucent buildings, providing handicap-adapted equipment and computer accessibility tools between 2009 and 2011.

@talentEgal

A non-profit association called @talentEgal (at equal talent), created recently by Alcatel-Lucent in France, helps disabled students follow post-graduate studies to gain employment at Alcatel-Lucent. Students participating in this program benefit from an internship or other work experience at an Alcatel-Lucent location and specific training provided by the company. @talentEgal will help the company recruit 60 disabled people for 2012–2014, as the French government requires that 6% of a company's employee base consist of disabled employees (currently 2.5% in Alcatel-Lucent France). Another objective for the next three years is to create an ambitious Alcatel-Lucent Handicap & Innovation program that will mix handicapped students with R&D and Bell Labs project teams to focus on addressing e-accessibility projects.

Read more about @talentEgal

ACCOMMODATION FOR DISABLED EMPLOYEES IN THE U.S.

Alcatel-Lucent provides reasonable accommodations to qualified employees with a disability or handicap. Employees may request an accommodation through various means, including by contacting their people manager or HR Partner, or by submitting a "Request for Accommodation" form (on the company's Diversity, Inclusion and Compliance webpage). While accommodation is typically granted, in cases where it is not possible other options are considered and discussed with the individual and his or her management to see if one of these options would meet the need. For more complex cases, the interactive process is conducted with the assistance of a committee involving representatives from HR and Health Services. The committee helps ensure that requested accommodation and other alternatives are given full consideration. Information about job accommodations is available to employees and people managers on Alcatel-Lucent's North American HR policy guide.

6.5 GENERATION DIVERSITY

In 2011, a series of generation diversity projects was launched in the Benelux countries along with local programs in France, Germany and the U.S.; all aim to produce a better understanding of the specific work habits and expectations of various populations and communities.

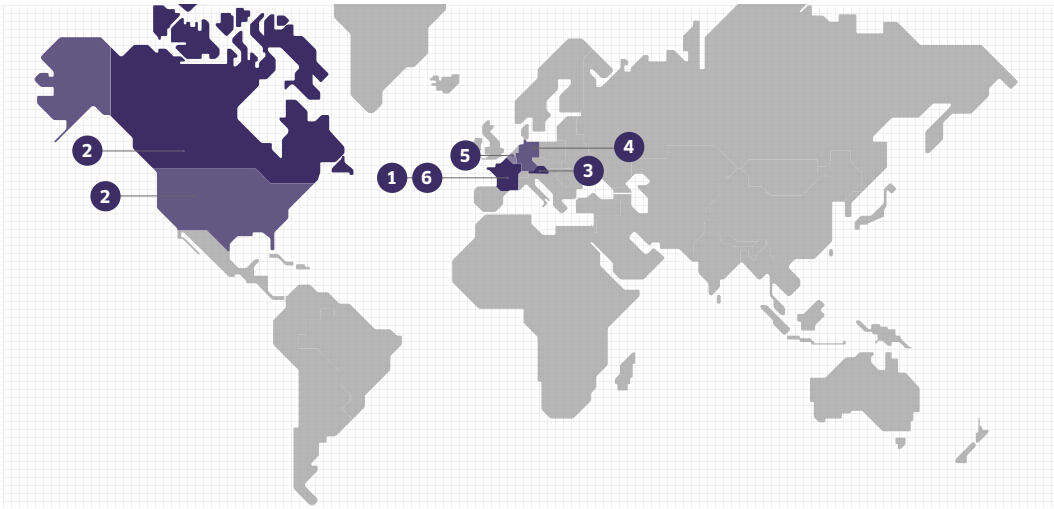
2011 HIGHLIGHT

Late in 2011, a global Generation Y network was set up through Engage to connect local diversity leads and facilitate the exchange of ideas, share best practices and together drive generation diversity initiatives at Alcatel-Lucent. The objective is to build further momentum on local initiatives, to enable and motivate the younger generation to connect with the leaders in the company while providing a focused framework for Gen Y networking and engagement within the company, and to stimulate upwards feedback (understanding from the youngest) and education (learn together in a way that fits the needs).

LOCAL INITIATIVES

1 GENERATION & TALENTS IN FRANCE The Generation & Talents program is a two-part program seeking to improve generational diversity within Alcatel-Lucent and to support younger generations in building lifelong careers in science and technology. This program works closely with APEC, an external organization focused on employee and executive development.
In 2011, Generation & Talents proposed a complete program for senior employees, including conferences on career management and mentoring skills development. In a second part, a mentoring program was implemented, encouraging senior employees to mentor younger employees and be mentored themselves. Today a network of 41 mentors has followed the whole process of validation.

2 INCREASING GENERATIONAL DIVERSITY IN NORTH AMERICA A renewed effort to increase generational diversity in North America was carried out through the company's University Relations & Student Programs (URSP) department. URSP works to create student positions that are mutually beneficial to the student and the business. It makes it possible for learners to apply their classroom knowledge to real-world situations, and to have the opportunity to network with company leaders, learn about various areas of our business and develop their professional soft skills. The business benefits include gaining a fresh perspective and new ideas while also freeing up the time of more experienced personnel so they can focus on other business needs.



In 2011, URSP North America filled 338 student positions in a variety of areas within our business. In the U.S., 52% of the new graduate hires were students who had served an internship or co-op at Alcatel-Lucent.

3 GENERATION Y IN AUSTRIA This project aims to engage the new generation of talent in Alcatel-Lucent, focusing on cultural diversity, skill development and customer-facing activities. Twelve young individuals from eight countries successfully took part in the project in 2011 in the areas of Project Coordination, HR, Marketing, New Product Introduction, Presales, Specialized Solutions and Finance. The team participated in major product demonstrations and field trials, writing press releases and case studies, and participating in customer demos. In 2012, the success of the project will be replicated and expanded in the Middle-East, Turkey & Africa region.

4 VOCATIONAL TRAINING IN GERMANY Alcatel-Lucent performs various cooperative education programs in Germany, helping more than 100 young people gain a solid professional education. During their theoretical studies at university – where they graduate with a bachelor's degree – they are employed at Alcatel-Lucent. National and international internships at Alcatel-Lucent (e.g., in China or the U.S.) account for as much as half the experience and are a substantial pillar of the program. In addition, students are trained on their soft skills, such as priority setting, collaboration and business etiquette. To further deepen orientation for career entry, Alcatel-Lucent cooperates with local schools, building a win-win platform of dialogue between the educational system and our innovative industry.

5 'BELL.Y' IN BELGIUM bell.y was formed by and for the young talented people of Alcatel-Lucent Belgium. This initiative connects more than 100 young people across different domains, nationalities and education. Activities range from speaker events and knowledge sharing to weekly coffee breaks and after-work parties. Our goal for 2012 is to grow and increase our presence in non-technical departments, such as sales and marketing. bell.y was awarded the public's prize in the Epsilon Learning Awards 2011.

6 FRANCE In 2009, Alcatel-Lucent launched an initiative in France to develop our employer branding using social media (Facebook, Twitter) for the first time to recruit and promote our HR policy. The result of our strategy was the recruitment of 100 young (Gen Y) talents in three months. The introduction program has three highlights:

- A seminar that includes a workshop on Alcatel-Lucent strategy, open discussion with members of the Management Committee, and feedback from participants about their three or six months in our company
- A specific program called "Innovation Break": Gen Y can meet together one day each quarter to find and develop innovative ideas
- "Live my Life" session: One Gen Y follows a member of the Management Committee for a day to see the job of a top people manager; in a second part, the member of the Management Committee follows the Gen Y for one day.

We promote this process each year, and ask each year's graduates to serve as mentors for the next year's entrants.

7.0 DEVELOPING OUR WORKFORCE

7.1 WORKFORCE PLANNING

In 2011, we strengthened our ability to look beyond the one-year budget planning from a human capital point of view. In line with our long-term strategy and multi-year financial performance direction, we defined targets for the skills and talents necessary to execute our business strategy. To ensure our long-term success it is critical that we have the people with the skills and experience required by our high-tech business and are able to align our recruiting practices – both internal and external – to ensure we can attract the top talent in the field and then retain them through effecting training and career development programs. It is key for our long-term strategic direction with respect to product portfolio and financial performance to align.

With this new capability, the company is able to manage its human capital population in an organization-agnostic way, by mapping all employees and contractors onto approximately 100 standard profiles. The interchangeability and consistency of skills and competence mapping across sub-organizations is widely increased, resulting in a significant rise of internal hires versus external recruiting.

Beyond the initial 2011 objective to focus on long-term strategic workforce planning over three years, Alcatel-Lucent now includes mid-term (one-year budget and headcount cycle) and short-term planning (next three months recruiting cycle) process integration, enabling a holistic, end-to-end resource planning approach from day-to-day recruiting up to the strategic resource planning level.

2012 TARGET

1

Launch a 3-year workforce plan with development plans and human capital performance metrics. Bank on 2011 achievements to drive long and mid-term resource planning capabilities.

7.2 EMPLOYEE LEARNING

Human Resources Learning & Accreditation is the company's premier learning organization, providing customers and employees with tailored learning services. In 2011, the organization delivered an average 16.25 hours of training per employee.(1) About 40% of training was delivered using online formats, including e-learning.

2011 ACHIEVEMENT

1.3 million employee learning hours delivered in 2011.

(1) Disclosure of total hours of training per gender or employee category is not available as our reporting systems are not currently configured to collect this information. We will investigate possible configurations to improve our reporting system in 2012.

GLOBAL DAY OF LEARNING

In October 2011, Alcatel-Lucent University organized a Global Day of Learning (GDOL), a first-of-its-kind event to increase awareness of the wide range, quality and importance of learning opportunities available to Alcatel-Lucent employees across the globe. GDOL presented a full day's schedule of live, virtual and recorded sessions for each of the company's major regions (APAC, EMEA and Americas).

Speakers from inside and outside Alcatel-Lucent were invited to highlight the strategic importance of building and leveraging a highly skilled and knowledgeable workforce into a competitive advantage for the company.

The goal of this event was for all employees to gain a better understanding of the company's significant investment in their professional development and the resources available to them to accelerate their performance and ability to effectively compete in the market. The employee participation was very successful, and 97% of employees surveyed said they would participate in the GDOL in 2012.

EVENT HIGHLIGHTS:

9,200+ EMPLOYEE SIGN-INS
4,600+ WEBCAST PARTICIPANTS
2,000+ CAMPUS EVENT PARTICIPANTS
3,000+ GDOL "ENCORE" HITS

In 2011, the Learning & Accreditation department underwent a complete reorganization to more closely align training and learning know-how and capabilities to current and future needs. The strategy of the new organization is to run learning as a business focused on growth. The new approach offers an innovative and competitive learning portfolio for both customers and employees.

HIGHLIGHT

Green learning solution

Alcatel-Lucent University's Going Green initiative includes an ecology-friendly, non-print policy. The idea is to reduce consumption of paper in classrooms by providing students with course materials as electronic PDF files. By the end of 2011, 49% of all classroom materials were provided in electronic format (up from 30% in 2010).

2012 TARGETS

1

Professional Accreditation: Double the number of new accredited employees to 1,000 by year end 2012.

2

Community Learning: Launch community learning for 7 most critical functions ("hot profiles") as parallel fast-track for learning from the best-in-class employees.

7.3 GLOBAL FRAMEWORK

To support strategic employee development, the Learning & Accreditation organization runs People@Alcatel-Lucent, a global professional accreditation and development program focused on building competencies and skills. In concert with our Strategic Workforce Plan, People@Alcatel-Lucent develops and deploys learning programs for corporate-priority jobs. It is a group-wide initiative, spanning services, pre-sales and sales, and R&D. Implementing a job-oriented approach, People@Alcatel-Lucent reinforces the links between training and workforce planning.

In 2011, 550 employees worldwide achieved professional accreditations for 16 different job-specific learning programs. This included customer-facing project managers, integration professionals, solution and domain architects, technical project managers, network planners, and project management office professionals.

7.4 ONLINE LEARNING

2011 ACHIEVEMENTS

22 training centers worldwide.

40% of internal training and education is carried out online.

Students have access to a variety of learning opportunities through the SkillPort portal for skills-related e-learning and books, the Product and Solution Course Navigator to learn Alcatel-Lucent products, and video-based learning through the Learning2.g0 tool. In addition, the Alcatel-Lucent University maintains its global offering of training for all employees through the Learning Management System.

New forms of online learning are being introduced, including community learning, largely implemented through Engage, the company's social networking platform. As well, Alcatel-Lucent University is working in the new space of personalized learning to develop an internal Personal Learning Environment, which will bring a unique collection of targeted learning for each student in the areas of corporate compliance, job learning and building skills excellence.

2013 TARGET

1

Build a company-wide learning architecture that combines existing enterprise support for formal training with the new interactive employee-centric knowledge and learning platforms.

8.0 TALENT ATTRACTION AND RETENTION

As a technology company, it is critical that we demonstrate how much we value expertise and that we promote technical careers for our innovators and technical experts, particularly those engaged in R&D.

8.1 THE ALCATEL-LUCENT TECHNICAL LADDER

We initiated a pilot program called the Technical Ladder in 2011 and into 2012 for the engineering and research communities, allowing for testing and the further enhancement of the concept and process. Our goal is to launch the Technical Ladder globally by year-end 2013.

The Technical Ladder initiative will provide employees:

- Opportunities to excel in their expertise with a better view of their career path in the group
- Career opportunities and development growth
- Recognition of the technical excellence and innovation they are delivering

2013 TARGET

1

Technical Ladder: Deployment of career development path for technical professionals as complementary focus on best-in-class versus leadership pipeline.

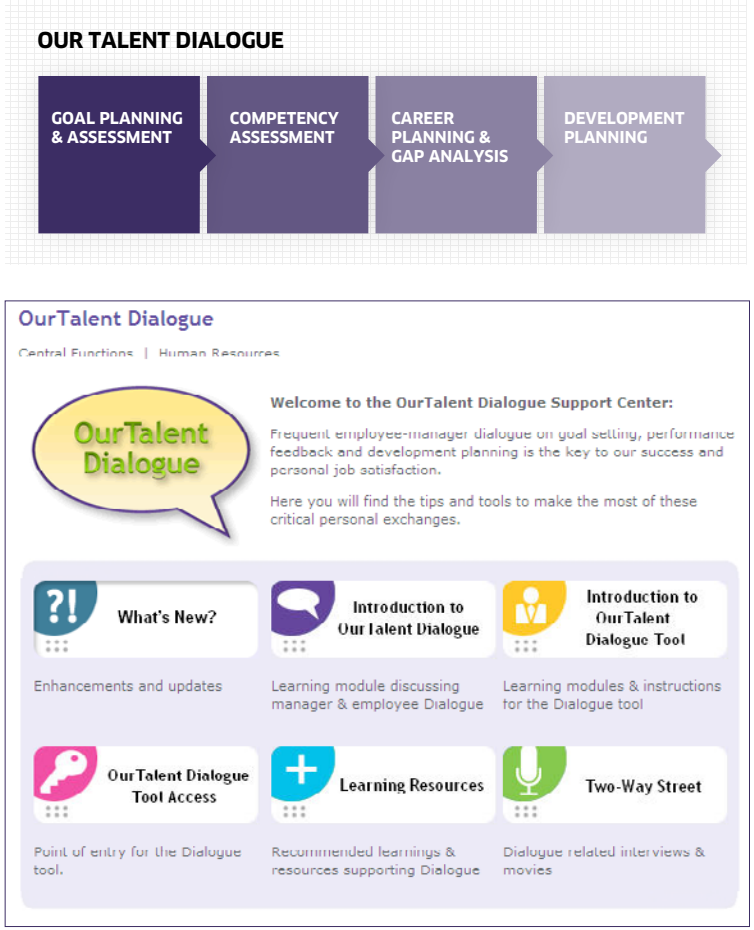
8.2 PERFORMANCE MANAGEMENT

Launched in 2011, the Performance Management approach, OurTalent Dialogue, focuses on the importance of continuous, person-to-person dialogue between people managers and employees:

- To set direction, establish priorities, clarify goals and provide guidance and feedback
- Enabling employees to own their career development paths

In 2012, the focus of Performance Management will be on execution – for employees, people managers and the company.

- Practicing Performance Management is a requirement in each organization – employee/people manager dialogue is a continuous practice throughout the year.
- Additionally, we will focus on reinforcing the people manager's role in the organization. Practicing strong people manager "basics" – setting direction, providing feedback and fostering development – is not only essential to managing performance, it is critical to enabling the company successfully execute on its commitments.



▲ OurTalent Dialogue platform for Alcatel-Lucent employees and people managers

HIGHLIGHTS

AIESEC

Alcatel-Lucent's partnership with AIESEC, the largest student-run organization in the world, showcases our commitment to supporting professional development of Generation Y. The internships offered within the business every year enable young people to acquire leadership skills and business knowledge. They take up a range of different internship positions in the areas of Marketing, Communications, Human Resources, Finance, Submarine Networks and Optics.

Since the start of the partnership in 2004, we have provided internship opportunities to more than 300 AIESEC members. In 2011, 67 students and graduates joined our offices in France, Belgium, the UK, Austria, Singapore, Thailand, Australia, UAE, Egypt, China, Italy and Germany.

YOUNG SCIENCE ACHIEVERS PROGRAM

The goal of the Young Science Achievers Program is to inspire and encourage more young women and minority students in high school to pursue careers in science, technology, engineering and mathematics.

During the 2010–2011 school year, nearly 200 students from more than 25 schools in the New York-New Jersey area participated in the program, winning college scholarships, grants, industry recognition and entry into nationally acclaimed pre-college summer programs.

JUNIOR ACHIEVEMENT OF NEW JERSEY

Junior Achievement (JA) is the world's largest organization dedicated to educating young people about business, economics and free enterprise. In New Jersey, Alcatel-Lucent employees participate in JA's volunteer network, which offers in-school and after-school programs for students from kindergarten to the twelfth grade. JA programs focus on seven key content areas: business, citizenship, economics, entrepreneurship, ethics/character, financial literacy and career development. This year, JA of New Jersey will educate 46,000 students in the state of New Jersey.

Read more about Junior Achievement

For more information, see p. 132

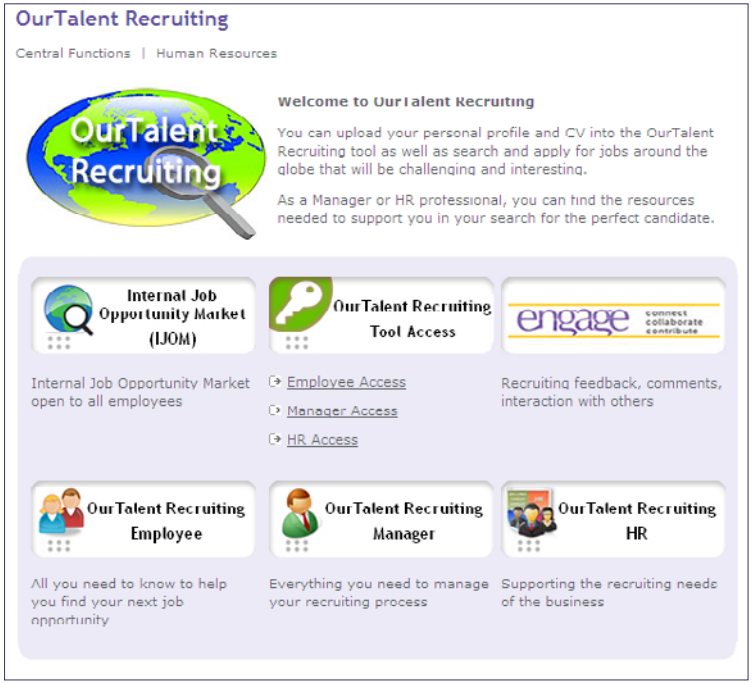
8.3 MOBILITY

Providing opportunities to grow, change roles and contribute to the company in new and challenging ways is a commitment made to all employees at Alcatel-Lucent. The Internal Job Opportunity Market creates an open forum where all employees are encouraged to post their professional information, experience and desired professional evolution. Vacancies are published as they are opened to ensure a transparent internal job market.

Celebrating one year since its launch, the Internal Job Opportunity Market is a driver for our transformation, and helped us fill half of our vacancies in 2011. Accompanied by platform upgrades, regional job market newsletters and a dedicated recruiting team, the Internal Job Opportunity Market has resulted in multiple success stories in more than 70 countries. With a 48% increase in internal mobility from 2010, we are heading towards achieving best-in-class recruiting services. (The number of internal hires in 2011 was 4,561 compared to 4,331 external hires.[2])

We are improving internal candidates' experience by building a diverse and gender-balanced talent pool and providing a steady stream of communications around internal development opportunities supporting the career evolution of our employees.

(2) Disclosure of proportion of senior management hired from the local community is not available as our reporting systems are not currently configured to collect this information. We will investigate possible configurations to improve our reporting system in 2012.



▲ Internal Job Opportunity Market: Our talent recruiting platform

2011 ACHIEVEMENTS

Successful deployment in 72 countries.

48% increase in internal mobility from 2010.

Alcatel-Lucent wants to ensure career and management development for employees in every location where it operates. The company aims to attract the most competent managerial talent while respecting its diversity hiring policies whenever external hiring is required. To this end, we have a goal of continually reducing our expatriate program, and ensuring expats work to transfer knowledge and skills to their host teams to allow for both their repatriation and enhancement of our global capabilities.

8.4 REMUNERATION

Besides our renewed commitment to provide our employees with a competitive compensation package by country and in line with those of major companies in the technology sector, our compensation policy strives to strike a balance among various elements:

- Clarity: Common worldwide incentive criteria
- Simplicity: Clear performance achievement levels communicated to all beneficiaries
- Global approach: Common sales incentive policy and worldwide equity yearly grant and harmonization of global policies

Our compensation structure also reflects both individual and company performance through the selected criteria. Our policy is for all employees to be fairly paid regardless of gender, ethnicity or disability.

Particular emphasis is placed on securing the future profile of our workforce, rewarding the development of the skills that drive company innovation and ensuring a long-term engagement with us through appropriate and dedicated policies, processes and recognition tools.

9.0 TALENT DEVELOPMENT

9.1 PERSONAL DEVELOPMENT

Alcatel-Lucent designed a new leadership profile to specify leadership skills and competencies needed to address business requirements. We also reviewed the talent-identification process and better positioned it to address its current and future business requirements. The leaders and high potentials identified through this new process will populate a strong and diverse leadership pipeline and will be purposefully developed as potential candidates for the most senior positions in the company.

We plan to refresh elements of our current programs and deploy a new leadership development offer, maintaining the successful portions of current programs and designing new segments to support the development of a new generation of leaders. This offer will be articulated around Alcatel-Lucent key business challenges and new leadership profiles and corporate values.

9.1.1 New leadership pipeline

Alcatel-Lucent has a tradition of investing in identification and development of leadership potential. Following an extensive and thorough review of practices, in 2011 a refreshed talent identification and development process called the Leadership Pipeline was implemented. This process focuses on delivering excellence and diversity in the pipeline for the senior leadership roles in the company, and relies on three pillars: identification of talent in a consistent way across the company; talent movement across geographical, functional or business boundaries; and development using a broad variety of methods. HR professionals ensure the execution of this strategy by supporting people managers and talent through identification, movement and development.

The new leadership profile is one of the key foundations for our talent identification and development strategy. The leadership profile describes the key leadership characteristics needed by leaders in Alcatel-Lucent and is the basis for a set of development programs and tools, such as 360° Feedback: an online tool proposed to employees and leaders to gather feedback from colleagues and management about their behaviors at work.

2012 TARGET

1

Continuation of 2011 efforts with deployment of best-in-class high-potential identification process, usage of succession pools and pilot of new leadership development offer.

9.1.2 New leadership development offer for corporate high potentials

Dedicated corporate leadership development programs are proposed for the company's high-potential population. These events focus on unlocking leadership capacity and building leadership effectiveness at the organizational level to ultimately improve business performance.

This customized offer has different components: a development center, one week residential session focusing on leadership identity and personal leadership challenges, and a second week focusing on collective leadership.

2011 HIGHLIGHTS

In 2011, we targeted to have 80% of our high potentials changing position over three years. We made important progress as more high-potential employees were exposed to new opportunities via Europe, Middle-East and Africa (EMEA) and Global Customer Delivery reorganizations.

In 2011, 224 employees initiated their leadership development process.

Significant best practice improvements were implemented via the Leadership Pipeline process. We will continue this goal in 2012.

Alcatel-Lucent differentiates itself from competition in the way we develop people and leaders, focusing on building self-awareness, strengths and motivation in our talents to deliver results. Taking into account the new talent identification process and the feedback from executives, we are currently working on redefining the Corporate Leadership Development offer to develop leadership effectiveness, including the collective ability of leaders to lead in different markets, now and in the future. Pilot sessions are planned later in 2012.

9.2 MENTORING

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

9.2.1 First Forum Passeport Avenir in Suffren

On March 31, 150 students and the HR teams of nine associated companies (Alcatel-Lucent, Accenture, Cap Gemini, Atos Origin, France Telecom/Orange, SFR, Sagemcom and la SNCF et Gemalto) met at Alcatel-Lucent Headquarters for the first Internship and Apprentice Forum organized by Passeport Avenir and supported by the Alcatel-Lucent Foundation. For many of the students it was their first contact with the professional world. The students appreciated the opportunity to meet with recruiters to discuss internship and apprenticeship opportunities. The corporate recruiters had a chance to meet ambitious young students with profiles different from those usually sent to them. The recruiters offered their advice on building a resume and considerations for thinking about their career path. During the 2011–2012 academic year, Alcatel-Lucent is mobilizing more than 200 volunteers: 120 tutors in France and 80 in the U.S. Each tutor supervises one or two students through mentoring and knowledge sharing. In addition, the Alcatel-Lucent Foundation encourages all student participants to improve their English by arranging for the students to have conversation lessons with English-speaking mentors.

Read more about Passeport Avenir

FORUM PASSEPORT AVENIR SIÈGE ALCATEL-LUCENT PARIS

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Watch the video (in French)

To experience Augmented Reality,
1.Download the app using the QR code
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Read more

10.0 ENABLING FLEXIBLE WORK ARRANGEMENTS

10.1 TELECOMMUTING

Encouraging flexible work practices is widely recognized across the organization as improving productivity. It also reduces commuting time and costs, as well as real estate costs, operating expenses and our overall environmental impact.

To demonstrate the company's support of a better work/life balance for employees, teleworking policies have been put in place across each region and in nearly all countries where Alcatel-Lucent has a significant employee base.

2012 TARGET

1

Further extend the number of countries with teleworking policies by deploying agreement in China and India by year end 2012.

A dedicated global website with resources for improving work/life balance is being put in place by Alcatel-Lucent University. Resources include how to be a more effective home-worker as well as how to improve time-management skills.

LOCAL INITIATIVES

Teleworking in Europe
In 2008 a collective company agreement on teleworking was defined together with the main Alcatel-Lucent unions in Europe (ECID). Today, teleworking programs exist at Alcatel-Lucent locations in France, Belgium, Spain, Italy and Germany involving employees working across different organizations and at different levels of seniority.

All employees may telework, provided an organizational analysis on his/her job activities is positive and there is mutual agreement between the employee, his/her people manager and the HR function.

Teleworking in Singapore
Alcatel-Lucent Singapore officially announced its teleworking policy in September 2011, providing staff with a flexible work environment that supports their needs and those of the business.

Under the teleworking arrangement, an employee may apply to work from home or other locations where applicable. The company will then assess the employee and their position to see whether they meet the criteria to be approved to work from home, and whether the remote location is an acceptable and safe workplace.

ALM Social Club in Malaysia
To enhance social interaction and improve the work environment, a social club was set up offering employees games such as bowling, table tennis, futsal, carom and darts. A quarterly newsletter was created to broadcast internal happenings to enhance communication. Festive lunch celebrations were organized to celebrate ethnic diversity, reflecting Malaysia's multi-racial population.

Child care in France
The "Crèche" project was signed in 2007 with 26 places in the Vélizy nursery "Les Lucioles" reserved for the children of Alcatel-Lucent employees. Since then, Alcatel-Lucent has become a member of the Club Crèches & Entreprises, and has places reserved in child-care facilities near Alcatel-Lucent sites in Ormes, Saclay, Villarceaux and Colombes. In total during 2011, 69 Alcatel-Lucent children benefited from these child-care facilities, with Alcatel-Lucent taking charge of the booking fees while the employees pay the hourly fees according to how long daycare is used.

Concierge services in France
In order to ease everyday life, save time and improve work/life balance, Alcatel-Lucent France provides a concierge service at the Vélizy and Villarceaux sites. Services provided include dry cleaning, shoe repair, alteration, administration tasks, parcel reception, car cleaning and home services (cleaning, handyman, etc.). Any employee on the site can benefit from these services, and membership is free. In 2011, 822 members benefited. A satisfaction survey showed 54% of customers are men between 30 and 49 years of age.

10.2 SERVICES FOR EMPLOYEES

As part of its effort to create the best conditions for our employees, the company provides services at the workplace to alleviate day-to-day constraints linked to professional activities. This translates into a multiplication of company-organized or company-financed services to employees.

11.0 HOW WE MANAGE REORGANIZATION AND RESTRUCTURING

In 2012, the company will continue this practice to ensure reorganizations and restructuring are handled in the utmost optimal way, maximizing the skills and talent of the employees in the company. For this purpose, a special program will be initiated in early 2012 named GROW (Grow Redeploy & Optimize our Workforce) to ensure our talent is located where it can best serve the market.

WHAT IF A COMPANY BELIEVED CHANGING THE WORLD WAS ITS BUSINESS?

SOCIETY

Alcatel-Lucent builds the networks that bring people, businesses, countries and continents together. We are committed to making communications more sustainable, more affordable and more accessible as we pursue our vision – **realizing the potential of a connected world**. We achieve this through our High Leverage Network™, our research, specific partnerships focused on education, our Public Affairs and stakeholder activities, and our philanthropy.

1.0 OUR APPROACH TO DIGITAL INCLUSION

"We need to have smart growth: it must be inclusive, sustainable and help to improve people's lives."

JEONG KIM,
PRESIDENT, BELL LABS & CHIEF STRATEGY OFFICER, ALCATEL-LUCENT

1.1 WHY DIGITAL INCLUSION MATTERS

Alcatel-Lucent has a positive impact on the communities in which it operates, driven by its business vision to **realize the potential of a connected world**. Our business is communication and connection, making the world a closer, smarter place. Our innovative products, solutions and applications help accelerate socio-economic development through digital inclusion – extending access to information, as well as educational and economic opportunities for citizens and communities regardless of location – while being environmentally sustainable.

Digital inclusion and access are tightly linked to our portfolio strategy. We provide environmentally sustainable, innovative products and solutions through our High Leverage Network (HLN)™ platform and our applications offering. They enable global connectivity and universal access to information, while extending educational and economic opportunities to the world's citizens in a sustainable manner.

Alcatel-Lucent firmly believes that bridging the digital divide can only be achieved with a reliable, eco-sustainable and affordable infrastructure – wireless or wireline – that is capable of reaching key populations, and robust enough to accommodate a variety of compelling and useful applications. These criteria are included in our HLN strategy, our research and our product development, and are exemplified by our direct actions with public stakeholders to promote the benefits of digital inclusion.

Alcatel-Lucent continues to expand the social impact of its products through innovation with communities and major universities in the domains of energy, education, health and food supply. Our philanthropic activities support this in our efforts to provide equal chances to all, regardless of origins or location – a key democratic principle. By providing universal access to information and fostering freedom of expression, we believe that ICT can have a positive impact on education and the socio-economic development of communities, ultimately contributing to support and spread democracy.

OUR COMMITMENT

Realize the potential of a connected world and digital inclusion by developing and deploying affordable communication solutions that will increase access to education and socio-economic development to the world's citizens in a sustainable manner.

We will address digital inclusion through our innovative products and solutions, through our High Leverage Network platform as well as our applications offering, enabling global connectivity.

This will change the way billions of people live and work, improve the quality of life around the globe and connect the world's talent to new opportunities.

Engage, as a company and as individuals, with pride and passion as citizens of the communities where we are present across the globe.

For more information about innovation and communities, see p. 126

For more information about social innovation, see p. 127

For more information about digital inclusion, see p. 36

For more information about access to education, see p. 128

In 2011, the Alcatel-Lucent Market and Consumer Insight team conducted an in-depth analysis of 52 smart cities to better understand the dynamics of smart city development projects, and to identify potential applications and solutions that deliver environmental as well as socio-economic benefits.

For more information, see p. 87

LIVING IN A SMART CITY CHATTANOOGA, TN AR

Watch the video

Read more

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Read more

In 2010, Bell Labs produced a study and model in partnership with the World Economic Forum (WEF) to understand the impact of ubiquitous network access on social and economic development.

Read more

In February 2012, Alcatel-Lucent and key national stakeholders in New Zealand applied the model to increase Ultra-Fast Broadband (UFB) and Rural Broadband Initiative (RBI) investments across the country.

The same model was also applied in Kenya, showing that ubiquitous access can increase the Human Development Index by 1%. This translates to 400,000 more Kenyan children having access to education, and accelerated impact of mobility by as much as 36% measured in GDP. Alcatel-Lucent's portfolio addresses these opportunities by providing universal access infrastructure with value-added applications and services in critical areas such as e-health and e-education.

The High Leverage Network and universal access

The Alcatel-Lucent HLN platform enables delivery of broadband to everyone, anywhere and on any device, with less power and more efficiency. Our access portfolio is one of the key parts of the HLN platform. It enables fixed and mobile broadband access that uses the latest innovations in wireline and wireless technologies, including VDSL2, GPON, fiber, small cells (metro and femtocells), and converged RAN using 2G, 3G and 4G LTE 2G. These technologies also use embedded network intelligence to deliver the highest quality of experience regardless of device or location, in both advanced and emerging markets.

> "The study shows the investment in Ultra-Fast Broadband (UFB) and Rural Broadband Initiative (RBI) pays for itself, with more than $5 billion added to our GDP over the 20-year life of the buildout program. Applications considered included teleworking, high-definition videoconferencing, online training, online doctors' visits, remote patient monitoring, remote classes, online herd management and cloud computing, amongst others. It also included additional environmental benefits of these applications. It shows the combined consumer surplus of using high-speed broadband applications significantly outstripped the GDP impact of building the UFB and RBI networks."
>
> **ANDREW MILLER, CEO, ALCATEL-LUCENT NEW ZEALAND**

The converged, all-IP approach to wireline and wireless access used in the HLN architecture helps pave the path to next-generation, open-access networks while maximizing return on investment from existing networks. It also provides high capacity while using less space, consuming less energy and delivering higher bandwidth at a lower operational cost.

Read more about HLN and universal access

KEY FIGURE
Solutions based on the HLN comprise 48% of Alcatel-Lucent's Network sales (Q4 2011)

As part of our HLN strategy, we are evolving wireless broadband networks for the new generation of applications and consumers. Our lightRadio™ solution promises greener, simpler, lower-cost mobile networks. By reducing a cell site to just an antenna – and with the technological readiness to leverage expected advances in backhaul and compression techniques – this technology will eventually enable the easy extension of broadband coverage and will help bridge the digital divide.

Our lightRadio solution signals a compelling opportunity in a world of increasing demand for mobile communications: the total addressable market for multi-technology radio equipment will be more than 12 billion Euros in 2014, representing over 55% of the total wireless RAN market. The cumulative total addressable market will be more than 100 billion Euros from 2011–2018. Five major global service providers have agreed to trial lightRadio with us, including China Mobile. In February 2012, we did a live 4G-network demo during Mobile World Congress with Telefónica leveraging lightRadio.

Read more about lightRadio

Alcatel-Lucent's high-capacity fiber and copper access solutions help service providers of all types – as well as utility companies, governments and citizens – get to fast, faster, meeting universal access objectives and helping to bridge the digital divide. We offer the highest capacity fiber solution on the market (ISAM FX) to support mass FTTH (fiber to the home) deployments. In September 2011 we announced the world's first commercial VDSL2 vectoring technology to deliver up to 100 Mb/s over copper (at 400 m).

Read more about our wireline portfolio

Small cells (femtocells) are small base stations that can be installed in the home of a customer or at a business location to provide expanded coverage and extended reach with voice and high-speed data services to any customer, anywhere. Alcatel-Lucent conducts rural trials with customers to explore new services and pushes the boundaries of application enablement by trialing small cells with applications that can deliver local services to subscribers that extend opportunities for education and income generation.

Read more about small cells

Alcatel-Lucent's portfolio offers innovative products and services that bring connectivity to all, as showcased by the following examples:

AUGUST 2011 – Alcatel-Lucent signed a cooperation agreement aimed at developing broadband infra-structure in Poland – the largest ICT project in Europe.

SEPTEMBER 2011 – Alcatel-Lucent helped China Telecom expand its network to bring high-quality mobile broadband services to 26 million subscribers.

OCTOBER 2011 – The City of Charlotte, North Carolina approved a contract with Alcatel-Lucent to deploy an LTE public safety network in the dedicated public safety 700 MHz frequency spectrum. The state-of-the-art broadband network will increase the reliability of critical incident management data for first responders and enable 21st-century tools such as mobile video, field use of fingerprint and face recognition applications, and enhanced medical interoperability between first responders and hospitals.

OCTOBER 2011 – Alcatel-Lucent helped Rostelecom build super-fast data connections, deploying the first 100G coherent optical technology in Russia and the Commonwealth of Independent States.

DECEMBER 2011 – Alcatel-Lucent announced new additions to its optical solutions, enabling service providers to extend 100 gigabits-per-second signals over considerably longer distances and across fiber of any quality. This enhances the ability of service providers to address exploding demand for high-bandwidth services like video and fixed and mobile broadband.

FEBRUARY 2012 – Alcatel-Lucent and China Mobile signed a lightRadio architecture co-creation agreement to accelerate the development and delivery of lightning-fast mobile broadband services in a sustainable way in China and support growing customer demand.

MAY 2011 – Alcatel-Lucent opened a world-class technology center in Brazil highlighting a range of advanced technologies and applications including 4G LTE video, cloud- and location-based services for Brazilians.

AUGUST 2011 – Alcatel-Lucent launched femtocell-based services in the northwestern region of Russia, extending VimpelCom's 3G network coverage and capacity to buildings, office blocks and high-traffic locations.

SEPTEMBER 2011 – Alcatel-Lucent accelerated the availability of superfast broadband with the launch of VDSL2, helping operators enhance their existing copper access networks – in combination with fiber – to support tomorrow's broadband speed today and help achieve universal access.

OCTOBER 2011 – Alcatel-Lucent and Etisalat agreed to collaborate to transform the efficiency of delivery for mobile broadband services in the United Arab Emirates with lightRadio, and to define smarter, greener, more cost-effective means to satisfy growing global demand for mobile Internet services.

NOVEMBER 2011 – China Unicom and Alcatel-Lucent built one of the world's largest fiber access networks to meet growing demand for super-fast broadband services across China.

FEBRUARY 2012 – Alcatel-Lucent, in collaboration with Telefónica, demonstrated a live 4G-network demo during Mobile World Congress, leveraging lightRadio and living up to its promise to dramatically reduce total cost of ownership and improve coverage and capacity.

FEBRUARY 2012 – America Movil selected Alcatel-Lucent to provide next-generation mobile broadband deployment using the lightRadio solution as part of its package of LTE technologies for rollout across Latin America.

1.2 IMPACT ON COMMUNITIES

BEN VERWAAYEN
CEO, ALCATEL-LUCENT
RESPONDING TO KRIPI'S QUESTION

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Watch the video 'MESSAGE TO KRIPI'

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Read more

Our solutions and services are designed to help people communicate more easily and with more people. A robust telecommunications infrastructure leverages economic and social progress, helping raise equality with the democratization of information and promoting fundamental human rights.

OUR COMMITMENT

Alcatel-Lucent is a global communications solutions provider. We firmly believe that enabling improvements to the communication capabilities of a country benefits its people by creating opportunities and promoting the development of the population's economic and cultural well-being – and ultimately its capacity to support or to evolve to democracy. We also firmly believe that reliable, affordable and widely available communications services are a critical engine for a country's economic and social development.

In the countries where we operate, Alcatel-Lucent and its products respect and comply with local laws and regulations, standards and human rights legislation. Alcatel-Lucent supports and respects, within its scope of influence:

- The principles of human rights defined in the United Nations Universal Declaration of Human Rights
- The Guiding Principles on Business and Human Rights
- The 10 principles of the United Nations Global Compact
- The International Labor Organization Declaration of Fundamental Principles and Rights at Work
- The Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises.

Alcatel-Lucent positively affects the communities we operate in by establishing policies and procedures that take into consideration hiring local personnel, evaluating local suppliers, minimizing the impact to the environment where we operate, and developing programs that help enhance the quality of life for people in communities around the world.

We measure the impact of our programs on the communities we serve using social, environmental and economic indicators. For example, we measure the success of our digital inclusion initiatives based on:

- User time spent using the technology
- User life-quality improvement
- Social changes and environmental benefits in the community
- Reputational benefits
- Revenues.

1.3 INNOVATION FOR COMMUNITIES

There is a huge opportunity for Alcatel-Lucent to participate in understanding community dynamics, including identifying trends that emerge in social networks – and as a result, determining customers' technology needs.

We know access to modern communication services is critical for sustained economic growth and social development.

SANDY PENTLAND
DIRECTOR, MIT MEDIA LAB

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Watch the video
'WHAT CAN YOU DO WITH FIVE BILLION PHONES?'

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Alcatel-Lucent is committed to enabling ubiquitous access and is delivering on that commitment by developing new products, services and solutions, and by engaging in related initiatives and market studies to truly understand market needs.

IN 2011, ALCATEL-LUCENT MARKET AND CONSUMER INSIGHTS LOOKED AT THE PHENOMENON OF NEO-URBANIZATION.

Neo-urbanization – a new mega-trend rising in India and other parts of the world – is the extension of traditionally urban benefits and opportunities to semi-rural and rural communities. Neo-urbanization can transform market needs by empowering people in many ways; it also brings access to urban services such as banking, insurance, healthcare, education and entertainment to people in non-urban areas.

The study explored the ways ICT is driving socio-economic development, blurring the boundaries between rural and urban life and accelerating the neo-urbanization trend. By focusing on how the phenomenon is affecting people's lives and the different social and economic factors that influence them, it found that a paradigm shift is underway – one touching the lives of a billion individuals around the globe.

"Rajesh, a sales executive for industrial adhesives, lives in Kankrola village in the National Capital region. He uses his mobile to access a local information search service provider – Just Dial – to find potential customers. This saves him time and effort, and has expanded his business because he does not always have to go door to door to find potential customers.

Rajesh is pre-identifying potential clients using ICT. This has enabled him to increase his income and use his time more efficiently.

Neo-urbanized areas are a powerful alternative to the traditional city, and enable citizens to have access to opportunities as well as to create opportunity for others. Democratization of information is facilitating networks of cooperation and raising the potential of socio-economic development regardless of location. Neo-urbanization is a phenomenon Alcatel-Lucent will continue to explore, sharing findings with customers as the company seeks to provide network solutions that unlock people's highest potential and accelerate digital inclusion around the globe.

NEO-URBANIZATION
THE NEW PARADIGM SHIFT

AR

Watch the video

▲ Interviews with villagers shed light on the way ICT can unleash potential in developing markets

Read the executive presentation

Read our latest blogs about neo-urbanization

1.4 ENSURING ACCESS TO EDUCATION

With more than 90 million students enrolled in higher education programs worldwide last year (a figure expected to climb to 150 million by 2025), new tools and approaches are needed to ensure educational systems have the capacity to deliver – and students have the access to enjoy – the benefits of learning.

Alcatel-Lucent supports initiatives in local communities where we operate to drive competitive advantage and societal progress – exploring new collaborations and co-creating solutions and business models with customers and partners.

Some of the efforts in 2011 included:

- Alcatel-Lucent partnered with both the federal government of Canada and the provincial government of Québec, Eeyou Communications Network, Hydro-Québec and local Cree communities to deliver broadband to remote and rural northern Québec. More than just broadband, the network capabilities we deployed support applications such as telemedicine, distance learning, high-speed Internet, business and residential traffic, high-volume data traffic, community networks, videoconferencing, and wireline and wireless services for communities. The project set a goal to teach Cree youth about telecommunications technology, providing training in IT fields so they can operate and maintain their own network – helping create jobs and realize the talent in the community.
- We continued our efforts to enable mobile learning in adult education, working in partnership with the African Medical and Research Foundation (AMREF) to address one of the key challenges facing sub-Saharan Africa's health sector: an estimated shortage of 3.4 million health workers. The joint project provides mobile access to the education people need to gain professional skills and benefit their communities.

2011 HIGHLIGHT

One of our commitments for 2011 was to sign a memorandum of understanding with the African Medical and Research Foundation (AMREF) to educate health workers via mobile phones and other mobile devices. Working closely with AMREF in 2011, we explored portfolio solutions and business models for a sustainable mobile learning delivery. A pilot implementation and initial rollout is expected in 2012.

- We continued to act on our commitment to help governments become "dynamic enterprises", showcasing a Fiji government data center that, since its unveiling in May 2011, has introduced operational and cost efficiencies and enhanced interactions with businesses and citizens. The solution makes the government's systems and processes transparent and increases productivity through employee and public engagement.
- We furthered the implementation of an ICT-driven education project in Laos. Focused on providing universal access to knowledge – using technology to expand the country's pedagogical portfolio – the project enables multimedia learning experiences and strengthens the ICT knowledge of students and teachers.
- In October 2011, we supported the launch of a mobile learning (mLearning) initiative in Ghana intended to help bridge the gap between the education system and the job market. The initiative evaluated how to help increase graduate employability through ICT while also increasing Ghana's attractiveness as a country for investment. This mLearning initiative was part of the WEF's ICT Global Agenda Council activities in 2011–12.
- As part of our chairmanship role in the WEF's Global Agenda Council on ICT, we continue to explore the potential of "education for all" through mLearning applications and innovation. In February 2012 at Mobile World Congress, Alcatel-Lucent – with the WEF – presented an mLearning white paper, "Accelerating the Adoption of mLearning: A Call for Collective and Collaborative Action". This paper, published in collaboration with global experts, discusses how the ICT sector can help increase the adoption and scale of mLearning projects.

Read more

For more information about the World Economic Forum, see p. 27, 32

- Through the Alcatel-Lucent Foundation, we have devoted our philanthropy strategy to digital inclusion by addressing digital literacy of youth in underserved communities around the world.

Read more about the Alcatel-Lucent Foundation, see p. 128

Read more about the Alcatel-Lucent Foundation

▲ AMREF Better Life for Africa

2.0 PURSUING SOCIAL INNOVATION

In late 2011, Bell Labs held a two-day global employee summit exploring how societal needs and challenges are met by ICT, with the aim of identifying areas in which the company has the greatest opportunities to deliver innovative solutions that can make a real difference to society. Clear areas of influence include education, healthcare and energy – in all of which Alcatel-Lucent made significant contributions. In 2012, Alcatel-Lucent will continue to evaluate innovation opportunities with clear societal benefits, including green.

Below are some examples of social innovation launched in 2011:

- In March, the University of Pittsburgh Medical Center (UPMC) and Alcatel-Lucent teamed up to develop a next-generation telemedicine solution that would help lower costs and improve access to high-quality care even for patients far from doctors and hospitals. The solution will offer secure, real-time clinical encounters in a virtual "exam room" designed to fit the workflow of healthcare providers and the mobility of patients. Through a secure web portal, patients will have access to both scheduled and emergency care anywhere, anytime, using a variety of mobile devices. The portal will support real-time video and audio communication among multiple participants in multiple locations – and will securely generate, retrieve and store patient data in a clinically relevant way. The solution is currently being trialed at UPMC and is expected to be ready for commercial launch in early 2013.

Read more about UPMC

- In October 2011, the City of Orlando, Florida, announced a trial of new technology from Alcatel-Lucent that can help monitor, manage and predict traffic patterns on roads and highways. The trial uses analytical techniques from Bell Labs and Bluetooth technology to provide accurate traffic-flow information in real time, including travel-time information based on route selection, predicted and real-time traffic congestion and speed distribution, and personalized travel-time predictions. By contributing to reduced traffic congestion, this technology offers environmental benefits and contributes to a reduced carbon footprint.

Read more about the City of Orlando

- Bell Labs partnered with the University of Melbourne and the Victorian State Government, and chaired the advisory committee for a research program at the Centre for Energy Efficient Telecommunications (CEET), seeking ways to reduce the energy consumption of telecommunications networks. In November 2011, CEET and Bell Labs patented a technique for increasing the energy efficiency of optical fiber broadband access networks.

Read more about University of Melbourne and the Victorian state government

- The Gachon Energy Research Institute (GERI) in Korea is entering its third year of partnership with Bell Labs to define the base communications technologies for intelligent management and control mechanisms in smart grid systems and develop methods to ensure a secure and reliable flow of information. The Grid 2.0 project takes advantage of Bell Labs' research portfolios in networking technology and security, GERI's expertise in power grid systems and applications design, and methods and tools drawn from computational economics and mathematics research.

Read more about GERI

- Though the EARTH Consortium, Bell Labs is leading the charge to address global environmental challenges by investigating and proposing ways of drastically reducing energy waste and improving the energy efficiency of mobile broadband communication systems – without compromising users' perceived quality of service or system capacity.

Read more about EARTH Consortium

3.0 HOW WE GIVE

3.1 BRINGING DIGITAL LITERACY TO ALL

The Alcatel-Lucent Foundation leads the company's charitable activities. It manages contributions to programs for underserved communities with an emphasis on delivering education and life skills training. It also organizes and promotes volunteerism among Alcatel-Lucent employees.

Alcatel-Lucent has a strong commitment to social responsibility – one its employees enthusiastically embrace, as evidenced by the more than 47,500 hours of time contributed to various volunteer projects in 2011. The Alcatel-Lucent Foundation is the most concrete manifestation of the company's commitment to being an engaged and active corporate citizen in the global community, providing US$7.5 million in funding for carefully selected programs around the world.

While the Foundation's purpose is to ensure the company meets its commitment to social responsibility by supporting programs that serve and enhance the communities where employees and customers live, it also sees to it that programs contribute directly to Alcatel-Lucent's business vision of **realizing the potential of a connected world**.

In 2011, the Foundation supported 46 grassroot programs in 23 countries and a Global Signature Program – ConnectEd – across seven countries, benefiting 45,338 young people. Through programs supported by the Foundation, some 6,300 Alcatel-Lucent employees donated about 47,500 hours of their time to contribute to more than 175 goodwill projects in 42 countries. All programs supported Alcatel-Lucent's overall goal of promoting digital literacy and digital inclusion.

▲ Digital literacy for all – bringing the world together

OUR COMMITMENT ALCATEL-LUCENT FOUNDATION MISSION

The Alcatel-Lucent Foundation is dedicated to making a difference in the communities where Alcatel-Lucent and its customers are present across the globe. Its prime mission is to respond to today's global challenge of digital inclusion and sustainability, focusing on providing innovative programs for underserved communities around the world. We believe we can make a difference by helping youth contribute as citizens and community leaders in tomorrow's global digital world.

Via the Foundation programs, we enable youth (particularly young women) to access educational and life skills programs.

- We provide basic education and keep young people in underserved communities in school
- We help underserved youth return to school
- We provide underserved youth with life skills/vocational training.

"Over the past year, I have been involved in all of our Foundation programs and I am confident that we have the potential to build a stronger vision and commitment to make even more of a difference in our world.

It's not just about the people who benefit from our programs, it is also about "us."

Working with them, we also change. We gain a better understanding of the realities of people with very different background from ours. We come to respect the challenges they face and the dignity in which they meet them.

We evolve. We become better colleagues, better managers, better innovators, in other words – better citizens, proud of what we are doing".

BISHALAKHI GHOSH, ALCATEL-LUCENT FOUNDATION DIRECTOR

Alcatel·Lucent Foundation

Read more

2011 ACHIEVEMENTS

- 46 programs supported in 23 countries
- 1 Global Signature Program – ConnectEd – across 7 countries
- 45,338 young people benefited through all the programs
- 6,300 Alcatel-Lucent employees donated about 47,500 hours to contribute to more than 175 goodwill projects in 42 countries

2012 TARGET

1

By 2013, create a company-wide strategy through the Alcatel-Lucent Foundation to guide corporate philanthropic activities that includes priorities aligned with business drivers and a description of the system to measure results and the impact.

To better measure and evaluate all of its projects and programs, the Foundation has taken a membership in the London Benchmarking Group (LBG) and follows their process and mechanism for defining success.

ERNST & YOUNG STATEMENT

Foundation Reporting Tool

In 2011, Alcatel-Lucent's Foundation undertook a project aimed at monitoring the company's philanthropic contributions and assessing their impacts. To do so, the Foundation adopted a specific model developed by the London Benchmarking Guidelines (LBG). This initiative strengthens the monitoring and evaluating system already in place, and allows Alcatel-Lucent and its employees to provide a quantitative and qualitative assessment of economic, societal, environmental and social impacts of their investments into philanthropic projects. Such impacts can include, for example, improvements to Alcatel-Lucent's relationships with local communities and governments, contributions to environmental awareness, and development of new skills among employees.

▲ Colors of life – South Africa

▲ Colors of life – North America

▲ Colors of life – China

▲ Colors of life – India

▲ Learning is always fun with a friend

▲ Education helps young mothers earn a better living

3.2 THE ALCATEL-LUCENT FOUNDATION: GOVERNANCE

Funded by Alcatel-Lucent, the Foundation is organized under the laws of the State of Delaware (US) and is a non-governmental, non-profit private organization funded by Alcatel-Lucent. The Foundation is governed by its own Board of Trustees which includes senior executives from Alcatel-Lucent and external organizations.

In 2011, the Foundation Board, mission, governance and processes were restructured. The Foundation mission and strategy was redefined to be able to address social needs as they relate to the company's business objectives. The new mission statement added digital inclusion as a focal point in line with the company's vision of **realizing the potential of a connected world**, along with education for youth in underserved communities across the globe. The use of technology to bridge the digital divide will also be the Foundation's main focus going forward.

The Foundation brought on board new trustees and a new chairperson. Former Management Committee member Janet Davidson retired from the company in May 2011 and was named Chair of the Alcatel-Lucent Foundation, joining the other new Board members from across geographies and business divisions. The Foundation also created a seat on the Board for an Alcatel-Lucent employee.

The invitation for an employee representative received an overwhelming response. After a careful selection process, Marco Malfavon – a member of the Central and Latin America marketing and communications team – joined the Foundation's Board as employee representative. The trustees now have defined roles and responsibilities to help implement the Foundation strategy and mission in line with today's global challenges and the group's business needs.

The Board meets on a regular basis to make decisions about programs to support and the amount of funding to be allocated. It operates four sub-committees: Executive, Grant Making, Finance and Nomination. Additional committees will be organized as needed to enable all trustees to contribute to the working of the Foundation.

3.3 THE FOUNDATION GRASSROOTS PROGRAM

In 2011, the Alcatel-Lucent Foundation Board concentrated on advancing a slate of 46 multi-year, global projects – regional programs proposed through employees with support and advice from regional/country leaders. These address the most urgent educational needs and necessities for those regions. The Foundation concentrated on working closely with these programs throughout the year to create value and encourage community investment. Steady progress continued to be made: employees have participated in various volunteering activities and spearheaded significant initiatives. A selection of these projects is described in the section following.

HIGHLIGHT

Board of Trustees

As of December 31, 2011, the Alcatel-Lucent Foundation Board includes eight company executives, among them an employee representative and the executive director, and two external trustees, including the chairperson.
Chairperson: Janet Davidson
External trustee: William Reese (CEO of the International Youth Foundation)
Alcatel-Lucent trustees: Stephan Vantomme (Treasurer), Yohann Benard (Secretary), Gee Rittenhouse, Christine Diamente (Ex-Officio), Frederic Chapelard, Mark Kassis and Marco Malfavon.
Bishalakhi Ghosh is the Executive Director of the Foundation.

Read more

For 2012, the Foundation has invited the renewal of existing projects and proposals from employees for new ones supported by country senior management. The Board of Trustees – primarily the Grant Making Committee – regularly reviews proposed projects, which must satisfy the criteria of benefiting local communities and aligning with the Foundation's new mission and the company's business.

2011 ACHIEVEMENTS

- Our 46 grassroots programs have shown steady progress, which can now be measured thanks to our monitoring and evaluating system.
- We work closely with the donor-funding agencies to measure impacts and help our grassroots partners achieve their objectives and goals. In 2011 we joined the LBG to help enhance our metrics and impact measurement. LBG is an industry leader and advisor on output and impact measurement, and we are following their guidelines for the same.
- We also provide our employees with access to training on policy, guidelines and procedures for charitable contribution.

▲ A lot of smiles after a year of hard work

▲ A sewing class in progress

3.3.1 Bridging for Life: South Africa

Rolled out in 2010 under the partnership between the Alcatel-Lucent Foundation and the Valued Citizens Initiative, Bridging for Life is a program that helps students develop important life skills. Providing a platform for learners in six rural and township high schools (180 eleventh-grade students and 120 post-graduates in 2011), Bridging for Life encourages young people to lead their lives with self-discipline and focus, taking responsibility for reaching their dreams in higher education and the world of work. Since its introduction, 204 participants have successfully completed the program, which is endorsed by South Africa's Department of Higher Education and Training.

▲ South Africa – Bridging for Life

Read more about Bridging for Life

3.3.2 Making a lasting impact in Uganda

The Alcatel-Lucent Foundation provided a three-year grant to Promise International (a non-profit organization in Uganda) to support its educational program at Gateway Mercy Orphanage. The objective is to improve the chances for the children's success through a focused program of education, self-improvement and vocational readiness. In addition to the grant, local Alcatel-Lucent employees are working to improve the education program at the school. Technical Manager Raymond Matovu travels from his office in Kampala to the orphanage to lead computer classes for teachers and administrators; next semester he will be teaching students.

Read more about Promise International - Uganda

3.3.3 Promoting women's entrepreneurship in Poland

The Women's Act project in Poland focuses on supporting women's success in business. It strengthens the social, educational and vocational competences of young women from underprivileged communities to help them live more safely and prosperously, shape their entrepreneurial attitudes, and understand their rights as women, citizens and professionals. The Alcatel-Lucent Foundation also supports Women's Clubs (held within the Women's Act project), which provide a venue for young women to freely discuss topics such as career and intellectual development, and school/work and private-life balance. The concept was developed by Alcatel-Lucent employees, who also organized all club meetings – 15 within the last two years.

Read more about the Polish Women's Club

PROMOTING WOMEN'S ENTREPRENEURSHIP IN POLAND

AR

Watch the video

To experience Augmented Reality,
1. Download the app using the QR code
2. Scan the video picture with your phone.

AR

Read more

3.3.4 Grooming new leaders in Hong Kong

More than 400 girls in junior high school took part in a series of activities led by business volunteers at a Junior Achievement New Leaders Program workshop in 2011 – marking the start of an outreach project that eventually benefited some 1,000 young women in the 2010–11 school session. More than 30 executives from Alcatel-Lucent contributed their time alongside Junior Achievement volunteers to engage with the young women in games and business-scenario discussions.

For outstanding Corporate Responsibility work and achievement, Alcatel-Lucent received Hong Kong Caring Company status from the Hong Kong Council of Social Service (HKCSS). Each year HKCSS awards its Caring Company designation to qualified companies in recognition of their community involvement and commitment to being a good corporate citizen in the past year.

Read more about Junior Achievement – Hong Kong

3.3.5 Developing junior achievers in Canada

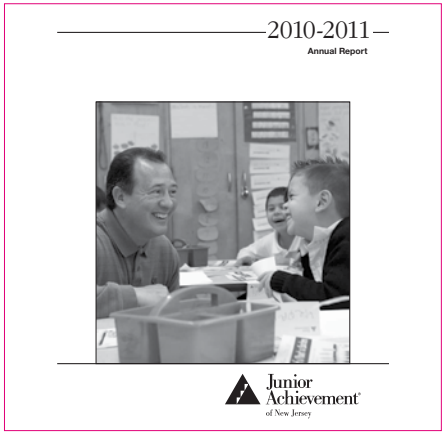
Alcatel-Lucent Canada has partnered with Junior Achievement of Central Ontario for more than 10 years, having a positive impact on the lives of thousands of students by helping them develop their financial literacy, work readiness and entrepreneurial skills. A recent study by the Boston Consulting Group shows achievers are 50% more likely to open their own businesses and make a positive contribution to the economy, earn higher incomes and be more financially independent.

Read more about junior achievers in Canada

3.3.6 Mentoring in the United States

Alcatel-Lucent also supports Junior Achievement programs in the U.S. Last year we gathered 39 employee volunteers to take part in an all-day event in Newark, New Jersey, that gave eighth-grade students the chance to experience life as an adult for a day through interactive learning. Coached by trained volunteers, the students experienced the challenges of making financial decisions that are within their means, applying principles learned through a 24-lesson course in economics. Also in New Jersey, 34 Alcatel-Lucent volunteers attended a second day-long event last year, serving as role models by delivering Junior Achievement programs to students at South Street School in Newark – including components on financial literacy, work readiness and the concept of globalization as it relates to production materials and entrepreneurial thinking.

Read more about Junior Achievement



▲ Alcatel-Lucent employee Mike Calderone made the cover of the 2010-2011 Annual Report for Junior Achievement of New Jersey. Alcatel-Lucent has been a long-time supporter of JA in New Jersey, with countless employees devoting their time and talents to their mission of educating and inspiring young people to succeed in a global economy.

Read more about the Junior Achievement of NJ Annual Report for 2010-2011

3.4 GLOBAL SIGNATURE PROGRAM

2011 ACHIEVEMENT

Our Global Signature Program – ConnectEd – started in 2011. By March 31, 2012, the program has provided digital training to 5,338 youths (60% of whom are girls). Planning for Year 2 of the program is in progress.

2012 TARGET

1

We will pursue our 2011 commitment to provide digital training to 13,500 children between 2011 and 2014. Planning for 2012 is in progress.

3.4.1 "ConnectEd" to youth

In April 2011, the Foundation signed a partnership agreement with World Education to create its Global Signature Program, ConnectEd. The program was envisioned to work within the guidelines of the United Nations Millennium Development Goals (which sees universal primary education for all by 2015) and also to address key issues in specific regions/countries. It addresses factors limiting the work and life options of disadvantaged youth, with an emphasis on girls and women, by preparing 13,500 young people from marginalized communities in Australia, Brazil, Cambodia, China, Egypt, France and India for the world of work. ConnectEd launched in April 2011 and will continue through March 2014.

The ConnectEd program has a special focus on the use of technology to transform educational, work and life outcomes for youth. Another important element of this initiative is the active participation of Alcatel-Lucent employees in ConnectEd activities, using their expertise to help with activity implementation and serving as role models, mentors and advisors to young participants in all countries.

Read more about ConnectEd

Highlights from the ConnectEd program last year include:

- Partnering with Instituto Aliança com o Adolescente in Brazil to reach youth in Ceará State and metropolitan Rio de Janeiro.

- Partnering with Indian NGO Action Beyond Help and Support (ABHAS) to improve the lives of youth – primarily girls – living in the slums of New Delhi (Tughlakabad), Noida and Uttar Pradesh (Harola and Jhundpura).

- Working with children in disadvantaged migrant communities on the outskirts of Beijing and Shanghai in China, who are often excluded from the formal school system and other government services, and with children in the rural province Henan whose parents have migrated in search of work.

- Targeting youth in Cambodia's Prey Veng province, which has some of the worst poverty levels in the country and struggles with low education rates and high rates of unsafe migration, trafficking and child labor; and partnering with the Happy School in Phnom Penh to reach migrant youth who suffer from discrimination, poor housing, extreme poverty, unstable family life and exclusion from social services.

- Partnering with YWCA New South Wales, Australia, to reach young people in the Sydney Metropolitan, Western Sydney, Shoalhaven and Northern Rivers regions of New South Wales.

- Partnering with CPCV, a French NGO with an extensive record of working with disadvantaged youth in urban areas, to implement ConnectEd in Les Yvelines, France.

3.4.2 The employee connection

2011 ACHIEVEMENT
Employees donated some 2,000 hours for the ConnectEd program.

Alcatel-Lucent employees are essential implementers and resources for ConnectEd – role modeling, sharing expertise and working directly with students. Employees mentor individual students, assist in curriculum development and suggest how communications technology can be used to improve the overall effectiveness and reach of the program. Various employees' engagement modules have been assigned to each country as determined appropriate by World Education, their implementing partners and Alcatel-Lucent ConnectEd volunteers.

▲ Heather Volunteers @ YWCA

3.5 EMPLOYEE VOLUNTEERING

2011 ACHIEVEMENT
Employees in 42 countries volunteered for more than 175 projects.

2012 TARGETS

1

In 2012 we will continue to foster the spirit of employee volunteerism across the company. We issued a volunteering handbook to help employees connect with Foundation projects in their locations as well as across the globe. The idea is to help employees not only volunteer in traditional/on-site projects but to use technology to participate in our other global projects.

2

By 2013 we commit to introducing an executive program for employee volunteering, including skills enhancement and training for community investment.

The Alcatel-Lucent Foundation supports volunteering programs for employees where they can reach out to their local communities. In 2011, 5,950 employees across 42 countries donated 45,500 hours to their communities, activities with an estimated value of more than US$1.8 million. Alcatel-Lucent employees have the opportunity to volunteer during their work time when customer priorities allow, as well as during their time off. Volunteering helps employees develop new skills and share their expertise with their communities. Participating in Foundation programs has helped build employee pride in the company and their own roles, and connects the company's brand with local community activity.

Read more

▲ I love working with my computer

2011 HIGHLIGHTS

Alcatel-Lucent Shanghai Bell received several awards for its continued work in philanthropic and community service last year:

- Top Ten Charity Star for the Private (Foreign) Sector (Qingdao)
- Excellent Company for Social Responsibility Practices (State Owned Assets Supervision and Administration Commission)
- Shanghai CSR Promotion Award.

The company also received an Excellent Golden Bee CSR Report 2011 award, its first-ever honor for its Corporate Responsibility report, at the Fourth International Symposium on China's Corporate Social Responsibility Reports in Beijing in December.

3.5.1 China

Building classrooms in Jiangxi

Alcatel-Lucent Shanghai Bell and Jiangxi Unicom partnered to donate a multi-functional classroom to a school in the underdeveloped area of Gannan. The opening ceremonies were held on March 14, 2011.

Kicking off Warm Breeze season 7

Volunteer recruiting for China's Warm Breeze program got underway once again in early April 2011, with activities planned for four cities: Shanghai, Beijing, Qingdao and Nanjing. The theme in 2011 was "Green City, Good Citizenship," and its goal is to inspire fourth- and fifth-year elementary school students to understand city functions, the principles of sustainable development and what it means to be a good citizen.

Giving young learners access to technology

Last October, Alcatel-Lucent carried out a computer donation program for a migrant school in Shanghai and three village schools in Guizhou and Jiangxi, distributing 75 refurbished computers to set up four computer classrooms – benefiting 2,500 teachers and students.

Read more

3.5.2 Brazil

Association for Valuing Persons with Disabilities (AVAPE)

AVAPE aims to promote the inclusion of young women 16 to 18 years old with disabilities or who are social vulnerable. Since 2010, with the Alcatel-Lucent Foundation, AVAPE has offered courses that provide participants with skills needed to make them more competitive for a broader range of employment opportunities. By improving their self-esteem and helping them to succeed in the work place, AVAPE hopes to enhance the role of these young people in society.

Read more

Ayrton Senna Institute

In 2010, the Alcatel-Lucent Foundation initiated the Connected School project with the Ayrton Senna Institute in Brazil. This program promotes social inclusion by education through technology. At the technology centers, youngsters and adults take classes to learn how to use a computer and the Internet. Every activity promoted by the Center allows the development of essential capabilities required by the market. In 2011, the program was extended to nine schools in the city of São Caetano do Sul, Brazil and involved 86 teachers and some 470 students.

3.5.3 Portugal

Avós n@ Net

The seventh edition of Avós n@ Net (Grannies on the Net) was launched last year in Portugal – a program for senior citizens who lack essential computer knowledge but want to access the digital world to keep in touch with their family and friends.

GRACE Association – G.I.R.O Project

As a member of GRACE (Reflection and Support to Corporate Citizenship Group), Alcatel-Lucent participated in the fifth edition of GIRO (Grace, Intervene, Retrieving, Organizing), the largest corporate volunteer action in Portugal. On October 21, hundreds of volunteers from the private sector, charities and social institutions gathered for one day to support various causes. Alcatel-Lucent volunteers participated in an environmental activity: collecting trash along the cliffs of Cascais-Guincho.

Read more

3.5.4 Spain

School of Digital Literacy for underserved youth in Spain (Fundación Adsis)

In Barcelona, young adults from underserved communities get help defining their needs related to employability; this includes developing their professional capabilities, expectations and learning potential. The program provides individualized mentoring for these young adults who have faced social exclusion based on school failure, low cultural or socio-economic status, risky behaviors, gender exclusion or migration. Similarly, in Madrid, the Digital Literacy Classroom and Public Access to the Internet project works to increase digital inclusion for another set of underserved young adults.

▲ Digital literacy class in progress

Read more

3.5.5 Indonesia

Helping Indonesian youth access to higher education

In August 2011, Alcatel-Lucent Indonesia launched a scholarship program to support young people's pursuit of higher education in the field of telecommunication, aligning with the Indonesian government's goals of improving education, developing more capable human resources for the telecommunication sector and enhancing access to education for youths from underserved communities.

Read more

3.5.6 Korea

An extraordinary day at the office

In August 2011, 10 children from the GyungSaengWon children's shelter in Seoul – ranging in age from 11 to 18 – visited the Alcatel-Lucent Korea office to see what it's like to work for a global company and visit the Alcatel-Lucent staff who volunteer as the children's book club mentors. The shelter is home to more than 60 children whose parents are unable to care for them. Following the trip to Alcatel-Lucent, the students were off to a bookstore – an excursion organized by the book club volunteers. In the past year, staff hobby clubs have started to branch out into other volunteer activities with the GyungSaengWon children's shelter.

Read more

3.5.7 India

Club Empower continues its winning streak

Club Empower spearheads Corporate Responsibility programs within Alcatel-Lucent India. Its initiatives stand out as models for strengthening connections between the company and Indian society at large, and last year included several successful donation drives for books, stationery and clothes. Across different locations in India, a total of eight boxes with books, clothes, toys and stationery were collected through this donation drive. Among the supported organizations were the Prayatna School of Excellence; Sarthak Prayas and Protsahan in the National Capital Region; Aruwe in Chennai; Special World and Baliya in Bangalore; and BECC in Mumbai. Also in India last year, a "We Care" gala was held at the Bangalore Manyata Campus, attended by representatives from five different local NGOs. It turned out to be an excellent fundraiser for these organizations, which seek to improve the life skills and living conditions of underprivileged children and women. Through employee contributions the total funds raised was more than US $26,000.

Read more

3.5.8 Cambodia

Providing technology skills to students in Prey Thom

Without access to computers, students at Prey Thom Lower Secondary School in Prey Veng province have, up to now, not been able to learn important technology skills. In November 2011, more than 400 people attended the opening ceremony for the new computer lab at Prey Thom made possible by Alcatel-Lucent. Parents, teachers, school directors, government department officials and youth beneficiaries were excited about the opening of the lab and the opportunities it presents. Many parents asked to see a computer for themselves so that they could tell people about it when they returned to their villages. In addition to the computer lab, students benefited from the donation of bicycles, uniforms and scholarships.

▲ Employees donate bicycles to students for an easier commute to school

3.5.9 Germany

Raising funds for bringing kids back to school

Monika Kugler and Nele Rubart on Alcatel-Lucent's Human Resource team in Stuttgart conceived of and organized a book sale last year to raise money for Off Road Kids, which works to reintegrate into society and education children and young adults living on the streets in Germany.

STAR CARE

The STAR CARE Truck that visits Alcatel-Lucent's campus in Stuttgart offers wine, oil and traditional sweets to employees. A donation of 5,000 Euros – the money for goods bought by the employees – was made to the STAR CARE team for a new baby mobile intensive care unit.

Karlshöhe Ludwigsburg

In 2011, Karlshöhe Ludwigsburg, an institution for handicapped and addicted people, was invited to the company's Stuttgart campus, where it raised funds through the sale of handmade artwork, wooden toys and honey – a total of 2,500 Euros.

Christmas wishes

Alcatel-Lucent employees in Stuttgart fulfilled 75 Christmas wishes for children from local social institutions. As with the year before, there was enormous interest in the program; in less than an hour all wishes had found an employee eager to be a wish grantor.

3.6 GIVING IN KIND

In addition to direct financial contributions and volunteerism, Alcatel-Lucent provides in-kind donations to NGOs under the guidelines of Alcatel-Lucent's Global Charitable Contributions policy.

In 2011, Alcatel-Lucent's IT department launched a PC refresh program; employees turned in some 3,500 old-but-still-functioning laptop and desktop computers, which IT arranged to be donated to various charities around the world. Country teams also donated school items, clothes, food and other necessary items to NGOs and disaster relief measures throughout the year.

DONATION CAMPAIGNS IN BRAZIL

During the Christmas campaign in Santa Catarina, various gifts were donated to Institution Florianópolis Catarinense.

When Santa Catarina was hit with heavy rain in June, a campaign was carried out to collect clothes for the children in this region.

Additionally, every year clothes, food items, toys and school supplies are donated by employees to various charitable organizations.

3.7 RESPONDING WHEN DISASTER STRIKES

The Alcatel-Lucent Foundation instituted two disaster relief matching-gift programs in the wake of natural catastrophes in 2011. In each case, the Foundation matched individual donations from employees, bringing the total funds donated to US$190,060. A specialized third party administered the programs, making it easy for employees worldwide to donate to charitable organizations designated by the Foundation, and for the Foundation to measure the efficiency of the program.

3.8 CORPORATE CHARITABLE CONTRIBUTIONS

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 Alcatel-Lucent Foundation.

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

In 2011 Alcatel-Lucent donated more than USD2.6 million through various projects around the world and employee

payroll giving. These addressed issues such as senior citizens' health, sporting activities for community development, education, housing, child abuse, women issues, autism, technology scholarship, and employment readiness and assistance to people with disabilities.

2011 ACHIEVEMENTS

Relief assistance after floods

In February 2011, the Alcatel-Lucent Foundation launched a matching-gift program to provide relief assistance to residents of Australia and Brazil after devastating floods, and to New Zealanders to help them cope with the February 2011 earthquake that rocked Christchurch.

A helping hand for East Africa

Alcatel-Lucent acted on the desperate need for food aid in Kenya, where more than three million people are suffering the consequences of the worst drought in 60 years – a situation that will continue if the rains fail again in the next season. The Alcatel-Lucent matching-gift program responded to an emergency appeal of the Kenyans for Kenya Initiative launched by the Kenya Red Cross Society (KRCS), raising US$173,864. The Alcatel-Lucent donation will greatly help the KRCS combat the severe humanitarian crisis devastating East Africa.

FRANCE – TALENTEGAL

Fifty percent of people in France are touched by the issue of disability, either dealing with it themselves or through a family member. The Alcatel-Lucent Foundation is working toward seeing that individuals with disabilities are welcomed into mainstream society and receive administrative recognition. TalentEgal helps students during their graduate studies, providing their first job experience through internships and apprenticeships that often feed into the company's recruitment activities. The program, which runs in 15 centers in France, helps individuals overcome cultural censorship and increase their self-confidence to pursue careers in engineering and business studies, and offers a bridge between high school, higher education and professional integration. As well, the program increases learners' knowledge and employability by expanding their skill sets.

SPAIN – ASOCIACIÓN DE FAMILIAS Y AMIGOS DE LA FUNDACIÓN GARCÍA GIL AFANDEM

The Association of Workers and Pensioners of Standard Electrica (ADFYPSE) aims to create and promote centers and institutions of pedagogical, occupational, residential, educational and labor character that work toward the recovery and rehabilitation of those with handicaps – not only mental but also physical and sensory.

ADFYPSE pays special attention to adolescents and youth, with criteria based on training and participation, and directs the totality of its income to the accomplishment of its goals. To celebrate the 30th anniversary of their collaboration, Alcatel-Lucent provided economic support, materials and ICT infrastructure for the development of a new ADFYPSE center in Arroyo Culebro.

RUSSIA – CHILDREN'S HEARTS AND PODARI ZHIZN

Alcatel-Lucent ZAO (Russia) used 2011 budgets for customer New Year's gifts to make a charitable donation to two funds in Russia: Children's Hearts, which battles congenital heart disease; and Podari Zhizn, which focuses on oncology and hematological diseases.

▲ We like to work on projects together

▲ Gaining hands on training

WHAT IF A COMPANY SAW ITS SUPPLY CHAIN AS PART OF ITS CORPORATE RESPONSIBILITY?

SUPPLY CHAIN

Alcatel-Lucent is fully committed to promoting Corporate Responsibility throughout its supply chain and, in particular, among suppliers – the third parties who provide us with components, products, software, support or services.

1.0 OUR COMPREHENSIVE SUPPLY CHAIN APPROACH

OUR COMMITMENT

Collaborate and do business only with partners, including suppliers, contractors and sub-contractors, who share and support our values.

OUR 2012 PRIORITIES

1

Deploy our new supplier development tools and work collaboratively with the industry to drive a satisfactory level of corporate responsibility performance across the supplier base. This will enable us to reach our target of 80% of assessed suppliers earning a satisfactory level.

2

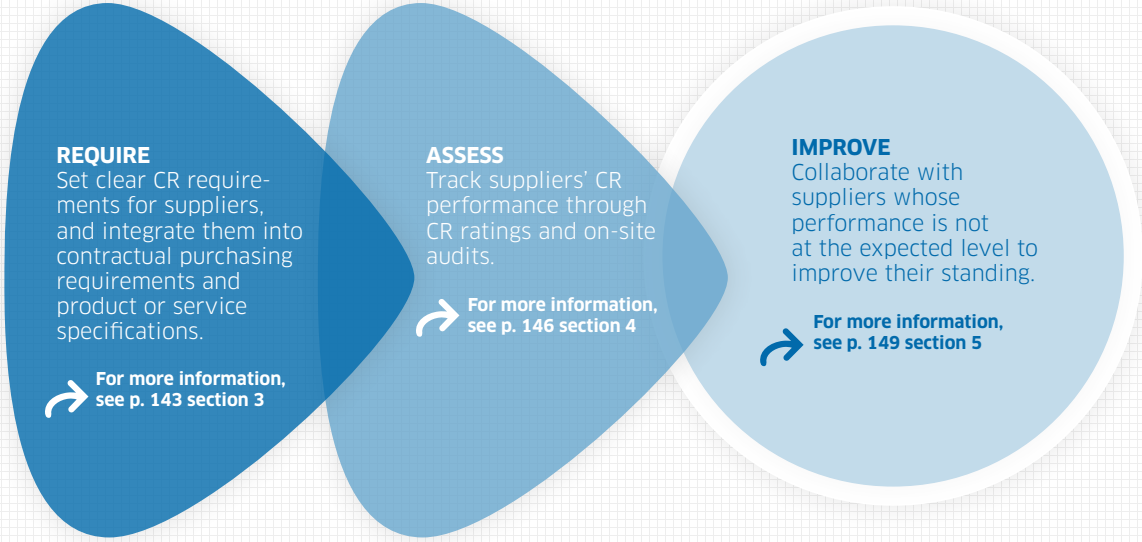
Increase our use of CR requirements as part of our supplier selection criteria to incorporate socially responsible companies into our supply chain.

3

Develop programs to integrate new requirements from regulators and other stakeholders (such as conflict minerals and supplier diversity).

Read more about our CR in Purchasing program

ALCATEL-LUCENT HAS ESTABLISHED A COMPREHENSIVE APPROACH TO RESPONSIBLE PURCHASING THAT STANDS ON THREE PILLARS:



2.0 MANAGING OUR SUPPLY CHAIN

2.1 COLLABORATION AND COMMUNICATION

We approach supply chain management with a partnering mindset, endeavoring to work with suppliers to support their improvements and share best practices. Maintaining an open dialogue is essential to this so we regularly engage suppliers in business reviews to discuss and manage their ongoing performance across a broad set of criteria.

2.2 ENHANCING OUR SUPPLIER SCORECARD

Alcatel-Lucent revised its supplier scorecard in 2011 to ensure we clearly communicate the company's requirements and priorities where suppliers are concerned.

The scorecard covers eight areas:

- On-time delivery
- Service
- Flexibility
- Costs
- Technical innovation
- Quality
- Overall business strength
- Corporate Responsibility performance

These scorecards are developed through periodic supplier performance reviews involving members of our purchasing community (e.g., commodity managers, technical experts, supplier quality managers) and other relevant evaluators (our procurement office, business divisions and end users, for instance). CR scores are based on EcoVadis ratings, complemented in some instances by other parameters such as supplier diversity performance. These factors represent 10 to 20% of the total weighting (depending on the purchasing activity).

Scorecards are shared with suppliers during their business reviews. The new format allows for simple and effective communication of subjective comments and quantitative delivery results that support the scoring, as well as anonymous supplier-to-supplier comparisons and performance trending reports.

2.3 ENGAGING WITH SUPPLIERS

2.3.1 The 2011 supplier convention

In mid-April, Alcatel-Lucent held its 2011 Global Supplier Convention in Shanghai, China, gathering more than 140 suppliers who together represent almost 90% of the company's production spend. These suppliers are an important source of intellectual property, contributing to the product differentiation that helps position us competitively in our market.

The convention was a major step forward in this respect, representing the first part of an extensive program that helps bring our organizations together.

HIGHLIGHT
2011 Global Supplier Convention

More than 140 suppliers representing nearly 90% of product spend attended Alcatel-Lucent's 2011 Global Supplier Convention

Our goals for the meeting were to help suppliers gain a richer understanding of our market, our customers' expectations and our strategy. The agenda included sessions on the latest developments and trends and innovations in the Information and Communication Technology (ICT) sector, the market positioning of our portfolio, and our strategic alliances. The second day of the convention targeted Chinese suppliers and was dedicated to Corporate Responsibility.

For more information, see p. 150

▲ The theme of the 2011 event was "Engage" – referring to our determination to establish better, deeper relationships with our suppliers and to strengthen our supplier ecosystem by collaborating further with suppliers in ways that foster innovation and increase the benefits to our customers, suppliers and our company.

▲ Among the highlights were two presentations: one by an Alcatel-Lucent customer and the other by Alcatel-Lucent CEO Ben Verwaayen. Other senior managers from Alcatel-Lucent were also in attendance, participating in an open discussion that allowed suppliers to raise questions and concerns directly.

2.3.2 Strategic alliances

KEY FIGURE
54 innovation projects initiated with our suppliers in 2011

In 2011, Alcatel-Lucent identified strategic suppliers within its supply chain and started developing new ways of working with them, evolving traditional transactional relationships into trusting and more collaborative ones. The goal of this strategic supplier business alliance program is to facilitate the development and sharing of intellectual property and design capabilities for mutual benefit, and to create an environment that encourages innovation, corporate responsibility and sustainability – while both we and our suppliers improve our quality, flexibility, responsiveness and inventory management, among other things. These alliances will help us transform our business, and we are already seeing results. In 2011, this approach generated more than 50 innovation projects.

We also established closer relationships with key suppliers who, in total, account for about 75% of the company's spend on components for production, and set up Corporate General Purchase Agreements to strengthen our relationship with most of them. Over the course of the year, we held four formal reviews with each of these 140 key suppliers of components for production to discuss the relationship, their scorecard performance and business opportunities.

For more information about the new scorecard, see p. 141

freescale™

BUSINESS PARTNERSHIPS WITH FREESCALE

Alcatel-Lucent teamed with Freescale, the global leader in embedded processing solutions, on two projects for the baseband and digital radio processing solutions that support the Alcatel-Lucent lightRadio™ program. The selection of Freescale was driven by the following criteria: technical needs of Alcatel-Lucent product groups, each candidate's business and quality levels, technical fit with our product roadmaps, and level of confidence in the supplier and its management.

Setting up the alliance with Freescale also required establishing connections between companies at all levels through day-to-day follow up and regular meetings, including a monthly steering committee with executives of each side.

Through this alliance, both companies benefited from access to and influence over each other's technologies, product roadmaps and communication between company structures and executive teams. It also opened the door to additional cooperative projects, stimulating innovation within both organizations.

3.0 OUR REQUIREMENTS FOR SUPPLIERS AND SUB-CONTRACTORS

2011 HIGHLIGHT

By the end of 2011, Alcatel-Lucent had specific Corporate Responsibility requirements for 59% of its procurement sectors for the purchase of own-use services/products. We didn't reach our initial target of 70% because some requirements had been finalized with internal customers and third parties acting on our behalf.

2012 TARGET

1

In the first half of 2012 our goal is to include specific Corporate Responsibility requirements in 70% of procurement sectors for the purchase of own-use services/products.

3.1 ADHERENCE TO THE EICC CODE OF CONDUCT

Early in 2011, Alcatel-Lucent introduced new standard requirements for companies in its supply chain, namely EICC (Electronic Industry Citizenship Coalition) Code of Conduct Revision 3, which addresses key CR issues, and the United Nations Global Compact Ten Principles. Although the revised code is more explicit and prescriptive than its predecessor, these changes were welcomed by suppliers, who willingly agreed to commit as a step toward industry-wide standards. Industry standards are easier to manage and bring more overall value than multiple company-specific requirements from a variety of customers.

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

3.2 ADHERENCE TO INTERNATIONAL STANDARDS

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

3.3 PRODUCTS AND SERVICES THAT SUPPORT CR COMMITMENTS

Since 2009, Alcatel-Lucent has worked to improve the CR performance of the products and services it purchases. We focused originally on the environmental performance of a select subset, addressing energy consumption, adopting more environment-friendly paper use practices, minimizing the use of chemicals and stepping up the recycling of plastics, aluminum and other materials. We expanded gradually in 2010-11 to other CR considerations (social impact, health, safety and ethics) and to additional products and services for our own use and for use in customer projects. These are the areas where tailored requirements can be the most fruitful and easy to implement.

To achieve improvements Alcatel-Lucent first identifies the most significant CR elements for each product or service and then determines the most appropriate actions according to the product/service and business context. These may include:

- Adding one or several key CR elements as purchasing requirements to product/service specifications;
- Integrating specific requirements into the supplier selection process – instead of the product/service specification – in instances where key issues are more a matter of company behavior than of the purchased product/service;
- Modifying our own internal processes;
- Maintaining a "global" approach by having contractual requirements to follow our supplier code of conduct and performing an EcoVadis CR rating as a supplier management element, rather than imposing product or process specific requirements.

The potential approaches are clearly diverse and highlight both the breadth of our suppliers and the need for us to involve additional players such as internal customers/users. Such involvement allows us, for example, to better integrate total cost of ownership considerations in the purchasing processes.

We will continue to enrich the CR elements of our purchasing requirements as they evolve, and include under such requirements a greater variety of products and services in keeping with our own commitments and rising stakeholder expectations.

3.4 STRONG ENVIRONMENTAL PERFORMANCE

We are committed to seeing that our suppliers and contractors take the necessary steps to protect the environment throughout the production of the goods and materials they deliver to us. We systematically monitor critical metrics and indicators of environmental impact for our manufacturing subcontractors, measuring energy efficiency, reduced materials usage, efficient distribution and transport of materials, and green packaging. We expect major suppliers to report on emissions generated in support of Alcatel-Lucent activities, and incorporate

Read more about the EICC Code of Conduct

their information into calculations of our own Scope 3 emissions.

In 2012 we started to implement an enterprise carbon accounting tool to assist in our collection, analysis and reporting of environmental indicators, both internally and for those of our key suppliers. The benefit of this tool is the ability to better understand our supply chain emissions, which will help us set more concrete key performance indicators (KPIs) and metrics around these emissions and understand which suppliers are the most efficient.

Environmental criteria are critical elements in our selection and management of suppliers. Recent supply chain initiatives have helped us improve our own efficiency and that of our suppliers, while reducing our collective impact on the environment. These include:

1 **Annually collecting and publishing the carbon emissions of our contract manufacturers** (who represent a major portion of our supply chain spending). We publish the location of each of our manufacturing facilities. This level of transparency signals to our contract manufacturers that we take environmental matters seriously, and encourages transparency and efficiency on their part.

2 **Publishing emissions figures related to our shipment of products between and among our own facilities and to our customers.** We recognize emissions from our product logistics chain are significant, given that we transport communications equipment around the world. We are constantly seeking ways to improve the efficiency of our logistics operations, balancing cost with customer need. One critical area in which we have implemented a shift is our manufacturing strategy, becoming more geographically decentralized. By manufacturing products closer to our customers, we have the opportunity to use more efficient and less carbon-intensive ground transport.

In 2011 the Environmental Investment Organization listed Alcatel-Lucent in its Global 800 Report as having the fourth most transparent and comprehensive Scope 3 GHG reporting program in the world. Contributing to this ranking is the fact that Alcatel-Lucent reports the environmental impact of its supply chain in this annual Corporate Responsibility report as well as in its Scope 3 disclosure. We annually publish emissions figures related to business travel, major leased assets, contract manufacturing, paper use, product take-back and environmental remediation. As our information systems – and those of our business partners – improve and mature, we will continue to add and publish indicators. In 2012 we will publish at least 10 Scope 3 indicators, with a goal of reporting on all 15 Scope 3 emissions categories by 2013.

Read more about EIO

For more information on Scope 3 disclosure, see pages 16, 18, 89, 91

3.5 PRODUCT TRACEABILITY AND CONFLICT MINERALS

Components and parts containing minerals such as tin, tantalum, tungsten and gold are commonly used in the manufacturing of electronics and telecommunications equipment. The exploitation and trade of such minerals originating from the eastern region of the Democratic Republic of the Congo and neighboring countries is in some instances helping finance or benefit armed groups (either directly or indirectly), with serious social and environmental consequences. These are called conflict minerals.

In the past few years, the ICT industry has demonstrated leadership on this issue through GeSI (Global e-Sustainability Initiative) and EICC by developing a strategy and powerful tools to improve the traceability of minerals used in the industry's supply chain and ensure they do not originate from conflict areas. Alcatel-Lucent began addressing the issue several years ago, starting by investigating the sourcing of conflict-free tantalum capacitors. 2011 saw increased focus on conflict minerals, illustrated by the publication of the U.S. Dodd-Frank Act, Section 1502 and the Organisation for Economic Co-operation and Development (OECD) guidelines on conflict minerals due diligence. Alcatel-Lucent expanded its activities by instituting a conflict minerals policy, participating in a multi-stakeholder workshop organized by the OECD, and beginning to roll out a conflict minerals due diligence program that leverages GeSI and EICC tools. We fall within the scope of Section 1502 of the Dodd-Frank Act and will comply with its requirements when they become effective.
Legal requirements such as the EU RoHS Directive and its recast, the REACH Regulation, and the Dodd-Frank Act's Section 1502 are intensifying the demand for material disclosure. These and other issues, such as take-back and waste laws, have important implications for Alcatel-Lucent and its suppliers. As part of our commitment to integrate sustainability deeper into our supply chain, we include sustainability criteria in our contract requirements and implement specific data collection processes when necessary.

GeSI GLOBAL e-SUSTAINABILITY INITIATIVE

Read more about GeSI

Read more about EICC

Read more about the OECD guidelines

Read more about Purchasing Products & Environment

3.6 SUPPLIER DIVERSITY

The Alcatel-Lucent Supplier Diversity program is largely a North American based program designed to broaden business relationships with diverse suppliers. It also drives inclusion throughout the supply chain, while maintaining the company's firm obligation to its customers to base supplier selection on merit.

The company's diversity program responds to customer expectations and complies with U.S. legislation (Small Business Act, Public Law 95-507, Federal Acquisition Regulations). It has been recognized as "best in class" by the North American telecom industry and our aim is to continue improving it.

In 2010, 17% of our North American region spend was with minority- and women-owned businesses (MWBE). In 2011 that figure rose to 17.6% (the average for diversity inclusion typically runs around 10%). Part of the increase can be attributed to the fact that Alcatel-Lucent's supplier diversity initiatives have expanded beyond just purchasing goods and services to include outsourcing some internal functions to diversity suppliers.

Through this initiative, we actively engage with regional and national diversity councils in the U.S. and Canada, using the resources of these councils to locate diversity suppliers in specific areas and to participate in networking opportunities through events and conferences. We currently have some 450 approved diversity suppliers in our database, many of which we call on consistently (others are used only once for a specific project or product).

Diversity is important both in its own right and because 85% of our North America region revenue has hard requirements tied to diversity inclusion. We are close to meeting all of those numbers as required. We report supplier diversity performance to more than 14 customers on a quarterly and annual basis.

Examples of engagements through the initiative include:

- TelcoBuy, a minority-owned company that has taken over the management responsibilities of the Alcatel-Lucent Dallas Distribution Center (DDC). TelcoBuy manages material shipments as part of a significant multi-year contract.
- Goodman Networks, also a minority-owned company, to which we have outsourced deployment engineering and some integration engineering services. Goodman Networks took on the responsibilities of this group and supervision of some 500 Alcatel-Lucent employees. This is also a substantial multi-year contract.

Key to the success of this program has been commitment, innovation and senior management involvement from procurement, sales, engineering and the company's business units. Moreover, we recognize our strategic customers in the region want a more diverse supply chain and have high expectations – and requirements – for diversity performance, and we work to continue meeting those expectations.

In 2011, as a testament to its impact and the expertise of the company's Supplier Diversity team, the Alcatel-Lucent supplier diversity program received numerous awards including:

- Top Corp Award from the Women Business Enterprise National Council

  Read more

- Corporation of the Year from the Dallas/Ft. Worth Minority Supplier Development Council

  Read more

- Recognition for having one of the Top 50 Corporate Supplier Diversity Programs for Hispanic Suppliers from Olive Tree Publishing
- Honorable Mention from the National Veteran-Owned Business Association for Best 10 Corporations in 2011

  Read more

Several organizations specifically honored Lynn Scott, who led Alcatel-Lucent's supplier diversity program over the past years, for her contributions to this field. These included the Women's Business Enterprise National Council, the WEConnect Canada Women's Council, the Women Business Council Southwest, and the Dallas/Ft. Worth Minority Council.

Read more about WEConnect Canada Women's Council

Read more about the Women Business Council Southwest

Also in 2011, Alcatel-Lucent joined American Airlines, Energy Future Holdings and Oncor as a recipient of the first-ever American Institute of Diversity in Commerce (AIDC) Circle of Honor Awards, the highest award bestowed by the organization. The AIDC is a non-profit organization that recognizes and rewards both profit and non-profit organizations for their achievements in the areas of performance, validation, research and education in diversity and inclusion. Being named to the Circle of Honor is indication that a company has succeeded in all three judging categories: supplier diversity, workforce diversity and corporate social responsibility.

Read more about AIDC

▲ Lynn Scott – head of Supplier Diversity program at Alcatel-Lucent – and Marilyn Stewart – awarded Volunteer of the Year – at the Women's Business Council Award Gala.

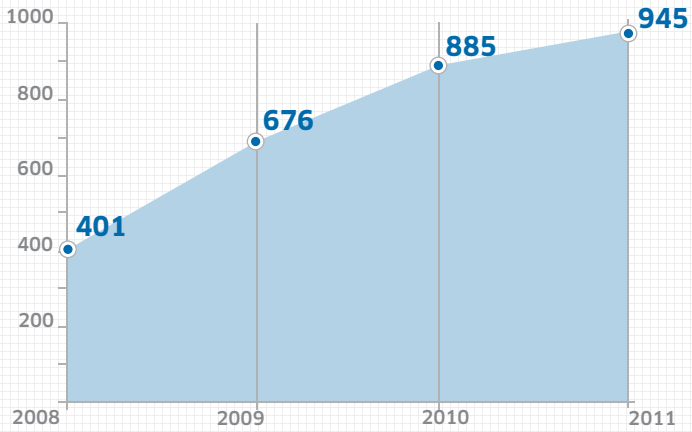
4.0 ASSESSING SUPPLIER CR PERFORMANCE

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

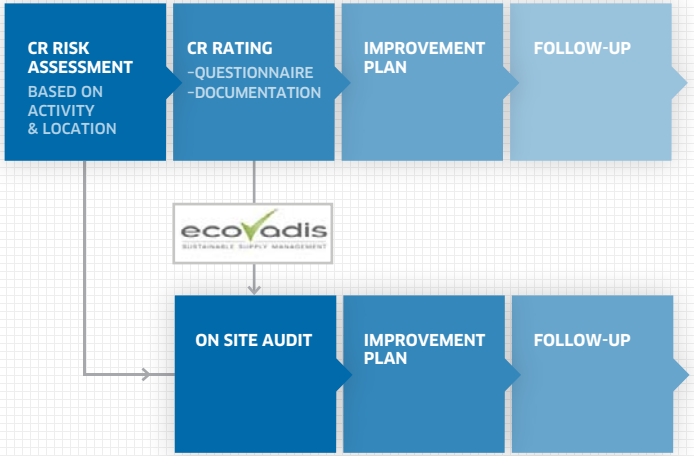
4.1 SUPPLIER RISK ASSESSMENTS

We perform risk assessments to evaluate the business risks of new suppliers and annually reassess the risk level of our major suppliers. These include criteria that measure the level of risk based on the supplier's type of activity, location and other factors. If the overall risk level is excessive, either the supplier will be rejected or actions such as a formal CR rating process will be taken to ensure the supplier's practices meet Alcatel-Lucent requirements.

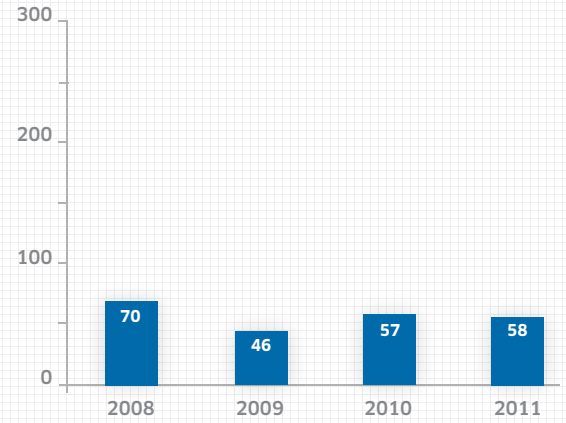
TOTAL NUMBER OF SUPPLIERS ASSESSED ON CR



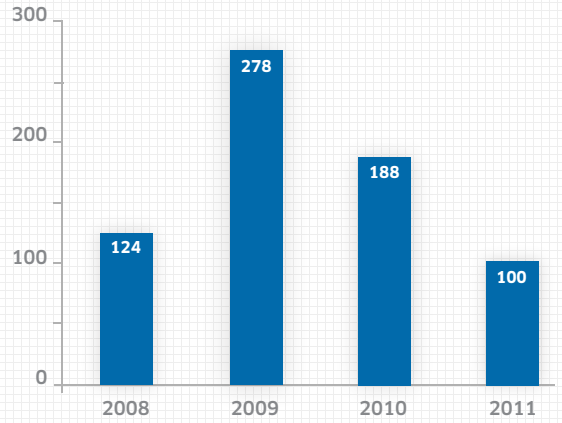
CR ASSESSMENT PROCESS



NUMBER OF SUPPLIERS ASSESSED



NUMBER OF QUALITY AUDITS (INCLUDING CR)



4.2 ECOVADIS CR RATINGS APPROACH

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

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

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

Read more about EcoVadis

CRITERIA TAKEN INTO ACCOUNT IN THE ECOVADIS ASSESSMENT

ENVIRONMENT

Operations
Energy Consumption & GHG (CO_2)
Water
Biodiversity
Local Pollutions
Materials, Chemicals & Waste

Product
Use
End of Life
Customer Health & Safety
Sustainable Consumption

LABOUR PRACTICES & HUMAN RIGHTS

Health & Safety
Working Conditions
Labor Relations
Career Management & Training
Child & Forced Labor
Non-discrimination
Fundamental Human Rights

FAIR BUSINESS PRACTICES

Corruption & Bribery
Anti-competitive Practices
Responsible Marketing

SUPPLIERS

Environment
Labor Practices & Human Rights

4.3 EXECUTING CR ASSESSMENTS

In the future, Alcatel-Lucent will continue to monitor and communicate about its key and preferred suppliers assessments and its assessed suppliers spend and will take actions to continuously improve the spend coverage. However, because our suppliers' portfolios need to frequently adapt to changes in Alcatel-Lucent's business and strategic alliances that are difficult to foresee, it would be inappropriate to set quantified targets on these areas.

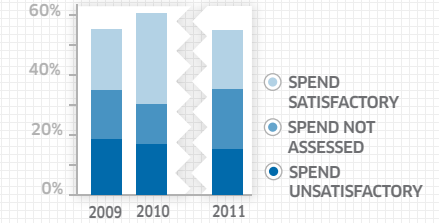
2011 HIGHLIGHTS

In 2011 the percentage of spend assessed on CR was 65%, versus 71% in 2010. However, a simple side-by-side comparison with previous years is misleading because the reporting perimeter was expanded and the data collection and reporting tools changed.

The percentage of key* and preferred** suppliers assessed remained stable at 97%.

* Key suppliers are defined as major, strategic suppliers.
** Preferred suppliers are those sources for a given purchasing family we consider first for new projects.

SUPPLIER'S CR ASSESSMENT: SPEND COVERAGE EVOLUTION



Read more about SGS

4.4 CR AUDITS

Alcatel-Lucent conducts quality audits that include CR criteria as well as more comprehensive CR-dedicated audits.

On-site CR audits are typically conducted for suppliers having significant CR weaknesses identified during the EcoVadis rating process and presenting a high CR risk profile because of their activity, location or other criteria. Quality audits are a supplier selection element and can be performed whenever required from an operational standpoint. They are performed by the Alcatel-Lucent Supplier Quality team.

Since early 2011, Alcatel-Lucent supplier CR-dedicated audits have been performed by SGS, the world's leading inspection, verification, testing and certification company, qualified to carry out social audits for major international initiatives such as SA 8000. The audit referential is based on the EcoVadis CR ratings structure to ensure consistency with the EcoVadis CR ratings. In 2011, supplier CR audits were conducted in Latin America, Asia (including China and India) and Eastern Europe.

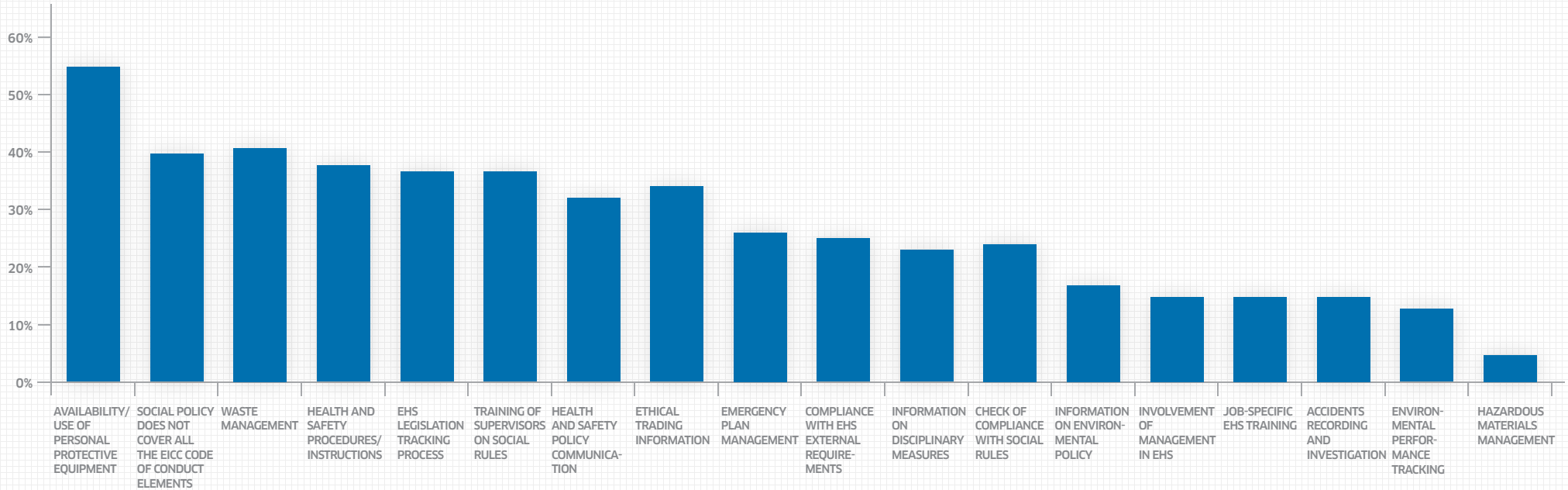
The CR purchasing team is responsible for systematic follow-up of all audit findings following a process described in the Purchasing quality system, working directly with suppliers to achieve acceptable results. The CR team is supported by the Alcatel-Lucent buyers in charge of the given suppliers and by internal experts, such as those with compliance or environmental health and safety expertise, who may be asked to comment and make suggestions on corrective actions proposed by the supplier.

In the audits conducted in 2011, the most severe findings were:

- Lack of GHG emissions inventories and reduction plans;
- Lack of systematic and extensive health and safety risk assessments;
- Insufficient numbers of employees trained in first aid;
- Violation of local laws and regulations on working hours;
- Lack of policies and/or communication to employees on compensation and benefits.

We see a need for more focus on implementing management systems that cover social and environmental aspects. We are committed to working with suppliers on these and other identified issues.

MOST TYPICAL CR/EHS FINDINGS DURING QUALITY AUDITS



5.0 SUPPLIER IMPROVEMENT PLANS

2011 HIGHLIGHT

We achieved 60% against our target of 63% suppliers earning a satisfactory rating on CR. This narrow miss of our target was because more suppliers than we had anticipated had ratings that did not meet our expectations so we had to request improvement plans. The percentage of suppliers with a CR rating of 4/10 or below increased from 35% at end 2008 (when the target was taken) to 47% by end 2011, while at the same time their total number grew from 400 to more than 900 suppliers. This increase in the number of small suppliers assessed, who were unable to meet all of the requirements of our CR assessment, meant we needed on average more time than expected to drive them to a satisfactory level.

Consequently, we have developed additional tools to support supplier improvement efforts.

2014 TARGET

1

We will maintain our commitment to have 80% of our suppliers earning a satisfactory rating, but are extending the timeline to 2014 (versus 2012) to ensure completion in a realistic timeframe, both for suppliers and Alcatel-Lucent.

Alcatel-Lucent has decided to go beyond a simple "compliance" approach to a more ambitious one aimed at strengthening our suppliers' CR management systems. This is the most efficient way to develop sustainable CR performance as it addresses root causes for non-compliance and sets the ground for further improvement. In this respect, the "require" and "assess" pillars of the Alcatel-Lucent approach consistently support the "improve" one.

Specifically:

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

5.1 SUPPLIER IMPROVEMENT PROGRAM

Alcatel-Lucent requires suppliers with unsatisfactory EcoVadis CR ratings to draft and implement remedial plans that address identified weaknesses. To support them, we provide recommendations and determine if the overall improvement plan is sufficient. The CR Purchasing team is responsible for systematic follow-up of the improvement plans following a process described in the Purchasing quality system.

5.2 DEVELOPING INNOVATIVE TOOLS

To meet our needs, EcoVadis developed a corrective actions module in 2011 to help customers and suppliers exchange information on steps being taken to address weaknesses identified in their assessment scorecards. We worked with EcoVadis to define and develop the tool and were one of its first users.

Furthering our position as a pioneer in supplier improvement plan management, we developed a CR toolkit to support the efforts of suppliers required to produce improvement plans after receiving an unsatisfactory CR rating from EcoVadis. The toolkit contains explanations of our CR expectations for suppliers and the EcoVadis assessment methodology, as well as suggestions about how to correct weaknesses identified by EcoVadis, and a list of helpful resources. We discussed with EcoVadis the possibility of further developing the toolkit jointly, and agreed to make it available on the EcoVadis web platform along with the supplier CR rating scorecard and improvement plan module. The module went live in December 2011 and will be available to all EcoVadis platform customers and their suppliers in 2012.

"Alcatel-Lucent now has a single web tool that gathers suppliers' CR ratings scorecards, as well as an interface to communicate with suppliers about improvement actions. The tool also provides useful information for suppliers about how to define these actions. It has become quite easy to exchange with suppliers on sustainability topics."

DEANN HARGIS, RESPONSIBLE PURCHASING DIRECTOR AT ALCATEL-LUCENT

"Since its participation as design partner in the launch of EcoVadis in 2007, Alcatel-Lucent has always been one of our most innovative customers, always pushing for improvements that could be leveraged by the global ICT supply chain. Being responsive to Alcatel-Lucent's suggestions and experience enabled us to develop innovative services and share them with all our web platform users."

PIERRE-FRANÇOIS THALER, ECOVADIS PRESIDENT

5.3 SPREADING THE SUSTAINABILITY MESSAGE

At the Alcatel-Lucent Global Supplier Convention in April 2011, EcoVadis described its CR assessment methodology and criteria to Chinese suppliers whose CR systems have been or will be assessed. Some 50 attendees from 20 supplier organizations joined Alcatel-Lucent commodity managers for the day-long workshop with a closing by Jean-David Calvet, Chief Procurement Officer at Alcatel-Lucent.

▲ Jean-David Calvet, Chief Procurement Officer at Alcatel-Lucent, during Supplier Convention CR workshop, China, 2011.

The session highlighted the need for open and in-depth cooperation between Alcatel-Lucent and its suppliers, and reinforced the strategic importance of CR in procurement sourcing and relationship management. With participation from the Institute of Public & Environmental Affairs (IPE) – a Chinese non-governmental organization – and EcoVadis, the workshop explored issues connected to sustainability and presented our approach and tools to assess supplier performance. The message was clear: Alcatel-Lucent expects to work only with those suppliers who are fully committed to being or becoming fully satisfactory on all aspects of Corporate Responsibility.

Two suppliers presented Corporate Responsibility programs tailored to their specific activities and described the positive effects as concrete examples of improvement outcomes. These respresented good examples of a win-win relationship with Alcatel-Lucent on CR, resulting in the establishment of a management system that ensures improved CR performance.

The April workshop marked a step toward Alcatel-Lucent's commitment to have, by the end of 2012, 80% of active suppliers assessed as satisfactory on Corporate Responsibility.

5.4 SUPPORTING SUPPLIERS

Alcatel-Lucent held a second Corporate Responsibility workshop in Shanghai in November 2011. This session targeted Chinese suppliers who had been assessed by EcoVadis and needed to take steps to meet Alcatel-Lucent expectations. The day-long workshop drew 20 participants from 15 different organizations. It focused on developing their capabilities related to sustainable and responsible business practices and identifying and sharing concrete suggestions to help suppliers address weaknesses identified in their assessments, which had been conducted over the course of the year.

▲ IPE President Ma Jun at the Supplier Convention CR workshop.

NGO GIVES PRESENTATION ON THE ENVIRONMENTAL IMPACT OF INDUSTRIAL ACTIVITIES

China's non-governmental IPE participated in the CR workshop at the 2011 Alcatel-Lucent supplier convention. IPE Director Ma Jun gave a presentation on the impacts of human and industrial activities in terms of water pollution and related health issues in China. IPE maintains a database on companies' air emissions, water discharge and solid waste pollution as established by authorities. IPE's data has been integrated into our CR assessment for suppliers operating in China.

Read more about IPE

OUR SUPPLIERS' VOICES:
"The workshop helped me more profoundly master the content of Corporate Responsibility."

"The Alcatel-Lucent workshop did help our further understanding of CR and Alcatel-Lucent's expectations as well, especially the EcoVadis CR evaluation methodology."

Four successive sessions were held to analyze and answer typical company weaknesses, each covering a single CR area (social, health and safety, environment, ethics and responsible purchasing). Each session began with a brief introduction by Alcatel-Lucent experts, giving attendees the chance to share and exchange concerns with peers and receive knowledgeable recommendations. All the material prepared for and elaborated during the workshop was distributed to the suppliers, who were asked to send updated improvement plans based on the ideas exchanged.

"This workshop illustrates well Alcatel-Lucent's approach to CR in its supply chain, which is to express requirements based on objective elements, and to support its suppliers' efforts by providing information, expertise and opportunities for suppliers to learn from each other."

PIERRE-LOUIS FROUEIN, CR PROGRAM MANAGER, PURCHASING ALCATEL-LUCENT

CORPORATE RESPONSIBILITY WORKSHOP IN SHANGHAI IN NOVEMBER 2011

20 participants from 15 different organizations.

73% of suppliers ranked this workshop as very good, and the remaining 27% as good.

Attendee feedback confirmed the workshop was well received, with suppliers stating the session helped them build their Corporate Responsibility improvement plans.

5.5 SUPPLIER STORIES

A European services supplier

Alcatel-Lucent asked one consultancy services supplier whose EcoVadis CR rating was initially unsatisfactory to work on an improvement plan addressing the weaknesses identified. Appreciating the business benefits of doing so, the supplier decided to implement a comprehensive and robust CR program, analyzing its situation to define its CR strategy, assigning responsible persons in the domains addressed, rolling out a comprehensive communications plan, and voluntarily seeking reassessment by EcoVadis – this time obtaining a satisfactory rating.

The supplier declared that Alcatel-Lucent had been a forerunner in Corporate Responsibility and was grateful for having been pushed by Alcatel-Lucent in the CR direction, enabling them to be ready for bids as other major customers now require a clear Corporate Responsibility approach, not "green-washing" – and highlighted the fact that the quality of exchanges on Corporate Responsibility enabled them to move forward more efficiently.

A Chinese electronic equipment supplier

The supplier declared that cooperating with Alcatel-Lucent not only yielded financial benefits, but most importantly gave them access to an advanced and user-friendly management model as well as helped them discover sustainable business development. Alcatel-Lucent shared its know-how, best practices and resources, improved the cooperation process and shortened the procurement cycle, thus creating mutual value and growth.

The supplier was impressed by Alcatel-Lucent's supplier CR evaluation system; having little knowledge of CR before the initial EcoVadis CR assessment, Alcatel-Lucent's support in reviewing each identified weakness and giving improvement advice was most welcome. The supplier also participated in the dedicated CR training, having never attended similar trainings before (see section 9.3). Moreover, it was pleased to learn from Alcatel-Lucent's supplier management tools and evaluation systems, and will start assessing and auditing its own suppliers so that they can work together to build a more stable and efficient industry value chain.

▲ Peter Xu, Asia-Pacific Purchasing Vice President, during the CR workshop in Shanghai, November 2011.

6.0 COLLABORATIVE INITIATIVES

6.1 COLLABORATING WITH INDUSTRY

Alcatel-Lucent participated in several CR-oriented initiatives in 2011. The company is part of the GeSI Supply Chain working group, which is developing responses to such CR issues as conflict minerals and supply chain education. We also worked closely with EcoVadis and industry members to improve existing CR tools and develop new ones.

For more information, see p. 149.

6.2 COLLABORATING WITH SMALL AND MEDIUM-SIZED ENTERPRISES

After signing the French Charte de la Médiation du Crédit et de la CDAF to improve its business relationship with small and medium-sized enterprises (SMEs) by defining 10 responsible purchasing practices in 2010, Alcatel-Lucent nominated an internal conciliator to act as an interface with suppliers willing to discuss issues related to charter content. The French Ministry of Industry acknowledged Alcatel-Lucent for this action. The few claims received from suppliers related mostly to administrative problems and not to principles of the charter.

6.3 COLLABORATING WITH NGOS

Alcatel-Lucent began working with China's IPE on supplier environmental practices management in 2010. That work led to the integration of IPE data within the EcoVadis platform. Last year, Alcatel-Lucent integrated IPE information into its own supplier management processes by identifying all suppliers in the IPE database associated with environmental issues and initiating follow-up actions with each. This is one example of how Alcatel-Lucent cooperates with a variety of stakeholders and how we include external information within our supplier management system, in combination with tools such as EcoVadis ratings or audits.

Read more

IPE 公众环境研究中心 Institute of Public & Environmental Affairs

GLOBAL REPORTING INITIATIVE

RAISING THE BAR

For the second year, Alcatel-Lucent prepared its Corporate Responsibility report according to the G3 GRI sustainability reporting guidelines.

To be fully compliant with the Application level A+, we submitted our report to the GRI organization for its assessment.

1.0 GRI APPLICATION LEVEL CHECK A+

We prepared this year's edition according to GRI G3 guidelines and submitted it to the GRI organization for its assessment.

We earned a GRI Application Level Check Statement A+.

The Global Reporting Initiative (GRI) is a network-based organization that pioneered the world's most widely used sustainability reporting framework.

GRI is committed to the Framework's continuous improvement and application worldwide. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance.

For the second year, the report was prepared according to the GRI sustainability reporting (G3) guidelines. Alcatel-Lucent has also applied the 'Guidance on Defining Report Content' and associated Principles.

Aligned with our continued improvement of our CR and sustainability reporting, we raised the bar this year for our CR report and we earned a GRI Application level check A+.

The GRI Application Level Check assesses to what extent the GRI Guidelines have been applied in the reporting.

The '+' sign shows that this report was externally assured. It has been subject to an independent review process by Ernst & Young. The full scope of their review and conclusions can be found in the Independent Verification Statement.

Read more on p. 171

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Alcatel-Lucent** has presented its report "Corporate Responsibility 2011 Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

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

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

Amsterdam, April 10th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

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

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

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on April 4th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

ERNST & YOUNG STATEMENT

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

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

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

2.0 GRI CONTENT INDEX

G3 CONTENT INDEX

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
1.	**STANDARD DISCLOSURES PART I: PROFILE DISCLOSURES** **STRATEGY AND ANALYSIS**				
1.1	Statement from the most senior decision-maker of the organization.	Fully	CRR: CEO Message section 1-Message of Ben Verwaayen Alcatel-Lucent CEO/Corporate Responsibility overview 3.3-CR commitments for 2012 and beyond , 4.3-United Nations Global Compact, 4.4- World Economic Forum		CRR: 1, 31, 32, 21
1.2	Description of key impacts, risks, and opportunities.	Fully	CRR: Corporate Responsibility Overview section 2.1-The Alcatel-Lucent Corporate Responsibility Council 2.2-Corporate Responsibility Operations and 1.4.4-Risks related to climate change, 1.2-Priorities and Values, 1.4-Environment, Health & Safety management, 1.1-The Alcatel-Lucent CR Vision, 1.3-Materiality assessment 3.1- 2011 CR achievements and progress, 3.3-CR commitments for 2012 and beyond 4.5 Global eSustainability Initiative (GeSI) 4.-Our Engagement with Stakeholders/Governance section 7-Our approach to Risk and Crisis Management		CRR: 7, 8, 6, 4, 5, 3, 9, 21, 34, 27, 51
2.	**ORGANIZATIONAL PROFILE**				
2.1	Name of the organization.	Fully	CRR: Alcatel-Lucent Overview Section 1. About Alcatel-Lucent		CRR: 39
2.2	Primary brands, products, and/or services.	Fully	CRR: Alcatel-Lucent Overview Section 1. About Alcatel-Lucent/20F: section 5-Description of the Group's Activities		CRR: 39/20F:27
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	20F: section 4-Information About the Group/CRR: Alcatel-Lucent Overview Section 1. About Alcatel-Lucent		20F: 17/CRR: 39
2.4	Location of organization's headquarters.	Fully	CRR: Alcatel-Lucent Overview Section 1. About Alcatel-Lucent		CRR: 39

continued

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	CRR: Alcatel-Lucent Overview Section 1. About Alcatel-Lucent		CRR: 39
2.6	Nature of ownership and legal form.	Fully	20F: section 9-Stock Exchange and Shareholding		20F:141
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	CRR:Alcatel-Lucent Overview Section 1. About Alcatel-Lucent/20F: section 5-Description of the Group's Activities		20F: 27/CRR: 39
2.8	Scale of the reporting organization.	Fully	CRR; Alcatel-Lucent Overview Section 1. About Alcatel-Lucent		CRR: 39
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	20F: 5.1-Business organization		20F: 27
2.10	Awards received in the reporting period.	Fully	CRR: Alcatel-Lucent Overview section 2.2-Managing innovation at Alcatel-Lucent/Corporate Responsibility overview section 3.4- 2011 Hall of Fame		CRR: 43, 23
3.	**REPORT PARAMETERS**				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	CRR: About the report		CRR: I
3.2	Date of most recent previous report (if any).	Fully	CRR: About the report		CRR: I
3.3	Reporting cycle (annual, biennial, etc.)	Fully	CRR: About the report		CRR: I
3.4	Contact point for questions regarding the report or its contents.	Fully	CRR: About the report		CRR: I
3.5	Process for defining report content.	Fully	CRR: About the report/CEO Message section 1: Message of Ben Verwaayen, Alcatel-Lucent CEO/Corporate Responsibility overview 1.2-Priorities and Values, 1.3- Materiality Assessment, 1.1-The Alcatel-Lucent CR vision		CRR: I, 1, 4, 3
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	CRR: About the report/20F: section 4-Information About the Group		CRR: I/20F:17
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	CRR: About the report		CRR: I

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G3 CONTENT INDEX

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	20F: section 4-Information About the Group		20F: 17
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	CRR: Environment 1.5-Adopting common carbon footprint assessment standards for ICT products/Corporate Responsibility overview 3.2-Social and Environmental indicators		CRR: 71, 14
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	No restatements.		NA
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	CRR: About the report/CEO Message section 1: Message of Ben Verwaayen, Alcatel-Lucent CEO/Corporate Responsibility overview 1.1-The Alcatel-Lucent CR vision		CRR: I, 1,3
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	This table		CRR: 154
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	See letter from Ernst & Young in the Verification section		CRR: 171
4.	**GOVERNANCE, COMMITMENTS, AND ENGAGEMENT**				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	CRR: Governance sections Corporate Governance ,1-Board of Directors Governance System. 1.5-Board Duties, 2.2-Board Access to information/Corporate Responsibility overview section 2-Managing our corporate responsibility/20F: section 7.1-Chairman's Corporate Governance Report		CRR: 45, 46, 47, 48, 7/20F: 81
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	CRR: Governance section 1.1-Separation of functions/Corporate Responsibility overview section 2-Managing our corporate responsibility		CRR: 46, 7

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	20F: sections 7.1-Chairman's Corporate Governance report, 7.1.2-Management Bodies of the Company/CRR: Governance section 1.3-Selection Criteria and Independence of the Directors, 1.1-Separation of functions, 1.2-Staggered board-membership and diversity		20F: 81, 83/ CRR: 47, 46
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	CRR: About the report/Corporate Responsibility overview Section 4.1-Dialogue and action/Our People 4.1-Communication within Alcatel-Lucent and 4.3-Discussions with Unions		CRR: I, 27, 103, 105
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	20F: sections 7.1.2-Management Bodies of the Company, 7.2-Compensation and Long-term incentives/CRR: Governance section 3-Senior Management Remuneration		20F: 83, 106/ CRR: 49
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	CRR: Governance section 1.4-Ethics and absence of conflicts of interest		CRR: 47
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Fully	CRR: Governance section 1.3-Selection Criteria and Independence of the Directors 1.4-Ethics and absence of conflicts of interest		CRR: 47
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	CRR: Ethics, Compliance and Business Conduct section 1-Our approach to ethics and compliance, 2.2-The role of the Board , 8.2-Internal communications, 4-Compliance hotline/Governance section 1.3-Selection Criteria and Independence of the Directors/Environment section 1.1-How we approach environmental sustainability 4.3-Encouraging our Employees to be Eco-aware/Corporate Responsibility overview 1.2-Priorities and Values, 3.3-CR commitments for 2012 and beyond/ Alcatel-Lucent Overview 1.1-The company in brief		CRR: 54, 56, 65, 59, 47, 69, 96, 4, 39, 21

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	CRR: Governance sections Corporate governance, 1.1-Separation of functions, 1.2-Staggered board - membership and diversity, 1.4-Ethics and absence of conflicts of interest, 1.5-Board Duties, 2-Board effectiveness and transparency, 4-Social responsibility, 7-Our approach to Risk and Crisis Management/Corporate Responsibility overview section 1-Our approach to Corporate Responsibility 2-Managing our corporate responsibility/ Alcatel-Lucent Overview 1-About Alcatel-Lucent/Ethics, Compliance and Business Conduct 2-Our compliance governance structure		CRR: 46, 47, 48, 50, 51, 3, 7, 39, 56
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	20F: 7.1.3-Powers and Activity of the board of Directors/CRR: Corporate Responsibility overview 2-Managing our corporate responsibility		20F: 95/CRR: 7
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	CRR: Governance section 7-Our approach to Risk and crisis management		CRR: 51
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	CRR: Governance section Corporate Governance/About the report/Corporate Responsibility overview 4-Our engagement with stakeholders		20F: 43 CRR: 45, I, 8, 27
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	CRR: Corporate Responsibility overview section 4-Our engagement with Stakeholders,/Environment section 1.3-Engaging for Success: Stakeholder activities/Ethics, compliance and business conduct section 9.2-Industry, Trade associations/Alcatel-Lucent Overview section 2.1-About Bell Labs		CRR: 27, 70, 67, 52
4.14	List of stakeholder groups engaged by the organization.	Fully	CRR: Corporate Responsibility overview section 4-Our Engagement with Stakeholders		CRR: 27
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	CRR: Corporate Responsibility overview section 4-Our Engagement with Stakeholders		CRR: 27

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	CRR: Corporate Responsibility overview section 4-Our engagement with stakeholders/Environment section 1.3-Engaging for Success: Stakeholder activities, 2.2.3-The GreenTouch™ consortium, 4.3-Encouraging eco-awareness among our people		CRR: 27, 70, 75, 96
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	CRR: Corporate Responsibility overview section 4-Our Engagement with Stakeholders, 1.3-Assessing Materiality		CRR: 27, 4

G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	STANDARD DISCLOSURES PART II: DISCLOSURES ON MANAGEMENT APPROACH (DMAS)				
DMA EC	**DISCLOSURE ON MANAGEMENT APPROACH EC**				
Aspects	Economic performance	Fully	20F: section 6-Operating and Financial Review and Prospects		20F: 43
	Market presence	Fully	20F: section 5-Description Of The Group's Activities		20F: 27
	Indirect economic impacts	Fully	CRR: Society Section 1-Our approach to Digital Inclusion, 2-Pursuing social innovation, 3-How we give		CRR: 121, 127, 128
DMA EN	**DISCLOSURE ON MANAGEMENT APPROACH EN**				
Aspects	Materials	Fully	CRR: Environment section 2.3.1- Managing materials/Supply Chain section 3.5-Product traceability and conflict minerals		CRR: 78, 144
	Energy	Fully	CRR: Environment section 2.3.4-Increasing the energy efficiency of products in use/Corporate Responsibility overview 3.2-Social and environmental indicators		CRR: 80, 14
	Water	Fully	CRR: Environment section 4.2.5-Conserving Water		CRR: 95
	Biodiversity	Not	Immaterial to Alcatel Lucent. See CRR: Environment chapter, section 4.2.3-Protecting Biodiversity	Not material See environment section 4.2.3	CRR: 95
	Emissions, effluents and waste	Fully	CRR: Environment section 4-Our approach part 3: Reducing our carbon footprint, 2.3.5-Take-back, remanufacturing and recycling, 3.2-Social and environmental indicators 4.2.6-Handling Spills		CRR: 89, 14, 96, 83
	Products and services	Fully	CRR: Environment section 2.3-Reducing the impact of our products and solutions 2.3.3-Packaging, distribution and installation		CRR: 78, 79

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G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	Compliance	Fully	CRR: Corporate Responsibility overview section 1.4.3-The EHS Compliance Audit Program		CRR: 6
	Transport	Fully	CRR: Environment section 2.3.3-Packaging, distribution and installation		CRR: 79
	Overall	Fully	CRR: Environment section 1.1-How we approach environmental sustainability		CRR: 69
DMA LA	**DISCLOSURE ON MANAGEMENT APPROACH LA**				
Aspects	Employment	Fully	CRR: Our people section 1-Focused on Our People, 7-Developing Our Workforce, 8-Talent Attraction & Retention, 9-Talent Development		CRR: 99, 113, 115, 117
	Labor/management relations	Fully	CRR: Our people section 4-Fostering Internal Dialogue		CRR: 103
	Occupational health and safety	Fully	CRR: Our people section 5-Employee Health and Safety/ Corporate Responsibility overview 1.4-Environment, Health and Safety management		CRR: 106, 5
	Training and education	Fully	CRR: Our people section 7-Developing Our Workforce		CRR: 113
	Diversity and equal opportunity	Fully	CRR: Our people section 6-Diversity and Equal Opportunity		CRR: 107
DMA HR	**DISCLOSURE ON MANAGEMENT APPROACH HR**				
Aspects	Investment and procurement practices	Fully	CRR: Supply Chain section 1-Our comprehensive Supply Chain approach, 2-Managing Our Supply Chain		CRR: 140, 141
	Non-discrimination	Fully	CRR: Our people section 2.2-Global Human Rights Policy		CRR: 100
	Freedom of association and collective bargaining	Fully	CRR: Our people section 2.2-Global Human Rights Policy		CRR: 100
	Child labor	Fully	CRR: Our people section 2.2-Global Human Rights Policy		CRR: 100
	Forced and compulsory labor	Fully	CRR: Our people section 2.2-Global Human Rights Policy		CRR: 100
	Security practices	Fully	CRR: Our people section 5-Employee Health and Safety		CRR: 106
	Indigenous rights	Fully	CRR: Our people section 2.2-Global Human Rights Policy		CRR: 100
DMA SO	**DISCLOSURE ON MANAGEMENT APPROACH SO**				
Aspects	Community	Fully	CRR: Society section 1.2-Impact on communities 3-How we give		CRR: 124, 128
	Corruption	Fully	CRR: Ethics, Compliance and Business Conduct section 1.1-Communicating ethics and compliance, 1.2-Zero tolerance policy		CRR: 55

continued

G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	Public policy	Fully	CRR: Corporate Responsibility overview 4-Our Engagement with Stakeholders/CEO Message section 1: Message of Ben Verwaayen, Alcatel-Lucent CEO		CRR: 27, 1
	Anti-competitive behavior	Fully	20F: section 6.10-Legal Matters.		20F: 74
	Compliance	Fully	CRR: Ethics, Compliance and Business Conduct section 1.1-Communicating ethics and compliance, 1.2-Zero tolerance policy		CRR: 55
DMA PR	**DISCLOSURE ON MANAGEMENT APPROACH PR**				
Aspects	Customer health and safety	Fully	CRR: Corporate Responsibility overview section 1.4-Environment, health and safety management		CRR: 5
	Product and service labelling	Fully	CRR: Environment section 2.1-Measuring impact from end-to-end		CRR: 73
	Marketing communications	Fully	CRR: Corporate Responsibility overview section 1.5-Approach to marketing and communication		CRR: 6
	Customer privacy	Fully	CRR: Ethics sectoin 5-Privacy Protection and Information Security		CRR: 60
	Compliance	Fully	CRR: Ethics section 2.1-A global compliance governance organization, 2.2- The Role of the Board		CRR: 56

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	STANDARD DISCLOSURES PART IIII: PERFORMANCE INDICATORS				
	ECONOMIC				
	Economic performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	20F: section 12-Consolidated Financial Statements of Alcatel-Lucent and ITS subsidiaries		20F: 175
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	CRR: Corporate Responsibility overview section 1.2-Priorities and Values, 1.4.4-Risks related to climate change/Environment section 1.2-Committed at the highest levels, 2.2.1-Extreme green innovation		CRR: 6, 4, 69, 75

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	20F: section 12-Consolidated Financial Statements of Alcatel-Lucent and ITS subsidiaries		20F: 175
EC4	Significant financial assistance received from government.	Fully	20F: section 12-Consolidated Financial Statements of Alcatel-Lucent and ITS subsidiaries		20F: 175
	Market presence				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.	Not	See reason for omission and explanation	Not available Our current reporting organization does not enable us to report on local spending; we are investigating solutions for 2013. The information will be provided by 2013.	NA
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	CRR: Our People section 8.3-Mobility and reference note on page 136		CRR: 116
	Indirect economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	CRR: Society section 3.6-Giving in-kind		CRR: 137
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	ENVIRONMENTAL				
	Materials				
EN1	Materials used by weight or volume.	Fully	CRR: Environment section 2.3.5-Take-back, remanufacturing and recycling		CRR: 83
EN2	Percentage of materials used that are recycled input materials.	Fully	CRR: Environment section 2.3.5-Take-back, remanufacturing and recycling		CRR: 83
	Energy				
EN3	Direct energy consumption by primary energy source.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators		CRR: 14
EN4	Indirect energy consumption by primary source.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators		CRR: 14

continued

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
EN5	Energy saved due to conservation and efficiency improvements.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Water				
EN8	Total water withdrawal by source.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators/Environment section 4.2.6-Handling Spills		CRR: 14, 96
EN9	Water sources significantly affected by withdrawal of water.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
EN10	Percentage and total volume of water recycled and reused.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not	Immaterial to Alcatel Lucent. See environment section 4.2.3-Protecting Biodiversity	Not material See environment section 4.2.3	CRR: 95
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not	Immaterial to Alcatel Lucent. See environment section 4.2.3-Protecting Biodiversity	Not material See environment section 4.2.3	CRR: 95
EN13	Habitats protected or restored.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA

continued

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators, 4.1-Tracking and reporting on carbon emissions		CRR: 14, 89
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators		CRR: 14
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	CRR: Environment section 4-Our approach part 3: Reducing Our Carbon Footprint		CRR: 89
EN19	Emissions of ozone-depleting substances by weight.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators		CRR: 14
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not	Immaterial to Alcatel-Lucent. Please see attached Excel file in CRR: Corporate Responsibility overview section 3.2.2-Environmental indicators	Not material We have calculated NOx and SOx emissions and the result is 103 tonnes of CO_2e. Against our baseline of over 1 million metric tonnes, this represents an insignificant amount of emissions and, therefore, we deemed it not material.	CRR: 14
EN21	Total water discharge by quality and destination.	Not	Water discharge is immaterial to Alcatel-Lucent See CRR: Environment section 4.2.5-Conserving Water	Not material Water discharge is immaterial to Alcatel-Lucent. See Environment section 4.2.5-Conserving Water	CRR: 95
EN22	Total weight of waste by type and disposal method.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators		CRR: 14
EN23	Total number and volume of significant spills.	Fully	CRR: Environment section 4.2.6-Handling Spills		CRR: 96
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	CRR: Environment section 2.3-Reducing the impact of our products and solutions 4.2.5-Conserving water, 4.1-Tracking and reporting on carbon emissions, 4.2.6-Handling Spills		CRR: 78, 95, 89, 96
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Fully	CRR: Environment section 2.3.5-Take-back, remanufacturing and recycling		CRR: 83
	Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	For 2011, Alcatel-Lucent has not identified any non-compliance with environmental laws or regulations regarding the provision and use of its products and services and, as such, the company had no fines (significant or otherwise).		NA
	Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Overall				
EN30	Total environmental protection expenditures and investments by type.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	SOCIAL: LABOR PRACTICES AND DECENT WORKING CONDITIONS				
	Employment				
LA1	Total workforce by employment type, employment contract, and region.	Fully	CRR: Our people section 3-Our Employees/Corporate Responsibility overview section 3.2-Social and environmental indicators		CRR: 102, 14
LA2	Total number and rate of employee turnover by age group, gender, and region.	Fully	CRR: Our People section 3-Our Employees		CRR: 102
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Labor/management relations				
LA4	Percentage of employees covered by collective bargaining agreements.	Not		This information is proprietary	NA

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	CRR: Our People section 4.3 Discussions with unions		CRR: 105
	Occupational health and safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Fully	CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators/20F Additional information: section 4-Social and Environmental Data		CRR: 14/20F Addl: 45
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	CRR: Our people section 5-Employee Health and Safety		CRR: 106
LA9	Health and safety topics covered in formal agreements with trade unions.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Training and education				
LA10	Average hours of training per year per employee by employee category.	Partially	Total training hours are available at CRR: Corporate Responsibility overview section 3.2-Social and environmental indicators/20F Additional information: section 4-Social and Environmental Data. The split per employee category is not available as our data collection systems do not support such split.	Not available Total hours of training per employee category is not available as our reporting systems are not currently configured to collect this information. We will investigate in 2012 on possible configurations to improve our reporting system. The information will be provided by 2012.	NA
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
LA12	Percentage of employees receiving regular performance and career development reviews.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA

continued

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	CRR: Governance 1.2-Staggered board - membership and diversity/Our people section 3-Our Employees/20F: section 7.1-Chairman's Corporate Governance Report/Corporate Responsibility overview section 3.2-Social and environmental indicators		CRR: 46, 14, 102/ 20F: 81
LA14	Ratio of basic salary of men to women by employee category.	Not		Information is proprietary	NA
	SOCIAL: HUMAN RIGHTS				
	Investment and procurement practices				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not	See reason for omission and explanation	Not available Data for 2011 is not available as we are not currently reporting on this information. However, further to the revision of our Human Rights policy this year, in order to reflect the UN Ruggie Principles, Alcatel-Lucent is scheduled to define, by 2013, human rights diligence requirements for future material proposals of significant investment agreements. The information will be provided by 2013.	NA
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Fully	CRR: Supply Chain section 4.2-EcoVadis CR ratings approach , 4.3-Executing CR assessments		CRR: 147
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not	Further to the revision of our Human Rights policy this year, in order to reflect the UN Ruggie Principles, Alcatel-Lucent is scheduled to design and define at a corporate level a dedicated training program for employees dedicated to Human Rights principles by 2013. No training was available in 2011.	Not available	NA
	Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken.	Fully	CRR: Ethics, Compliance and Business Conduct section 4.1-Data and metrics on violations of the Code of Conduct		CRR: 59

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	Freedom of association and collective bargaining				
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Partially	See explanation and CRR: Ethics, Compliance and Business Conduct section 9.2.1-Industry dialogue on human rights/ Corporate Responsibility overview section 3.1-2011 CR achievements and progress	Not available In 2011 we have carried on discussion with the European union in order to adapt our current agreement based on more than 16 years experience to improve our communication with our unions at group level. We are currently waiting for the official position of our union, which should be available before May 2012	CRR: 67, 9
	Child labor				
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Fully	CRR: Supply Chain section 3.1-Adherence to the EICC Code of Conduct, 3.2-Adherence to international standards, 4.2-EcoVadis CR ratings approach		CRR: 143, 147
	Forced and compulsory labor				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Fully	CRR: Supply Chain section 3.1-Adherence to the EICC Code of Conduct, 3.2-Adherence to international standards, 4.2-EcoVadis CR ratings approach		CRR: 143, 147
	Security practices				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Indigenous rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	SOCIAL: SOCIETY				
	Community				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Fully	CRR: Society section 1.1-Why Digital inclusion Matters		CRR: 121

continued

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
	Corruption				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	CRR: Ethics, Compliance and Business Conduct section 3.1-Anti-corruption approach		CRR: 57
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	CRR: Ethics, Compliance and Business Conduct section 8.1-Anti-corruption training		CRR: 64
SO4	Actions taken in response to incidents of corruption.	Fully	20F: section 6.10-Legal Matters/CRR: Ethics, Compliance and Business Conduct section 4.1-Data and metrics on violations of the Code of Conduct , 4.2-Management of incidents declared through the Compliance Hotline		20F: 74/CRR: 59
	Public policy				
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	CRR: Corporate Responsibility overview 4-Our Engagement with Stakeholders 4.6-Public Affairs		CRR: 27, 35
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Anti-competitive behavior				
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	20F: section 6.10-Legal Matters		20F: 74
	SOCIAL: PRODUCT RESPONSIBILITY				
	Customer health and safety				
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	CRR: Corporate Responsibility overview section 1.4-Environment, Health and Safety management		CRR: 5

continued

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER	REASON FOR OMISSION AND EXPLANATION	SECTIONS' STARTING PAGES
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcomes.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Product and service labelling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	CRR: Environment 2.1-Measuring impact from end-to-end		CRR: 73
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	CRR: Corporate Responsibility overview 4.2-Customer relationships		CRR: 28
	Marketing communications				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	CRR: Corporate Responsibility overview 1.5-Approach to Marketing & Communication		CRR: 6
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Customer privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not	See reason for omission and explanation	Not available This is an "additional" indicator that we might report in the future	NA
	Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	CRR: Ethics, Compliance and Business Conduct section 1.2-Zero Tolerance Policy		CRR: 55

INDEPENDENT VERIFICATION STATEMENT

Alcatel-Lucent
Year ended December 31, 2011

Independent assurance report on a selection of Corporate Responsibility (CR) indicators and statements

ERNST & YOUNG et Autres

Further to the request made by Alcatel-Lucent, we have performed a review of a selection of sustainable development information contained in the CR report for the financial year ended December 31, 2011, including quantitative indicators(1) ("the Indicators") and qualitative statements(2) ("the Statements"), both identified with the symbol Q in the report.

ERNST & YOUNG

Our review aimed to provide limited assurance(3) that:

- the Indicators were prepared in accordance with the reporting criteria applicable in 2011 (the "Reporting Criteria"), consisting in Alcatel-Lucent instructions, procedures and guidelines specific for each indicator;
- the Statements have been presented in accordance with the principles of reliability, neutrality and clarity.

It is the responsibility of Alcatel-Lucent to establish the Reporting Criteria, update them, ensure they are made available for consultation and prepare the Indicators and Statements according to these Criteria.

It is our responsibility to express a conclusion on these Indicators and Statements. Our review was conducted in accordance with professional standards applicable in France and International Standards on Assurance Engagements (ISAE 3000), published in December 2003. Our independence is defined by French legislation and regulations and the French Rules of Professional Conduct for Statutory Auditors.

In addition, we verified that the Corporate Responsibility report fulfills the requirements of the A+ application level of the GRI 3.1 reporting framework. Our conclusions on this matter are presented in the GRI index section of this report.

NATURE AND SCOPE OF OUR REVIEW

We performed the following review to be able to express a conclusion:

- We assessed the Reporting Criteria, policies and principles, with respect to their relevance, completeness, reliability and neutrality.
- We verified environmental data for five sites(4), selected according to their location, their contribution to environmental indicators and the risk of anomalies previously identified.
- We conducted interviews with people responsible for CR reporting and performed auditing tests, on a sample basis. The coverage(5) related to the selected sample of audited sites is presented for each indicator as follows:

ENVIRONMENTAL INDICATORS	SAMPLE COVERAGE
Electricity consumption	20%
Fossil energy consumption	7%
Total energy consumption	18%
Water consumption	20%
Total production of hazardous wastes	5%
Total production of non hazardous wastes	7%
CO_2 emissions from facilities	22%
Number of days of absence due to work-related accidents, per employee	7%

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

(1) Total energy consumption and split between electricity and fossil energy; CO_2 emitted from facilities; Total water consumption; Production of hazardous waste; Production of non hazardous waste; Number of days of absence due to work-related accidents per employee; Absolute carbon footprint (scopes 1, 2 and part of 3); Amount of e-waste collected in 2011; Percentage of employees who completed the 2011 Code of Conduct Review and Acknowledgment Process; Percentage of suppliers assessed satisfactory on CR at the end of 2011; Philanthropic contributions based on cash contributions, employee volunteering and in-kind giving; Number of student learner hours that ALU University delivered towards Alcatel-Lucent employees for 2011; Percentage of women identified in the group; Number of internal job opportunities versus external hiring.
(2) Five qualitative statements were reviewed, on the following themes: Environment, Our People and Corporate Responsibility Overview.
(3) A higher level of assurance would have required more extensive work.
(4) On site for Antwerp (Belgium) and Naperville (USA), and via conference call for Bydgoszcz (Poland), Ning Qiao Road (China), and Velizy (France).
(5) Contribution to the group consolidated data.

LIMITATIONS OF OUR REVIEW

Our review was limited to the Statements and Indicators identified above and did not cover other disclosures in the annual report.

INFORMATION AND EXPLANATION ABOUT THE REPORTING PROCESS

Relevance

Alcatel-Lucent's sustainability reporting is made up of a wide set of indicators allowing coverage of the sector's key CR issues.

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

Completeness

The Indicators' reporting perimeter aims at covering all Alcatel-Lucent's relevant activities. However, for most indicators, there are facilities which were not able to report data. For the non-reporting facilities, extrapolation procedures were performed on the data in order to cover 100% of the company's environmental impacts and sites. A description of the extrapolation methods used is provided in the social and environmental indicators section. The reporting coverage of each environmental indicator is presented as follows:

INDICATORS	REPORTING RATE
Electricity consumption, fossil energy consumption, total energy consumption and CO_2 emissions from facilities[6]	85%
Water consumption	65%
Hazardous waste production	48%
Non hazardous waste production	54%

(6) The only sources of energy for which estimations are made, in order to reach 100% of the perimeter, are Electricity and Natural gas. For the other sources, the reporting rate is 100%.

Reliability

Alcatel Lucent's reporting process is supported by a new dedicated web-based tool, implemented in 2011 and used for collecting, reporting and analyzing CR metrics and information. This tool, together with a fairly structured internal process, helps monitor the evolution of environmental, health and safety performance at site level, and increases the reliability of Alcatel-Lucent's CR data.

Reporting processes are formalized into written protocols for most indicators. However, the protocols should give more detailed guidance on internal controls, as well as extrapolation methodologies to be performed.

All sources of information, calculations and internal controls performed should be more systematically documented and properly stored in order to increase the traceability and reliability of the data.

Neutrality and clarity

A pedagogical effort is made in order to ensure a harmonized understanding of the indicators and their definitions and calculations, thanks to the written protocols. However, definitions should be clarified and more examples provided in order to ensure robust and replicable results in the future. This applies more particularly to the number of days of absence due to work-related accidents.

Conclusion

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

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

Paris-La Défense, April 16, 2012

The statutory auditors
ERNST & YOUNG et Autres

Jean-François Ginies

With the assistance of **ERNST & YOUNG**
Cleantech & Sustainability

Eric Mugnier

ALCATEL-LUCENT
2011 CORPORATE RESPONSIBILITY REPORT

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For each picture selected, a donation was made to the Alcatel-Lucent Foundation's signature program, ConnectEd, which is helping thousands of youth around the world develop life-building skills needed to thrive in a connected world.

http://www.alcatel-lucent.com/foundation/

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Alcatel·Lucent

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