

CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT 2008



## About this report

This annual Corporate Social Responsibility (CSR) Report covers our performance for the year 2008.

Unless otherwise stated, performance data concerns all of our global operations. This report has been subjected to an independent assurance process performed by Ernst & Young. The full scope of their review and conclusions can be found in their Independent Verification Statement on page 59.

This report, meant for all of our stakeholders, is an important element in our overall public reporting policy. This year we focused our report on Alcatel-Lucent's most significant CSR challenges and commitments (as presented on page 14).

Further details about our CSR activities and performance are available on our website at [www.alcatel-lucent.com/csr](http://www.alcatel-lucent.com/csr). More information about Alcatel-Lucent's business and financial performance is available on our website and in our 2008 Business Review, at [www.alcatel-lucent.com/investors](http://www.alcatel-lucent.com/investors)

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This visual tag indicates that more detailed information is available in our 2008 Business Review <http://www.alcatel-lucent.com/investors>



www.

This visual tag means that you can find more detailed information at: <http://www.alcatel-lucent.com/csr>

Alcatel-Lucent is the trusted partner of service providers, enterprises and governments worldwide, providing solutions to deliver voice, data and video communication services to end users.

A leader in fixed, mobile and converged broadband networking, IP technologies, applications and services, Alcatel-Lucent leverages the unrivaled technical and scientific expertise of Bell Labs, one of the largest innovation powerhouses in the communications industry.

With operations in more than 130 countries and the most experienced global services organization in the industry, Alcatel-Lucent is a local partner with a global reach. Alcatel-Lucent achieved revenues of Euro 16.98 billion in 2008 and is incorporated in France, with executive offices located in Paris.

"It is vital for all companies to act in a socially responsible manner and to be good corporate citizens. This involves more than ethical behavior; it means that all of our employees must become involved and demonstrate, day after day, the company's concern for society."

Ben Verwaayen, CEO, Alcatel-Lucent

# SELECTED KEY FEATURES

## MOBILITY

To optimize job mobility and continue to develop talent, we pledge to offer new positions to at least **80% of our high potential** people over the next three years.

## ENSURING EXEMPLARY BUSINESS ETHICS & COMPLIANCE

In 2008, **28,215** Alcatel-Lucent people participated in **18 web-based training courses** as part of our effort to help our people build their understanding of the values, standards, policies and laws that govern our day-to-day work activities.

## 600 CSR ASSESSMENTS

of suppliers have been carried out since 2004 along with **70 onsite supplier audits**, 20 of which were CSR-dedicated.

# 10,200 VOLUNTEER HOURS

Our people contributed 10,200 volunteer hours to 41 charitable projects through our volunteer grant program. This does not include time dedicated to the five-week-long **Alcatel-Lucent International Days of Caring**, which involved more than 9,800 employees worldwide.

# CUTTING CO<sub>2</sub> EMISSIONS

We aim to reduce our carbon footprint by **50% by 2020** (vs. 2008).

# CSR COUNCIL

The **creation of an Alcatel-Lucent CSR Council**, chaired by our CEO and including outside stakeholders, provides a clear signal of our intention to accelerate our progress towards CSR leadership.

# ENCOURAGING EMPLOYEES TO ACT RESPONSIBLY

Our annual Alcatel-Lucent **CSR Champions Awards** provides recognition for outstanding Corporate Social Responsibility contributions by individuals and teams. Winners receive a **US \$10,000 company grant** for a non-profit organization of their choice.

# 60 INDICATORS

We collect social and environmental data covering some 60 CSR indicators, thanks to contributions from **our people worldwide**.

# ECO-FRIENDLY PRODUCTS

We will **improve the energy efficiency** of key products by at least **20% over the two years** ending in 2010. We will provide carbon footprint information for new product families starting in 2010.

**“CSR is about being a values-driven company where values are not words on a piece of paper, but things that we do automatically. It’s about being a company that is inclusive and has respect for the individual, respect for differences and respect for cultures.”**

Ben Verwaayen, CEO, Alcatel-Lucent

### CONTRIBUTING TO THE GLOBAL EFFORT TO ENABLE DIGITAL INCLUSION

“Access to communications is essential for social and economic development. Yet billions of people are currently underserved. Alcatel-Lucent stands ready to help service providers in high-growth economies leapfrog to the latest technologies and business models with compelling services that deliver social and economic benefit.”

### CONTRIBUTING TO A SOCIALLY RESPONSIBLE SUPPLY CHAIN

“We have developed a fully integrated process to assess the CSR practices of our suppliers. We have undertaken 600 supplier assessments since 2004 and will assess the CSR practices of all our key and preferred suppliers by the end of 2010. The dialogue established with our suppliers enables us to identify areas for improvement, and to share best practices.”

### CONTRIBUTING TO THE GLOBAL EFFORT TO ADDRESS ENVIRONMENTAL ISSUES

“As Chairman of the Climate Change Board of the Confederation of British Industry, I am absolutely convinced that business has a critical role to play in the transition to a low-carbon economy. For Alcatel-Lucent this means two things: reducing the CO<sub>2</sub> emissions from our own operations, which we are embedding within the company through our Eco-Attitude campaign; and providing more energy-efficient products for our customers while partnering with our enterprise customers to address their own climate change challenges through innovative services. If we get this dimension of our strategy right then we can lower our own costs, provide compelling offerings to our customers and help combat global climate change.”

### CONTRIBUTING TO AN INNOVATIVE MARKET PLACE AND PROMOTING TRANSPARENCY

“I’m a proponent of transparent and accountable organizations that are open about what they expect of themselves and deliver results. This belief is driving our commitment to public reporting. I’m also a proponent of innovation and believe that Alcatel-Lucent has much to offer, thanks to Bell Labs, in the way of solutions to some of today’s toughest global problems. And it is both of these ideas—transparency and innovation—that will underpin the creation in 2009 of a CSR Council composed of top executives plus external experts to challenge, inspire and motivate Alcatel-Lucent to push the boundaries of CSR further.”



# MESSAGE FROM BEN VERWAAYEN

“During more than thirty years working in the communications industry I have witnessed many changes—in technology, in global trends and in customers’ needs—that have transformed the industry into what it is today.

A striking development over the past decade has been the recognition that Corporate Social Responsibility (CSR) has become essential to business strategy, critical to building a stronger business and vital to a company’s long-term success.

For Alcatel-Lucent, CSR is about being a values-driven company where values are not just words on a piece of paper, but things that we do automatically. It’s about being a company that is a responsible citizen everywhere it does business. It’s about being a company that is inclusive and has respect for the individual, respect for differences and respect for cultures.

It’s the behavior we hold ourselves accountable for and what our customers expect.

I take responsibility for living these values and believe that everyone within the company and connected to it has a role to play. Our employees, our Board, our management, our customers and our suppliers are all part of advancing CSR.

## **Enabling society to change in the face of sustainability issues is our challenge and opportunity today**

Being state-of-the-art in everything we do and providing outstanding service requires us to understand and anticipate the expectations of all our stakeholders. And they are increasingly asking us some tough questions, challenging us to reduce the energy used by our products and to promote CSR values in everything we do. I see this as an opportunity.

Our world-class innovation can hasten the development of more energy-efficient products and bring new solutions to market. Our global presence can help our customers rapidly increase access to communications in emerging markets. And our employees can be active participants in enabling society to change in the face of sustainability issues.

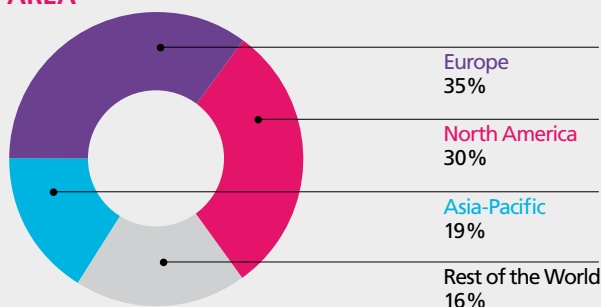
## **People make the change real**

CSR is both a responsibility that we take seriously everywhere we work and a journey into the richness of the cultures in which we operate and into the unknowns of society’s greatest challenges, such as climate change.

My ambition is for Alcatel-Lucent to be best in class in CSR and to be a values-driven business that will make us a better company and underpin our financial success. I’m looking forward to turning this ambition into a reality.”

To find out more about Alcatel-Lucent's strategy and Bell Labs, see our 2008 Business Review.

## BREAKDOWN OF REVENUES BY GEOGRAPHICAL AREA



### Innovative Services

Google, Facebook, YouTube...

### Enabling Application

Alcatel-Lucent (partnerships, co-development, applications, services)

### Network

Carrier (open, reliable networks)

**Application and content providers** do not have a network of their own but provide content sharing applications such as Google, iTunes, YouTube, Flickr or Facebook, etc. By helping them to access the network, Alcatel-Lucent hopes to boost their offering, with a multiplier effect on end-user demand, i.e. enterprises and consumers.

# 77,700

employees, and more than 100 nationalities in 130 countries.

# €16,984 M

revenues, €(1,597) million net income.

## MARKET SHARE HIGHLIGHTS \*

### #1 in Broadband Access

with 40.6% of DSL market share in 2008<sup>(1)</sup>

### #1 in Optics (Terrestrial and Submarine)

with 22.2% of market share in 2008<sup>(2)</sup>

### #1 in CDMA

with 42.4% of market share in 2008<sup>(1)</sup>

### #1 in WiMAX 802.16<sup>e</sup>

with 30.2% of market share in 2008<sup>(3)</sup>

### #1 in Western Europe Enterprise Telephony

with 17% of market share<sup>(4)</sup>

### #1 in Contact Center agent revenue, Western Europe

(Alcatel & Genesys combined)<sup>(5)</sup>

### #1 in worldwide Service Delivery Platform Integration Services<sup>(3)</sup>

### #2 in IP/MPLS Service Provider edge routers

with 19% of market share in 2008<sup>(2)</sup>

### #3 in GSM/GPRS/EDGE Radio

#### Access Networks

with 10.8% of market share in 2008<sup>(1)</sup>

### #3 in W-CDMA Radio Access Networks

with 14.6% of market share in 2008<sup>(1)</sup>

\* In revenues / <sup>(1)</sup>Dell'Oro / <sup>(2)</sup>Ovum / <sup>(3)</sup>Infonetic Research / <sup>(4)</sup>Gartner Dataquest, "Market Share Enterprise Telephony Western Europe" (July 2008) / <sup>(5)</sup>Gartner, "Market Share: Contact Centers, Western Europe, 2007" (June 27, 2008)



# A NEW STRATEGY ROOTED IN OUR VISION OF THE FUTURE

**Alcatel-Lucent's new strategy is rooted in its vision of the future: the digital communications industry needs to reinvent its business model in order to catch its second wind. Alcatel-Lucent is ideally placed to play a pivotal role in this transformation and benefit from the tremendous surge in growth it is bound to produce.**

The telecom industry needs to reinvent its business model. It needs to design and implement a profitable, sustainable system capable of creating value for all of its stakeholders. This is the analysis of telecommunications market trends that underlies Alcatel-Lucent's vision, serving as the starting point for a new strategy.

## Revitalizing our core business

This implies an economic, technological and relational transformation, and Alcatel-Lucent is ideally placed to execute it thanks to two key strengths, namely its knowledge of and relations with industry players, and its unmatched expertise in network architecture and deployment. The challenge is a huge one: to enable service providers, businesses and users to leverage the Web more effectively, both as it is today and as it will be tomorrow thanks to faster, more reliable and more open networks. Alcatel-Lucent's mission is to combine trusted networks with the creative freedom of the Web (2.0, 3.0 and beyond...) in order to release the tremendous potential for growth and revenues, and to improve the Web experience of end users, businesses and consumers alike. Ultimately, the Group will gain from the additional value generated by growth in the digital communications market.

## Simplicity and pragmatism

Apart from its simplicity, the Alcatel-Lucent business model is resolutely customer-driven. In organizational terms, the Group is focused on three markets: service providers, enterprises, and vertical markets such as energy and transport, etc., where it has a very large footprint.

On the products side, Alcatel-Lucent is rapidly switching its investments to next-generation platforms. It is building on its proven strengths as it commits to its priority sectors, namely LTE, W-CDMA, enhanced packet core and applications enablement. Lastly, it is vigorously rationalizing its offering of "mature" products, e.g. CMDA 1x, GSM, ATM, ADSL, etc., while continuing to provide support for its customers worldwide.

A new roadmap embodies the Group's strategy, embracing investment, organization and resources. A rigorous financial strategy, meanwhile, will help turn its ambitions into reality. Investment priorities will in future focus on four areas of excellence, namely IP and Optical (to offer the market high performance, cost-efficient networks); fixed and mobile Broadband; and Applications enablement. The latter is essential, to create greater trust in data exchanges and transactions, and for personal data protection.

## Bell Labs, Alcatel-Lucent's Innovation Engine

**Bell Labs creates substantial growth opportunities and a competitive market advantage for Alcatel-Lucent through disruptive innovation and a clear technical vision enabled by preeminent collaborative research.**

**Bell Labs increased the value of Alcatel-Lucent's intellectual property assets by obtaining 2,700 patents in 2008 and played a decisive role in shaping the telecommunications industry by its participation in more than 100 standards organizations. Bell Labs also coordinates the network technology roadmap that underpins Alcatel-Lucent's corporate strategy and supports regions, product groups and customers with business and network modeling services. Finally, to enhance its innovation initiatives, Bell Labs forges research partnerships in collaborative programs with more than 250 institutes and universities worldwide.**



# WE ARE COMMITTED TO FULFILLING OUR RESPONSIBILITIES TO ALL OF OUR STAKEHOLDERS ALL YEAR LONG

## FEBRUARY

### We publish our Global Human Rights Policy

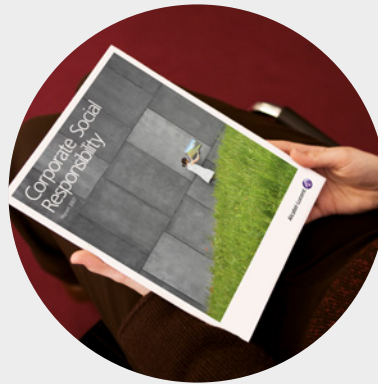
Our Global Human Rights Policy aims at ensuring that our employees around the world are treated with dignity, fairness and respect. We expect our suppliers and subcontractors to adhere to the same high standards of social responsibility. The policy clearly states our commitment to protect and enhance the human dignity of everyone who works for the company and anyone who has dealings with it. It also spells out our support and respect for the principles of human rights as defined in the United Nations Universal Declaration of Human Rights, the International Labour Organization's fundamental conventions and the Global Compact. (See page 10).



## MAY

### We publish our annual CSR report

The 2007 Alcatel-Lucent CSR Report consolidated the social and environmental data of Alcatel and Lucent worldwide for the first time. The report included some 60 CSR indicators deployed on a worldwide basis. It was adapted to be used with a Braille display, and was also completely vocalized using intelligent vocal synthesis.



## MAY/JUNE

### The Alcatel-Lucent Foundation organizes the International Days of Caring

Designed to help channel our people's boundless willingness to support worthy causes, the five-week International Days of Caring initiative involved more than 9,800 Alcatel-Lucent volunteers, supporting more than 180 projects in 15 countries on five continents. From cyclists raising funds to fight multiple sclerosis to volunteers helping disabled children, Alcatel-Lucent people worldwide demonstrated their personal commitment to helping make the world a better place. (See page 44).

## JUNE

### We highlight responsibility issues and challenges during the CSR Week

The week-long event highlighted company and individual commitments to act in a socially and environmentally responsible way. With each day devoted to a specific topic on a dedicated intranet site, the initiative gave our people a chance to better understand our major CSR programs and achievements. (See page 53).

• All the different sections of this double page have been vetted by Ernst&Young.

## ALL YEAR ROUND Our CSR Steering Committee sets goals and tracks progress

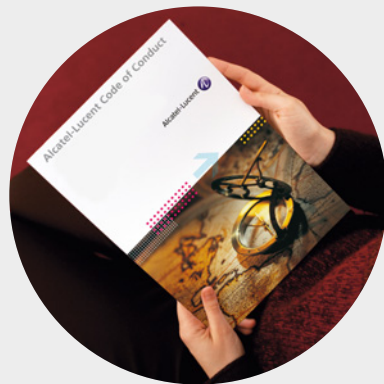
Headed by the Vice President for Corporate Communications and Corporate Social Responsibility, the CSR Steering Committee sets our CSR goals, defines action plans and measures progress. Its members follow all of our CSR concerns, including the Alcatel-Lucent Foundation, Environment, Health and Safety, Eco-sustainability of Products and Operations, Digital Inclusion, Public Affairs, Human Resources, Ethics and Compliance, Investor Relations, Marketing, Responsible Purchasing, Audits, Risk Management and Legal. Established five years ago, the committee meets almost every month and reports directly to the Chief Executive Officer.

(For more information, see page 56).



## AUGUST We publish our Code of Conduct in 11 languages

The publication of the Alcatel-Lucent Code of Conduct supports our commitment to demonstrating the highest levels of business ethics and personal integrity. As an extension of the Statement of Business Principles published upon the Alcatel-Lucent merger, the code serves to further define and support our collective commitment to integrity and compliance across all aspects of our business, wherever we operate.



## AUGUST/SEPTEMBER We recognize exceptional achievements through the CSR Champions Awards

The second annual CSR Champions Awards program provided an opportunity for the company to acknowledge our teams' major achievements in the CSR field and reward those who demonstrated outstanding dedication. Eight prizewinners from a wide range of geographic backgrounds and activities were selected by an independent panel of judges. (See page 52).

## SEPTEMBER As part of the UN Caring for Climate initiative, we launch a dedicated climate change intranet

The site serves as a hub where all employees worldwide can find a wealth of climate-related news, information and resources, including eco-sustainable products and solutions and examples of best green operating practices. Our participation in "Caring for Climate" involves setting goals and implementing strategies and practices to continually increase our energy efficiency and reduce our carbon footprint.

## DECEMBER We focus on CSR during the Alcatel-Lucent Innovation Days

Innovation that helps our customers become more environmentally and socially responsible was among the highlights at the three-day event. Our teams showed how green technology, alternative energy and smart metering can improve energy efficiency and lower power consumption, as well as how low-cost access to broadband can help bridge the digital divide.

## We launch annual reporting on social and environmental indicators

For the seventh consecutive year, more than 60 social and environmental indicators are being collected from our sites worldwide. Published annually, the data enables the company to evaluate performance, set meaningful goals, measure progress, optimize opportunities and comply with regulations linked to CSR-related information. (See page 60).

# WE HAVE REDOUBLED OUR COMMITMENT TO CONDUCT BUSINESS ETHICALLY

**Our commitment to conduct our business in an ethical fashion constitutes a central pillar of our business practices. In 2008, we substantially added to our arsenal of tools and policies with the publication of our Code of Conduct and Global Human Rights Policy.**



The Alcatel-Lucent Code of Conduct supports our commitment to demonstrating the highest levels of business ethics and personal integrity. It helps define and support our commitment to integrity and compliance across all aspects of our business. Available in eleven languages, the Alcatel-Lucent Code of Conduct establishes minimum standards of behavior. It is based not only on the laws and regulations that affect our business, but also on the concepts of integrity, respect, fairness, diversity and ethics. The Code of Conduct provisions dedicated to corporate social responsibility

detail our pledge to respect the rights of all of our stakeholders, enhance and serve the communities where we do business, promote environmental responsibility and minimize the health and safety impact of our activities and products.

## **Walking the talk**

The Office of Business Conduct (OBC) plays a key role in supervising and managing our ethics and compliance programs. Headed by the Chief Compliance Officer, the OBC helps our people understand their personal responsibilities as well as the company's obligation to legal compliance and commitment to business ethics and integrity. Working with senior management, members of the OBC team seek to engage all Alcatel-Lucent employees in their personal commitment to compliance and integrity, to promote integration of these values into everyday business operations and to achieve employee awareness and engagement in the process.

To achieve its goal, the OBC develops and implements various legal compliance and business conduct programs that are integrated into business operations. To ensure that the company benefits from a

## **The Partnering Against Corruption Initiative (PACI)**

**In March 2009, Ben Verwaayen signed the World Economic Forum Partnering Against Corruption Initiative (PACI).**

**To date, 137 companies around the world have signed this document, committing themselves to fighting corruption, adopting a zero-tolerance policy toward bribery, and developing an effective internal program to prevent it from happening within their own companies. Alcatel-Lucent is the first partner from the telecom industry.**



comprehensive set of policies, the OBC published eight global compliance policies in 2008. Designed to complement the Code of Conduct, the policies cover such areas as antitrust, competitive intelligence, export compliance, information security and anti-fraud issues.

In 2008, the OBC undertook steps to strengthen our compliance management infrastructure. Specifically, the OBC reviewed and revised membership in our Ethics & Compliance Council and Operating Unit Compliance Council to ensure that both reflect evolving business requirements.



## Global Human Rights Policy

In 2008, we reinforced our global ethics and compliance system with the publication of our Global Human Rights Policy, which is specifically designed to ensure proper treatment of our workforce and interaction with our employees and external stakeholders worldwide. This policy makes it clear that we expect the same high standards of social responsibility from

our suppliers and subcontractors. It states our commitment to protecting and enhancing the human dignity of everyone working for the company and anyone having dealings with it. Furthermore, it spells out our support and respect for the principles of human rights as defined in the UN Universal Declaration of Human Rights, the International Labour Organization's fundamental conventions and the UN Global Compact.

# 11,000

visits to the dedicated Office of Business Conduct internal website.

# 28,215

employees participated in 18 web-based courses in 2008.

### Spreading the word

Employees can find detailed compliance information on the dedicated OBC internal website, which includes links to all key compliance program areas.

Visited more than 11,000 times in 2008, the website provides all Alcatel-Lucent people worldwide with a convenient, comprehensive, one-stop resource for compliance.

In those countries where it is permitted by local regulations and legislation, employees can use a 24-hour-a-day, seven-day-a-week hotline to report compliance

issues, concerns, violations or suspected violations of law or company policy. Deployed in more than 88 countries worldwide by year's end, the hotline provides a mechanism for our people to report, in good faith, suspected unethical business conduct or any dishonest, destructive or illegal actions. Operated by a third-party vendor, the hotline supports virtually any language.

Our Office of Business Conduct has also created a mailbox where employees can obtain compliance information or ask questions. The OBC Mailbox is monitored constantly to ensure that employees receive responses within one working day.

As part of the effort to regularly raise our people's awareness to ethical and compliance issues, the OBC manages a regularly updated internal communications program, which includes easy access to robust compliance resources across key compliance program areas.

In 2009, it will incorporate such features as "Frequently Asked Questions" on important topics, "What Should I Do?" scenarios, senior leader talking points and scripts, and senior leader e-mail templates.

**Headed by a Chief Compliance Officer, the Office of Business Conduct helps our people understand their personal responsibilities as well as the company's obligation to legal compliance and commitment to business ethics and integrity.**

### Building understanding among our workforce

To help our people build their understanding of the values, standards, policies and laws that govern our day-to-day work activities, we operate an extensive training program.

In 2008, 28,215 employees participated in 18 web-based training courses. The courses cover a wide range of topics, from general ethics and awareness courses to instruction focusing on specific policies and laws. Some courses are mandatory for all employees; others are required only for specific job functions.

# OUR CSR CHALLENGES

Sustainable development requires sustained commitment, accountability and the willingness to set ambitious goals. To fulfill our responsibilities, we have to meet a series of specific targets and achieve measureable results over the short, mid and long term.

ALCATEL-LUCENT 2008

CORPORATE SOCIAL RESPONSIBILITY REPORT

# 600

assessments of supplier CSR practices since 2004.

# 96%

of our product portfolio covered by eco-declaration.



**ABOUT THIS PICTURE**  
This photo was shot during the Alcatel-Lucent Innovation Days in December 2008 in Paris, France. Several exhibits were dedicated to innovative energy-efficient technologies and products for our customers. Photography by Aurélien Chauvaud

# OUR CSR CHALLENGES AND COMMITMENTS

CHALLENGES	2008 COMMITMENTS	TIMEFRAME	STATUS	NEW COMMITMENTS	TIMEFRAME
<b>Reduce the impact of our products on the environment</b>  <i>See p. 30-39</i>	Provide eco-declarations for 95% of our product portfolio.	end 2008	✓ Exceeded goal by providing eco-declarations for 96% of the product portfolio.	Include carbon footprint information in the eco-declaration for new product families, starting in 2010.	2010
	Develop functional energy efficiency metrics for our key telecommunication products to enable network energy reduction. Define metrics and roadmaps to measure and increase product energy efficiency based on functionality for our key product families and for optimizing energy use within the telecom network.	end 2008	✓ Energy efficiency metrics and internal roadmaps developed for key products. Advocated and led industry standards development of aligned energy efficiency metrics in standards and consortia fora.	Improve the functional energy efficiency of key products* by at least 20% by 2010 compared with 2008. <small>*New or recently developed products on an upward curve of their life cycle.</small>	2010
	Further integrate readiness and usage options for alternate energy sources (e.g. solar and wind) in product and network solutions.	end 2008	✓ Installed our 250th solar-powered base station for wireless networks at the end of 2008, mitigating as a combined total approximately 1,300 metric tons of greenhouse gas emissions per year.	Increase by 30% the total number of installed sites with renewable energy powering.	2009
				Expand product remanufacturing operations globally by 10% as an eco-alternative to disposal/recycling.	2009
<b>Reduce our own carbon footprint and improve our EHS performance (Environment, Health and Safety)</b>  <i>See p. 35-37</i>	Expand the scope of the third-party certified EHS multi-site management systems to include new and existing certified ISO14001 / OHSAS 18001 management systems.	2009	✓ Completed Certification Audit as Alcatel-Lucent.		
	Establish Alcatel-Lucent's carbon footprint for all owned operations.	2008	→ Successfully measured 2008 carbon footprint of Alcatel-Lucent. Emitted 1,003,651 tons of CO <sub>2</sub> .	<b>Reduce our absolute carbon footprint (CO<sub>2</sub> equivalent) by 50%, of 2008 baseline, by 2020.</b>	2020
	Reach a 10% reduction in CO <sub>2</sub> emissions from facilities compared with the 2007 CSR reported baseline by the end of 2010.	2010	→ Achieved 5% reduction in our operational footprint based on 2007 baseline.		
<b>Provide our people with opportunities</b>  <i>See p. 18-23</i>	Further harmonize reporting procedures for social indicators across the organization.	2008	→ In progress.	Simplify and standardize HR processes through the implementation of a global HR Information System to support business needs and achieve increased organizational efficiency and effectiveness.	2009
	Eliminate barriers to high performance.	2008/2009	✓ Implementation of a new organizational model.	80% of our high-potentials changing position within 3 years.	2011
	Engage employees towards high performance.		→ Leadership development programs.	Continue to implement Leadership Development programs.	2009
				Define behavioral KPIs.	2009
				Conduct two internal pulse checks to measure transformation's progress.	2009
<b>Responsible purchasing</b>  <i>See p. 26-28</i>	Verify the CSR practices of suppliers representing 65% of Alcatel-Lucent total purchased volume.	2008	✓ Exceeded goal with more than 66% of our global procurement volumes (including product-related purchases, project sourcing, general expenses, subcontracting, etc.) coming from suppliers whose CSR practices have been assessed.	Ensure that the CSR practices of all of our key* and preferred** suppliers are assessed for meeting expectations. <small>*Key suppliers are defined as major and strategic suppliers for Alcatel-Lucent. ** Preferred suppliers correspond to the preferred sources for a given purchasing family that should be considered first for all new developments.</small>	2010
				Establish a pilot for environmental evaluation of products and services purchased for internal Alcatel-Lucent use.	2009
	Continue CSR awareness-raising among procurement teams to allow the systematic examination of suppliers' CSR commitments during business reviews	ongoing	→ Awareness and communication is a cornerstone of the Responsible Purchasing program. All members of the purchasing community interfacing with suppliers take ownership of CSR aspects and are in a position to screen supplier practices while on-field.	Establish a systematic improvement program with suppliers assessed below satisfactory ensuring that by the end of 2012, 80% of the active suppliers assessed on CSR are satisfactory or above and action plans are in place for the remaining 20%.	2012
<b>Community involvement</b>  <i>See p. 42-43</i>	Launch a new employee volunteer program.	2008	✓ Launch of the International Days of Caring program – 180 projects undertaken by 9,800 employees worldwide.	Implement a way to measure the effectiveness of the funds the Foundation invests in each program it supports around the world	end 2009
	Expand the French program "Cercle Passeport Télécoms" to international.	2008	✓ 40 American employees engaged in tutoring French students in English.	Foster a spirit of employee volunteerism across the company.	ongoing
	Create new educational programs in Central and Latin America.	2008	✓ New educational programs initiated in Venezuela, Mexico and Brazil.	Implement an efficient tool to track and measure volunteerism across the company.	end 2009

✓ target reached → in progress

# WE REINFORCE DIALOGUE WITH OUR KEY STAKEHOLDERS

**As a responsible company, we recognize our obligations to our numerous and diverse stakeholders. Here is a brief overview of how we dialogue with them and take our customers, employees and suppliers' expectations into account.**



Customers expect the highest-quality, most advanced, innovative technologies. They are increasingly challenging us to reduce the energy consumption of products and promote responsible behavior throughout the supply chain. You can learn how we are turning these challenges into opportunities throughout this report. This section focuses on product innovation, customer satisfaction and internal dialogue. You will find more information about our products and energy efficiency on p. 30, our activities regarding embedding CSR in our supply chain on p. 26 and internal communication on p.22.

## **Innovating to satisfy changing customer needs**

Innovation is at the core of our strategic vision and the key to our goal of exceeding customer expectations. Recognizing that innovative ideas can come from diverse and sometimes unexpected sources, we have embraced open innovation, leveraging it as a strategic initiative to nurture development of new solutions and services. Bell Labs plays a crucial role in realizing this vision by developing technologies that define the future of communications and give the company a competitive market advantage.

## **Building customer trust**

Customer care at Alcatel-Lucent is about building customer trust through the quality of our people, products, services and solutions portfolio. We use a unified customer satisfaction survey program to closely monitor performance in meeting customer care expectations. The program relies on a twice-annual relationship survey, an annual product survey and ongoing technical services and repair services surveys. Thanks to the extensive data we have collected, we have been able to identify areas where improvement is needed and initiate appropriate actions. A cen-

tralized Quality Assurance and Customer Care organization, established in late 2008, is working in collaboration with all of our regions, groups and operations to ensure that we are always a reliable partner for customers.

As part of Alcatel-Lucent's Quality Action Plans, performance and quality gaps are more thoroughly analyzed than ever in order to eliminate recurring issues. Additional validation testing is carried out where necessary. We are placing the emphasis on open follow-up and communication of corrective action plans to customers, illustrating the importance placed on customer feedback and transparency in customer relationships.

To enable even more efficient collection of customer feedback in 2009, we will create and deploy a combined relationship and product survey.

## **Establishing a more open, interactive workplace**

Our future depends on our people and on our ability to support and develop our human resources around the world. Our responsibilities to our employees include not only providing a safe, comfortable workplace, but also encouraging diversity



## Supporting Customers' Sustainability Challenges

At Alcatel-Lucent, we believe that communications solutions can help our customers meet their broader social, environmental and economic needs. Recent studies suggest that information and communication technology solutions hold the potential to reduce global carbon emissions by as much as 15% by 2020. To find out more about how we are working on these solutions, see p. 32.



and mobility. Since the appointment of Ben Verwaayen as Alcatel-Lucent CEO and his senior management team in late 2008, we have launched a series of initiatives to install a richer, more open dialogue with our people worldwide. This new approach to internal communications is designed to establish a more inclusive, more interactive working environment.

The dialog begins at the top of our organization, with our CEO, who has provided the impetus for several innovative means to establish and maintain direct, person-to-person communications with employees. In conjunction with these initiatives,

we have launched a series of Web 2.0 initiatives to encourage direct communication and collaboration among our people and break down both geographical and organizational barriers. For example, our corporate intranet homepage enables geographical and organizational groups to deliver information tailored to specific, targeted audiences. In addition, we have opened our intranet to employee comments. Staff members are encouraged to share opinions on much of the content posted on the corporate intranet. To find out more, see p. 22.

### Engaging a dialogue on responsible behavior with our supply chain

Our entire responsible procurement program is built around dialogue with our suppliers. This enables us to identify areas for improvement, when needed, and to share best practices. We rigorously and regularly evaluate the way our suppliers fulfill their ethical, social, environmental and health and safety responsibilities. When necessary, we define improvement plans and work long-term with suppliers to help them improve their CSR approaches and practices. To find out more about our CSR in Purchasing approach, see p. 26.

# 1,117

**responses, covering 184 customers in 56 countries.**

2d quarter 2008 Relationship Survey  
(Monitoring Customer Satisfaction in 2008)

# 3,354

**responses, covering 619 customers in 144 countries.**

Technical Support Survey  
(Monitoring Customer Satisfaction in 2008)

### CSR Council

**Created in early 2009 and composed of top executives plus external experts, the CSR Council also aims at further reinforcing dialogue with the company's key stakeholders (see p. 56).**



# WE PLEDGE TO PROVIDE OUR PEOPLE WITH OPPORTUNITIES

**Managing our talent is critical to our transformation, especially in today's challenging environment. In 2008, we paid special attention to encouraging diversity, promoting the development of talent and laying the groundwork for a new approach to employee communications.**



Our long-term success depends in part upon our ability to manage our human capital. It is not just a question of finding the right people. Talent management covers the entire life cycle, from Human Resources strategy and recruitment to implementation and performance management. The Alcatel-Lucent Human Resources organization provides expertise and leadership support in all functional areas of human resources.

Charged with defining and deploying human capital strategies that support and align with business initiatives at all levels, the members of our HR team help

to analyze current headcount numbers and associated skill/competency sets and to forecast future talent needs. We also focus on what our people care about most: developing in ways that stretch their capabilities, working on projects that engage their minds and hearts, and connecting to people and programs that help them achieve their professional goals.

### **Attracting the right talent**

To help our managers and recruiters identify and hire talent quickly anywhere in the world, we have developed and rolled out a global, web-based eStaffing tool. It enables both employees and external candidates to search, view and apply for Alcatel-Lucent jobs online.

To attract young graduates, we have built up relationships and partnerships with leading universities and other educational institutions. Among our most successful programs is a partnership with AIESEC, a student organization active in 110 countries.

Thanks to this five-year-old program, AIESEC students from more than 25 countries worked alongside our teams worldwide in 2008 (see p. 52).

**“Our people are our most valuable resource. In these challenging times, our goal is to provide everyone at Alcatel-Lucent with development opportunities and to ensure unflinching respect for diversity in all its forms.”**

**Claire Pedini, Executive Vice President,  
Corporate Human Resources**

We have also donated services and course materials to universities in the Dominican Republic as part of our University Relations Program and we collaborate with universities and other research institutes within the context of our Research Partner Program.

In France, we continued building two key relationships over the course of 2008. These include funding a teaching and research chair at Supélec, one of Europe's leading engineering schools. In 2008 we organized a joint seminar on advanced radio communication technologies and techniques with Supélec,

## Encouraging Mobility

To provide our people with opportunities for exploring new career options and pursuing professional advancement, we actively encourage mobility across geographical, organizational and functional borders. A cornerstone in our career development policy, we also believe that mobility helps develop diversity and teamwork as well as express our international culture. In 2009 the main HR objective will be the rotation of our talent with the objective of having 80% of our high-potentials changing their position within three years.



# 55,000

employees received formal training in 2008.

# 20

accredited centers around the world through Alcatel-Lucent University.

Princeton University and our Bell Labs. We also continued to support the “Cercle Passeport Télécoms” program for underprivileged students (*see p. 43*).

### Identifying and managing talent

Our Global Performance Management Process helps managers and employees define clear, consistent goals. Thanks to this online tool, employees receive concrete, constructive feedback on their individual performance and have the opportunity to review their professional development plans. In 2008, 85% of our managers and professionals set

performance goals based on the Global Performance Management Process. Our Organization and People Reviews (OPR) help us to identify and nurture internal talent for strategic roles and to define personalized career plans for these individuals. These reviews are also important development and succession planning tools for all key jobs in the organization.

### Growing through learning

To help our people keep pace with change and take on new challenges, the Alcatel-Lucent University focuses on both business objectives and professional development.

Serving both external and internal clients, the University develops and delivers qualification programs in such areas as project management, sales, services, leadership development and IP transformation. Alcatel-Lucent University consists of 20 accredited training centers around the world.

Particular attention has been paid to improving access to training through the launch of an integrated Learning Management System and increased emphasis on eLearning delivery. ●●●



www.

For more information, please visit  
<http://www.alcatel-lucent.com/careers>



### Fostering Social Innovation

Social innovation broadens the base of talent available to us as an organization and raises awareness of Alcatel-Lucent as a dynamic, innovative employer. One of our most successful initiatives in this area has been in France where, following the successful completion of a three-year program to integrate the disabled into our workforce in 2008, we renewed our commitment with another three-year agreement.

Under the terms of the initial Mission Handicap program, negotiated with our trade unions, the company agreed to recruit 60 disabled people at nearly two dozen sites in France. Over the course of the three years, we hired 67 disabled people in permanent jobs as well as six fixed-term contracts and 20 trainee contracts. We also undertook several initiatives to train and improve working conditions for disabled employees.



In 2008 our employees each averaged 18 hours of training, one-third delivered online. Overall, nearly 55,000 employees received formal training during the year. In 2008 Alcatel-Lucent University was awarded a quality certification from the European Foundation for Management Development (EFMD) as part of its Corporate Learning Improvement Program (CLIP), one of only 14 corporate learning organizations across Europe to win such a distinction.

### Focusing on critical skills

We have launched a series of initiatives focused on developing particular job skills within our workforce. These initiatives not only ensure that the company will benefit from the skills it needs but also help our people enrich their jobs and expand their career opportunities.

For example:

- The “People@Services” program launched by our Services Business Group is devoted to managing and developing the skills needed for Alcatel-Lucent to be the services leader in our industry.
- In North America, our “Leading Through Change” program focuses on

coaching, self-awareness, relationship building and change management.

- In the U.K. and Ireland, our “Sales Development Centre” helps manage and develop salesforce skills.
- The biannual sessions of our “Strategic Sales Leader Program” in North America help sales management build teams, break down silos and coach their people in best practices.

### Supporting diversity and equal opportunity

As a global enterprise, with a presence in 130 countries, we want to be sure that our workforce is as diverse as the global environment in which we do business. As set forth in our Statement of Business Principles and Human Rights Policies, we are committed to recognizing and respecting the diversity of people and ideas, and to ensuring equal opportunity for all.

Our Global Human Rights Policy reaffirms our commitment to human rights and to helping ensure that our employees around the world are treated with dignity, fairness and respect. At the time of this writing, more than 100 nationalities are represented among

**Launched in each organization at the end of 2008, Talent Diversity is a review program dedicated to renewing teams while enhancing their cultural diversity and mix of skills.**

our employees, at all levels of the organization. At the end of 2008 we launched in each organization a review called “Talent Diversity” aimed at renewing teams but also fostering diversity in cultures as well as key competencies.

Our online “Culture Wizard” is another way to help our people understand, work and succeed within a diverse, multicultural global corporation. Many local initiatives were organized as well over the course of the year, such as a project-oriented cross-cultural training program in Germany.

100

**nationalities are represented among our employees at all levels of the organization.**

80%

**is the proportion of our high-potentials we aim to move into new positions within three years.**



### Supporting women's careers

Convinced that women should play a larger role in business, we have developed a range of training, mentoring and coaching tools specifically designed to support women in their career development.

We devote particular attention to women's career planning and senior management prospects during our Organization and People Reviews. We create comprehensive career and professional development plans for high-potential women. Our membership in the European Professional Women's

Network provides our women with opportunities to learn about and discuss relevant workplace issues by networking with other professionals.

The company is also a member of Catalyst, a leading research and advisory organization that seeks to build inclusive environments and expand professional opportunities for women. In 2008 women accounted for 22% of our managers, including four of 22 senior executives. Women also accounted for 19% of our high-potential population and more than 23% of our total workforce. Numerous local initiatives have been undertaken to build awareness, provide mentoring, training and networking opportunities for women and create the conditions needed for a good work/life balance.

For example:

- Our people in Germany actively participated in "Girls Day", a nationwide event during which schoolgirls visit companies to learn about different professions and job functions.
- In the U.S. in 2008, the members of our Women's Leadership Network Association provided college scholarships

**A vigorous program of direct communications between the CEO and our employees is among the most striking innovations.**

for women, hosted Women's History Month celebrations and awareness-building seminars, and organized "Take our Daughters and Sons to Work Day" at many of our locations. Association members also sponsor mentoring and networking programs for women and are developing a training program for all U.S. employees.

- Our year-long mentoring program for women in Latin America focused on professional development designed to enhance career opportunities. We worked with local organizations to ensure a robust, successful program. ●●●



## Promoting Diversity in the Information & Communications Technologies Industry

In March 2009, five major ICT companies, including Alcatel-Lucent, signed a Code of Best Practices for Women and ICT to promote diversity and equal opportunity, in the presence of Viviane Reding, European Commissioner for Information Society. Alcatel-Lucent supports the hiring and promotion of women. In 2008, women represented 22% of our managers, 19% of our high-potential employees and more than 23% of our total headcount.



### Finding the right work/life balance

At Alcatel-Lucent we are committed to helping our people find a good balance between work and personal life. In many cases, locally arranged initiatives and flexible working arrangements enable our employees to balance professional and personal responsibilities.

In Stuttgart, Germany, for example, we sponsor a kindergarten next to our campus, simplifying childcare for our working parents.

More generally, the broadband technologies we help to develop make it possible for many of our people to enjoy more

flexible lifestyles through teleworking or flexible office arrangements. These technologies mean that people can enjoy access to real-time business information and collaborate with colleagues and customers at home just as they would at work.

Teleworking is already a part of everyday life in many Alcatel-Lucent offices in Australia, Belgium, France, Germany, Italy, New Zealand, North America, Norway, Spain, the U.K. and elsewhere. We established a European internal teleworking charter in 2006.

- Following a 2008 agreement between Alcatel-Lucent France and our trade unions, more than 1,000 of our people in France work at home as often as two days per week.

- The new teleworking program in Australia and New Zealand, launched in late 2008, offers more flexibility for our people and an attractive benefit for prospective recruits.

- Our people in Italy can work at home regularly thanks to an agreement between Alcatel-Lucent Italia and its trade unions.

- The North America Virtual Office and Teleworking Policy, covering our people in the U.S. and Canada, was implemented in September 2008.

- The Flexible Office/Dynamic Workplace concept being implemented in Belgium enables our people to work wherever they find it most convenient—at the office, at home or at a client site.

### Engaging direct communication with employees

The nomination of a new Chief Executive Officer, Ben Verwaayen, last September sparked a major change in the way we communicate with our people. The new approach represents a change not only in style but also in the content and frequency of our internal communications.

A vigorous program of direct communications between the CEO and our employees is among the most striking innovations. There is a new “Ben’s Space” on our intranet where employees can find all of Ben Verwaayen’s internal messages and outside speeches, his travel log, and two interactive tools. The first tool, “Ask Ben,” enables our people worldwide to email Ben Verwaayen directly. He has pledged to read and personally respond to each of them. He also explained that direct communications provide an invaluable glimpse into the energy, ideas and commitment that will help drive the company forward.



The second interactive tool consists of live question and answer sessions, during which our people can exchange chat messages with the CEO. Two such sessions were held during the final months of 2008, giving Ben Verwaayen a chance to explain the new organization and business model directly and for our people to voice their questions and remarks. In addition, Ben Verwaayen frequently traveled to meet employees around the world in 2008. In addition to addressing staff at several sites in France and the U.S., he spoke with employees in Belgium, China, Egypt, Germany, India, Italy and Spain.

### Fostering dialogue with employees

We are committed to fostering an open dialogue with employees on important decisions directly affecting them. The European Committee for Information and Dialogue (ECID), a consultative body, facilitates exchanges of views between senior management and employee representatives in Europe through regular meetings. Composed of representatives from the various countries in which we operate, the committee held three plenary sessions and several coordination meetings in 2008. ECID membership is being reviewed during the first quarter of 2009, in particular to take Eastern Europe into account.

### Restructuring for profitability

A sustainable company is a profitable one. To improve our profitability prospects, we announced a series of actions at the end of 2008 to lower the company's breakeven point by one billion euros annually in both 2009 and 2010. These actions will focus on improving gross margins, enhancing R&D efficiency and materially reducing SG&A (sales, general and administration) expenses. As part of

**The European Committee for Information and Dialogue (ECID), a consultative body, facilitates exchanges of views between senior management and employee representatives in Europe through regular meetings.**

these initiatives, we have analyzed the company's organizational structure.

To achieve greater simplification and streamline our control systems, we expect to reduce the number of management positions by approximately 1,000 and the number of contractors by approximately 5,000 worldwide.

This is a global program, which is expected to affect all our sites. We pay close attention to the manner in which workforce reductions are carried out, in compliance with local rules and regulations, in terms of both the method and the measures.

# WE WANT EVERYONE INCLUDED IN THE DIGITAL WORLD

In today's world, access to information and communications networks is nearly as important as access to clean water and transportation. With two and one-half billion people still unable to connect to mobile telephony or broadband, we believe it is our responsibility to help close this digital divide.



Over the course of 2008, we transformed our commitment to digital inclusion into action primarily through our partnership initiatives in Haiti, Mali and Madagascar, supporting these projects by providing installation services and expertise as well as equipment and applications. In addition, we continued work at the partnership centers in our office in Cairo. These partnerships serve as entrepreneurial incubation centers. Our goal is to support and guide local information and communications technology (ICT) startup companies, to help them become commercially viable and, potentially, local Alcatel-Lucent partners.

## Helping coffee growers compete more effectively

We have been working with the coffee company Cafés Malongo, the University of Nice Sophia Antipolis and the Haitian mobile telephone operator Comcel/Voilà to help Haitian coffee growers compete more effectively on world markets.

More specifically, the project involves providing growers in the remote Cap Rouge part of Haiti with broadband Internet access and enhancing the traceability of their fair trade coffee. Our contribution of the necessary telecommunications equipment—a WiMAX base station and the associated terminals—as well as services and support were key to the launch of broadband Internet access for 1,200 small Cap Rouge coffee growers in March 2008. Thanks to broadband Internet access, the growers' cooperatives are now more closely monitoring markets for the fair trade coffee they produce. They have also begun using so-called RFID wireless tags to identify and track their product as it moves to market. Three schools, serving more than 1,000 children, and a health center also enjoy



access to broadband connections, part of a large-scale effort to help Haitian farmers benefit from remote learning to improve production techniques.

## Improving emergency room care

A new communications system designed to improve emergency services at Gabriel Touré hospital in Bamako, Mali went into operation in March 2008 as part of our partnership with the Mali Health Ministry and the Thiam Foundation. The foundation is dedicated to improving emergency care in Mali, whose population





suffers from extremely high infant mortality rates and extraordinarily low life expectancy. The complete, integrated business communications solution donated by Alcatel-Lucent constitutes a key element in a broad effort to accelerate emergency room patient diagnosis at the hospital. The solution, based on the Alcatel-Lucent OmniPCX Office platform, combines an IP voice server, electronic messaging server, internal communications controller and an emergency contact center. Our people worked closely with the hospital staff to implement the new communication system and to ensure that new

processes were developed to take full advantage of its capabilities, supporting better medical care for all patients, including those from some of the city's poorest areas.

### Building digital infrastructure

Twenty young Madagascans proudly accepted their diplomas at the end of 2008, constituting the first graduating class of a two-year e-education and e-trade training program. The ceremony in the capital city of Antananarivo marked a high point in our cooperative effort with ATD Fourth World, a non-profit organization dedicated to fighting world poverty, and local Internet service provider Data Telecom Service. October 2008 also saw the first anniversary of the launch of free broadband Internet access at five sites in the capital city. The free access sites were made possible by our donations of equipment and installation services. They mean that residents of the city now benefit not only from educational applications but also enjoy access to commercial applications for selling the production of their cooperatives, such as groundnut oil, wooden furniture, embroidery and woven fabrics.

### Cooperating Internationally

In 2008 we continued building on more than a decade of partnership with the development sector of the International Telecommunication Union (ITU). This structure helps developing countries extend the benefit of access to infrastructure and information/communication services to the majority of their people. In particular, we contributed to the work of the Telecommunication Development Advisory Group, efforts to establish guidelines for introducing next-generation networks in developing countries, and several panels and workshops. We also took part in preparations for the ITU's World Telecommunication Policy Forum in April 2009. An active contributor to the two World Summits on the Information Society (WSIS) in Geneva in 2003 and Tunis in 2005, we continued to participate in various WSIS follow-up initiatives in 2008 to help spread broadband access and bridge the digital divide. These efforts were carried out in coordination with the International Chamber of Commerce.



# WE REQUIRE THAT OUR SUPPLIERS OPERATE RESPONSIBLY

**We rigorously and regularly evaluate the way our suppliers fulfill their ethical, social, environmental and health and safety responsibilities. When necessary, we define improvement plans and work long-term with suppliers to help them improve their CSR approaches and practices.**



Building on years of experience, we enhanced our supplier evaluation process in 2008, helping to ensure that CSR becomes part of everyday practices in all purchasing processes.

The program is based on dialogue with suppliers, which enables us, when necessary, to identify areas for improvement and to share best practices. The year's main achievements included the development of a fully integrated assessment approach to evaluate suppliers' ethical, social, environmental and health and safety practices. This approach com-

bines three complementary tools: a standardized CSR questionnaire, on-site CSR evaluations as part of our supplier quality audits, and dedicated in-depth on-site CSR audits.

By year's end we had achieved a key objective set in 2006: more than 66% of our global procurement volumes (including product-related purchases, project sourcing, general expenses, subcontracting, etc.) came from suppliers whose CSR practices had been assessed.

This represents 600 assessments, with more than 550 suppliers either assessed or in progress. Some 50 re-assessments of suppliers originally assessed in 2005-2006 were also launched, along with more than 70 supplier onsite assessments including 20 CSR-dedicated ones.

Among suppliers assessed on CSR in 2008, eight issued their own codes of conduct/CSR policies following the assessment process, during which our team asked suppliers to have clearly defined and consistent CSR commitments. The 2008 dedicated audit program focused on five supplier sites,

## 600

**assessments since 2004, with more than 550 suppliers either assessed or in progress.**

## 70

**supplier onsite assessments.**

selected either because of the strategic nature of their business to Alcatel-Lucent or deemed at risk from a CSR standards perspective. All the follow-ups to dedicated CSR audits carried out before 2008 were completed successfully, with all suppliers complying with requested measures.

Assessments are carried out by purchasing teams who have been trained as CSR auditors. Our buyers/negotiators use the results of these assessments to follow up with suppliers on their initiatives and progress.



## Dedicated CSR Audits

Our dedicated on-site CSR assessments are supervised by specialists from our corporate audit services unit. These are qualified internal auditors who are not connected to the procurement organization. Field audit teams consist of internal auditors, environment, health and safety experts and procurement professionals, including at least one person who speaks the local language and is familiar with local regulations. Our internal auditors and procurement people work together to identify which suppliers are to be audited.

Our in-depth field audits are based on SA8000 principles, International Labor Organization conventions, the Universal Declaration of Human Rights and the International Convention on the Rights of the Child. To ensure sound business decisions when appropriate, audit reports are sent to senior Alcatel-Lucent management. A systematic follow-up of all audit findings, as identified by the auditors, is carried out by the CSR Purchasing team, working directly with suppliers for closure.



## Goals for 2009

Integrating the new EcoVadis solution into our CSR management approach is among our top priorities for 2009. This solution provides third party input and analysis, presents assessment results according to internationally recognized indicators, enables improved communication of results to buyers and enables our teams to concentrate on developing improvement plans with suppliers.

This solution also allows us to assess the CSR practices of any new supplier during the selection process, therefore

including CSR as a supplier selection criterion. By the end of 2010, we aim to assess the CSR practices of all of our key and preferred\* suppliers, related either to direct or indirect spend (second-tier suppliers), using the EcoVadis rating solution.

We also aim to have a full plan in place for managing all suppliers with below-average CSR ratings by the end of the year. We are establishing a systematic improvement program with suppliers assessed below satisfactory to ensure that by the end of 2012, 80% of the active suppliers assessed on CSR are satisfactory or above and action plans are in place for the remaining 20%.

In 2009, Alcatel-Lucent will also launch a pilot for the environmental evaluation of products and services purchased for internal use. ●●●

*\* Key suppliers are defined as major and strategic suppliers for Alcatel-Lucent. Preferred suppliers correspond to the preferred sources for a given purchasing family that should be considered first for all new developments.*

## Moving Supplier Assessment to the Next Level

To further enhance our supplier assessment methods, we contracted with EcoVadis in late 2008 to use their innovative software and services. EcoVadis is a start-up company specializing in Sustainable Supply Management solutions. Combining the EcoVadis rating system with our own internal know-how provides us with simple, reliable supplier scorecards. The EcoVadis rating system enables us to increase the number of suppliers assessed and focus our internal resources on action plans and follow-ups with suppliers identified as potential CSR risks. The tool also includes a consolidated overview as well as risk mapping by industrial sector and country.



**By the end of 2010, we aim to assess the CSR practices of all of our key and preferred\* suppliers.**

\*Key suppliers are defined as major and strategic suppliers for Alcatel-Lucent. Preferred suppliers correspond to the preferred sources for a given purchasing family that should be considered first for all new developments.



### ●●● Increasing supply chain diversity

The Alcatel-Lucent Supplier Diversity program aims to broaden our business relationships with diverse suppliers and to drive inclusion throughout our supply chain. Alcatel-Lucent engages with diverse suppliers solely on merit. Our diversity program responds to customer expectations and complies with U.S. legislation (Small Business Act, Public Law 95-507, Federal Acquisition Regulations). In the U.S., we open all major bids to businesses owned by minorities, women, veterans and service-disabled



veterans, and to small businesses. Certified diversity concerns owned and operated by socially and economically disadvantaged individuals receive the maximum practicable opportunity to participate in any quotation opportunities for material and/or services to be awarded in the U.S. on the basis of quality, cost, and demonstrated performance ability.

We won recognition for our efforts from several U.S. sources in 2008, including the Best Corporation Award from the National Veteran-Owned Business Association, Top Corporation from the Women's Business Enterprise National Council and Corporation of the Year from the Women's Business Council Southwest. Each of these distinctions highlights our significant, long-standing determination to integrate diversity into our selection of suppliers.

### Our responsible purchasing approach

- Integrate CSR practices in supplier selection and management;
- Ensure that our supplier CSR practices assessment program is consistent

with our own values, our commitments to customers and market expectations;

- Ensure that all contractual documents signed with suppliers include a supplier commitment to comply with environment, health and safety requirements and to adhere to our Statement of Business Principles (which includes references to the Universal Declaration of Human Rights, the International Labour Organization's fundamental conventions and the UN Global Compact principles);
- Establish a long-term, trust-based dialogue with suppliers to promote and explain our ethical, social, environmental, health and safety values, principles and requirements, evaluate suppliers' practices in these areas, and work with our suppliers as needed on improvement plans;
- Deploy training to make sure all our people who manage suppliers are aware of their responsibilities regarding the assessment of CSR practices;
- Ensure that all members of the purchasing community interfacing with suppliers take ownership of CSR aspects and are in a position to screen supplier practices while on-field.

# THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

Alcatel-Lucent is a longstanding signatory of the United Nations Global Compact, an international initiative that brings companies together with the UN agencies, labor and civil society to support universal environmental, ethical and social principles. Alcatel-Lucent is committed to integrating the 10 principles of the Global Compact into its strategy, corporate culture and day-to-day activities.



## Human rights

- 1/ To support and respect the protection of internationally proclaimed human rights.
- 2/ To make sure that we are not complicit in human rights abuses.



## Labor Standards

- 3/ To uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4/ To support the elimination of all forms of forced and compulsory labor.
- 5/ To support the effective abolition of child labor.
- 6/ To support the elimination of discrimination in respect to employment and occupation.



## Environment

- 7/ To support a precautionary approach to environmental challenges.
- 8/ To undertake initiatives to promote greater environmental responsibility.
- 9/ To encourage the development and diffusion of environmentally friendly technologies.



## Anti-Corruption

- 10/ To work against corruption in all its forms, including extortion and bribery.



ABOUT THIS PICTURE

This photo was shot during the Alcatel-Lucent Innovation Days in December 2008 in Paris, France. Several exhibits were dedicated to innovative energy-efficient technologies and products for our customers. Photography by Aurélien Chauvaud

...ing the World

S

Thermal Management

Alternative Energy Sources

ost Access  
Broadband Service



# ENVIRONMENT

# WE CARE FOR THE ENVIRONMENT AND CLIMATE CHANGE

**Alcatel-Lucent is committed to playing an active role in addressing climate change by providing solutions that address the environmental challenges and by reducing its own carbon footprint.**

The next ten years will be critical in meeting the challenges of climate change. Telecommunications services can help reduce greenhouse gas emissions and, in this way, reduce the risks associated with climate change. For example, telecommunications can provide an alternative to commuting and travel, monitor and optimize energy use in buildings and reduce energy usage through intelligent transport systems. From virtual healthcare to dematerialization, the ICT industry can enable a projected 15% reduction in global greenhouse gas emissions by 2020 <sup>(1)</sup>.

Thanks to our Bell Labs research and development innovation engine, we are uniquely positioned to implement groundbreaking, cost effective, environmentally-friendly technologies and solutions. These enable applications that not only reduce global emissions but also use less energy.

## Driving toward comprehensive eco-sustainability

For us, eco-sustainability combines business goals with corporate responsibilities. It means creating exceptional value for our customers, shareholders and employees, as well as providing equitable care and respect for the natural environment

and the people and communities where we do business. That is why we have established our comprehensive eco-sustainability program, "Driving an Eco-sustainable Communications Transformation."

### Our strategy focuses on:

- **Direct eco-benefits:** We are building smarter, more energy-efficient, eco-sustainable networks and we are addressing innovation at all layers. We evaluate the environmental impact of our products and networks to help drive innovation in both new and existing networks and equipment.
- **Indirect eco-benefits:** We are creating innovative solutions and services that enable significant environmental benefits in different business sectors while enriching people's lives in sustainable ways through such techniques as smart metering, smart buildings, smart transport and teleworking.
- **Eco-efficient operations:** We are embedding environmental responsibility into the way we think and operate.

The following pages show how we are integrating eco-sustainability throughout our operations.

(1) SMART 2020: *Enabling the Low Carbon Economy in the Information Age*, Report by GeSI and The Climate Group, 2008.

## Alcatel-Lucent and the United Nations Global Compact "Caring for Climate" Initiative

Alcatel-Lucent signed the "Caring for Climate" initiative in December 2007. We remain committed to setting goals, implementing corporate strategies and practices to increase energy efficiency and reducing our carbon footprint.



## An Eco-Friendly Decision

As an example of eco-attitude, the 2008 Business Review and Corporate Social Responsibility report will only be available online. In terms of CO<sub>2</sub> emissions, the estimated savings is equal to 10.35 metric tons of CO<sub>2</sub> equivalent. That is to say driving around the earth one and a half times, or for 60,000 kilometers. Some 748,000\* sheets of paper are being saved, which represents a column of A4 sheets 113 meters high, or as tall as a 40-story building.

\*748,000 sheets of paper represent 11,000 printed reports, each report containing 68 pages.



# WE ARE REDUCING THE IMPACT OF OUR PRODUCTS

We use life cycle assessment to evaluate the environmental impact of a product or its sub-assemblies and to continually improve design, material selection and operating characteristics like energy efficiency.



Thanks to life cycle assessment (LCA), we can identify environmental issues at multiple levels and use our assessments to track eco-sustainable evolution over time. The LCA at network or system level enables us to evaluate new architecture features to conserve energy use and to promote increased functionality.

Evaluation at the product assembly level enables us to set targets for future new products, for example concerning energy efficiency. Component level assessment helps us select materials.

## Lowering power consumption

- Our CDMA Distributed Base Station lowers power consumption by up to 50% over the previous generation thanks to high-efficiency remote radio amplifiers that need no air conditioning or fan and are noise-free.
- Our new indoor optical network terminals (ONT), which serve as residential gateways, consume up to 30% less power and also occupy less space in the customer's premises than traditional solutions.

## Reducing power, maintaining performance

We are creating innovative techniques to ensure that our network equipment uses less power with no impact on performance. For example, the Dynamic Power Save feature on our GSM/EDGE mobile networking portfolio reduces power consumption when the traffic drops, with real-time reactivity that guarantees no impact on service quality. This power-saving enhancement reduces the average power consumption by 25-to-30%, and can be installed on all of the 500,000 Alcatel-Lucent base stations deployed since 1999.

## Innovative Ideas Help Customers Save Energy

We have pioneered combining different types of wireless base stations to help customers save energy. Our arrays of small coverage area (pico) base stations, strategically combined with a few large coverage area (macro) base stations in mixed deployments can be significantly more energy-efficient than networks based on a single technology.

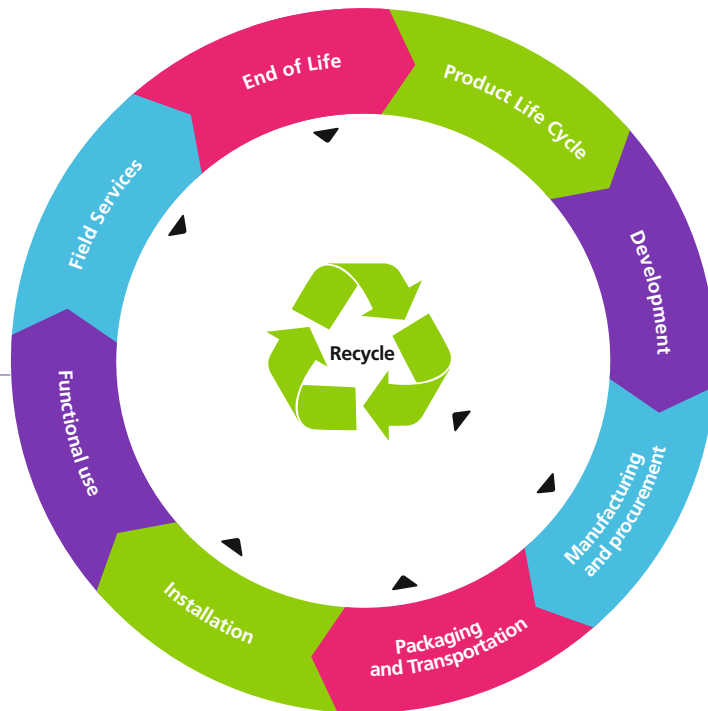


## Using renewable energy to bridge the digital divide

With billions of people unable to enjoy access to communications networks, new approaches are needed to bridge the gap.

To provide a solution scaled to the problem, we set up a program to provide the world's first integrated, mass-produced, alternatively powered wireless base stations. Intended for worldwide deployment, these hybrid wind, solar and fuel cell-powered products will be available as turnkey offerings, with delivery times comparable to those for standard base stations.

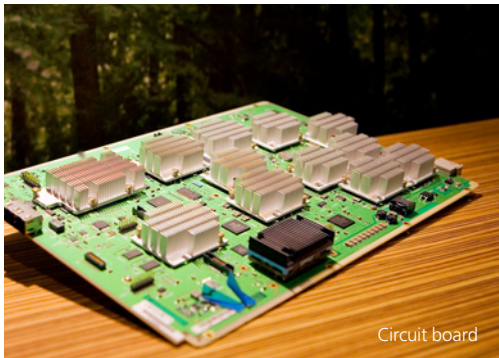




## Eco-Declarations

We have developed Eco-Declarations for more than 95% of our product portfolio. Eco-Declarations summarize the eco-environmental characteristics of products, such as energy consumption, emissions, material content/substance restrictions, batteries and packaging. They also provide end-of-life management information.

## Product Environmental Life Cycle Analysis (LCA)



Circuit board

In 2008 we increased our installed base of solar-powered wireless base stations by 25%, reaching 250 sites, and we set up an alternative energy station in France, including a Laboratory and pilot site. We will install a pilot wind-powered site in the United States in mid-2009. For more information on our digital inclusion initiatives, see p. 24.

### Serving customer eco-needs

Our new “Sustainable Power” global solution responds to growing customer demand for eco-friendly, sustainable network energy solutions and for reducing

energy consumption and costs. This suite of network services helps customers analyze network power needs and identify areas for improvement in existing infrastructure. We also evaluate renewable energy alternatives, such as wind, solar and fuel cells. The solution includes equipment removal service with recycling capabilities to dispose of assets in an eco-friendly way.

### Developing cool solutions at Bell Labs

- To conserve energy, researchers at Alcatel-Lucent Bell Labs are looking for new ways to keep telecommunications equipment cool. It sometimes takes as much power to dissipate unwanted heat as it does to operate the equipment. To help beat the heat generated by the electronics, our people are developing innovative solutions such as thermal interface materials to conduct heat, vapor chambers to spread heat and heat sinks/liquid cooling systems to dissipate heat.
- Bell Labs scientists have invented new antennas, so-called active antenna arrays, to save energy in wireless base stations. The arrays integrate power-hungry radio

### How Taking a Broader Approach Helped Cut Energy Consumption at Alamo College

- **Situation:** Five campuses depend on three distinct networks, each using different technologies, to provide voice, video and data communications.
- **Solution:** An Alcatel-Lucent IP network consolidates all communications while providing a universal view of all systems and applications.
- **Savings:** Total energy consumption was reduced by approximately 765,000 kWh/ year—a savings of more than 45%!

frequency (RF) equipment within each antenna element, thus reducing power losses in the RF equipment itself and in the connecting cables. Switching off array segments during low cell traffic conditions economizes still more power. The savings are significant: RF equipment consumes up to 75% of the total energy in traditional wireless base stations.

# WE HELP OUR CUSTOMERS REDUCE GREENHOUSE GASES

Thanks to techniques like smart metering and smart power grids, our customers can use our products and solutions to reduce energy use, shrink their carbon footprints and better comply with regulatory requirements.



We are deploying our smart metering solutions to enable utility operators to provide financial incentives for their customers to save energy. With smart metering, customer rates can be adjusted in real time, usually according to overall power demand at any given moment. Our smart metering solutions leverage real-time data processing based on our customer-proven Open Service Platform (OSP), in use at more than 300 customer sites, to offer a range of energy consumption control variables. Power utilities rely on us for services and products to implement

so-called smart grids. These are power grids with measurement and control functions that help utilities better understand and manage their power generation and distribution.

## Working with our industry

Because we can achieve more progress more quickly by working together, we are collaborating with industry peers to define climate change-related parameters for telecommunications networks. These include carbon footprint and eco-sustainability metrics for products, services and business operations. In 2008 we contributed information to the Carbon Disclosure Project's Supply Chain Leadership Collaboration greenhouse gas emissions questionnaire. We also took part in the Global e-Sustainability Initiative (GeSI) SMART2020 report. Released in 2008, the report examines how telecommunications and other innovative ICT products and services can address climate challenges. Alcatel-Lucent is working with the standards development bodies ATIS and ETSI to establish industry-wide metrics for defining energy efficiency in network telecommunications equipment. In addition, we

## How We Helped Hampshire Hotels Slash Power Consumption

- **Situation:** A hotel chain with separate networks to control air conditioning, electricity, phone, guest services, etc.
- **Solution:** A centralized system to manage energy for room temperature, lights and electronics, reducing power bills and appealing to eco-conscious travelers.
- **Savings:** In addition to other operational savings, the guest room intelligent temperature and lighting system will save Hampshire Hotels 40% on electrical bills alone.



provided inputs to the European Commission's Broadband Code of Conduct process, which is establishing voluntary energy efficiency benchmarks for European broadband equipment providers and operators.

ATIS: <http://www.atis.org/0050/tee.asp>  
 ETSI: <http://www.etsi.org/WebSite/homepage.aspx>  
 GeSI: <http://www.gesi.org/>

# WE CONTINUALLY IMPROVE ENVIRONMENTAL, HEALTH & SAFETY PERFORMANCE

Our teams aggressively pursue opportunities to improve the efficiency and effectiveness of our Environmental, Health & Safety (EHS) risk management, compliance assurance and EHS-oriented design. All company activities must comply with our company-wide EHS policy and corporate requirements.



We rely on three EHS management tools to manage and assess compliance with internal and external EHS policy and company requirements. Applied globally, they ensure that we act consistently, even in places without minimum legal requirements.

- **Assessing EHS risk:** As a critical compliance program area, EHS is subject to an annual compliance assessment. This includes collecting information through an EHS Risk Assessment Questionnaire, used to evaluate major regulatory, policy and marketplace developments, current compliance status and potential risk

exposure across services, products and operations. The results serve as a benchmark for establishing EHS objectives, goals and programs.

- **Auditing EHS compliance:** We conduct formal on-site compliance audits at selected locations on an annual basis. Depending on our evaluation of potential risks, individual sites may be re-audited every few years. External audits are conducted by certified third-party auditors, with a focus on identifying and correcting problems. Corrective actions are managed locally and tracked to completion.

- **Managing EHS systematically and globally:** During 2008, our EHS management system (EHSMS) teams successfully completed the re-certification audits required to renew certification of our global Multi-Site EHSMS according to ISO (14001:2004) and OHSAS (18001:1999) standards. Many of our organizations have also acquired third party EHSMS certifications locally, outside of the multi-site certification. To support the global EHSMS approach, we are continuing to expand the scope of our certified Multi-Site EHS management systems to include business groups individually certified according to ISO14001 and OHSAS 18001 standards. ●●●

## Japanese Operations Win Certification

In 2008 Alcatel-Lucent Japan's operations were granted ISO14001:2004 certification by the Japan Quality Assurance Organization (JQA). The scope of the Environmental Management System (EMS) was expanded to include all Alcatel-Lucent Japan operations. This certification reaffirms the commitment of our Japanese teams to protecting the environment.



For more Information on our EHS Policy, visit [www.alcatel-lucent.com/csr](http://www.alcatel-lucent.com/csr)

- 01. Lightweight metallized plastic antenna element
- 02. Active antenna array module
- 03. Circuit board



At the same time, we are changing the metrics we use to track progress, in order to better accommodate our evolving business model, which includes fewer manufacturing and R&D facilities. Beginning in 2008, we adopted a new metric: percent-of-employee headcount covered by third party-certified Environmental Management Systems (i.e. ISO 14001). The 2008 baseline for this indicator is 42%. In 2009 we will focus more closely on aligning and integrating our multi-site EHSMS and Quality Management System. Our Iberian operations were the first to be certified for Quality and EHS Management Systems, including concurrent certification for TL 9000, ISO 14001 and OHSAS 18001.

### Measuring progress more precisely

Before 2008 we surveyed our emissions from stationary, on-site sources of combustion as well as purchased electricity (classified as Scope 1 and Scope 2 emissions) associated with facility operations. In 2007 we reported a total of 741,871 metric tons of CO<sub>2</sub> emissions associated with energy use for facility operations. We said our target was to reduce CO<sub>2</sub> emissions associated with facility operations by 10% compared with the 2007

## Reducing Energy Consumption

Energy use accounts for most of the greenhouse gas emissions associated with our operations. To reduce energy use, we are examining and implementing techniques like building consolidations, temperature control and lighting replacement, to name just a few, with notable successes in 2008. For example:

- We have reduced energy consumption over the past two years by consolidating energy-hungry data centers. As of the end of 2008, we had consolidated 25 data centers to 17.
- In Stuttgart, Germany we saved approximately 5 MWh and reduced CO<sub>2</sub> emissions by more than two metric tons by installing new insulation, windows and lighting

and by replacing air conditioning with natural ventilation.

- We reduced our carbon footprint by reducing office space at our Naperville, Illinois site, where we created 148 flexible workstations for people who are not regularly in the office.
- Alcatel-Lucent France developed a program to reduce its CO<sub>2</sub> emissions and non-hazardous waste in 2008. This was done with the involvement of the real estate and operational teams, and the launch of a specific Eco-Attitude campaign. The results: -26% CO<sub>2</sub> emissions per occupant (vs. -4% planned); -64 kg of non-hazardous waste per occupant (vs. -15 kg planned).



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baseline by 2010. We also pledged to conduct a full carbon footprint assessment by the end of 2008. As promised, we conducted a thorough assessment of our carbon footprint by measuring Scope 1, Scope 2 and some Scope 3 emissions in 2008. This covered some of our owned and major leased facilities worldwide (where we exert operational control, 82% of our real estate) as well as business travel. Using these more precise measures, our 2008 emissions totaled 1,003,651 metric tons of CO<sub>2</sub> equivalent. We will use this number as our new baseline to track progress as we target a 50% reduction in total carbon footprint by 2020 (see box, p. 37).

### Protecting employee health & safety

Employee awareness and understanding is critical to the successful implementation of our EHS policy. In 2009 we began compiling an EHS course catalogue for our people, to provide them with a comprehensive list of available courses. We now require our people everywhere to report minor occupational accidents as well as more serious incidents.

### Integrating EHS into contracts

In 2008 a Services Business team began exploring ways to enhance and improve our contract implementation process. The goal is to take into account the increased complexity and EHS risk profile of the projects that we undertake on behalf of our customers by formally integrating EHS considerations into the contract process.

### Advancing knowledge on the electromagnetic environment and health

As a responsible company, Alcatel-Lucent closely follows health and regulatory issues related to wireless communications generally and to the electromagnetic environment in particular. We are firmly

**REDUCING EMISSIONS:  
THE "50, 20, 100 PLAN"**

Alcatel-Lucent is committed to reducing its carbon footprint by 50% of 2008 levels by 2020, involving 100% of our workforce in the process.

Our plan includes such tactics as minimizing waste and increasing recycling at our offices, making our buildings more efficient, reducing air travel, consolidating data centers, and converting to more efficient computers. For more information on how our people are getting involved, see p. 53.



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committed to ensuring that our product portfolio is fully compliant with international standards and regulations related to human exposure.

Our position regarding the electromagnetic environment is founded on the opinion of expert committees mandated by national and international authorities to assess the advancement of scientific knowledge. We support worldwide research efforts and dialogue to promote the dissemination of scientific information. We actively contribute to the international standardization bodies that develop exposure assessment standards.



82,000

circuit packs remanufactured and sold.

# WE ARE REDUCING THE USE OF HAZARDOUS SUBSTANCES

Responsible management of hazardous and electronic waste is a keystone of our commitment to protecting the environment and the health and safety of our people, our customers and the communities where we do business.



We ensure that appropriate regulatory requirements are met and good practices are in place to limit the impact of hazardous materials and waste on human health and the environment. Our EHS policy is available online on our CRS website; it applies to all of our people and to everyone acting on our behalf, including contractors, business partners and subcontractors.

Minimizing hazardous substances in the design process and manufacturing is not only good for the environment, it also makes it easier for products to be remanufactured or recycled at end-of-life in an environmentally appropriate way. We design products

using a life cycle assessment approach to help us better understand the environmental impact at each product stage. We comply with the EU Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) through our Banned and Restricted Substances List and by developing ambitious product roadmaps to achieve continuous improvement. Alcatel-Lucent uses hazardous waste and electronic scrap processing facilities that comply with our EHS vendor requirements. To date, we have selected 119 preferred treatment and recycling facilities worldwide. In 2008, we continued to seek ways to reduce hazardous waste generated in our operations and to use only our approved vendors to ensure proper treatment and recycling. We deliver PVC-free equipment to our customers upon request, and are investigating more environmentfriendly alternative materials through our participation in the iNEMI PVC Alternatives Project.

## Eliminating lead from our products

Our ambitious research and development effort in lead-free assembly, begun a decade ago, aims to eliminate lead from our products – with no negative impact on product

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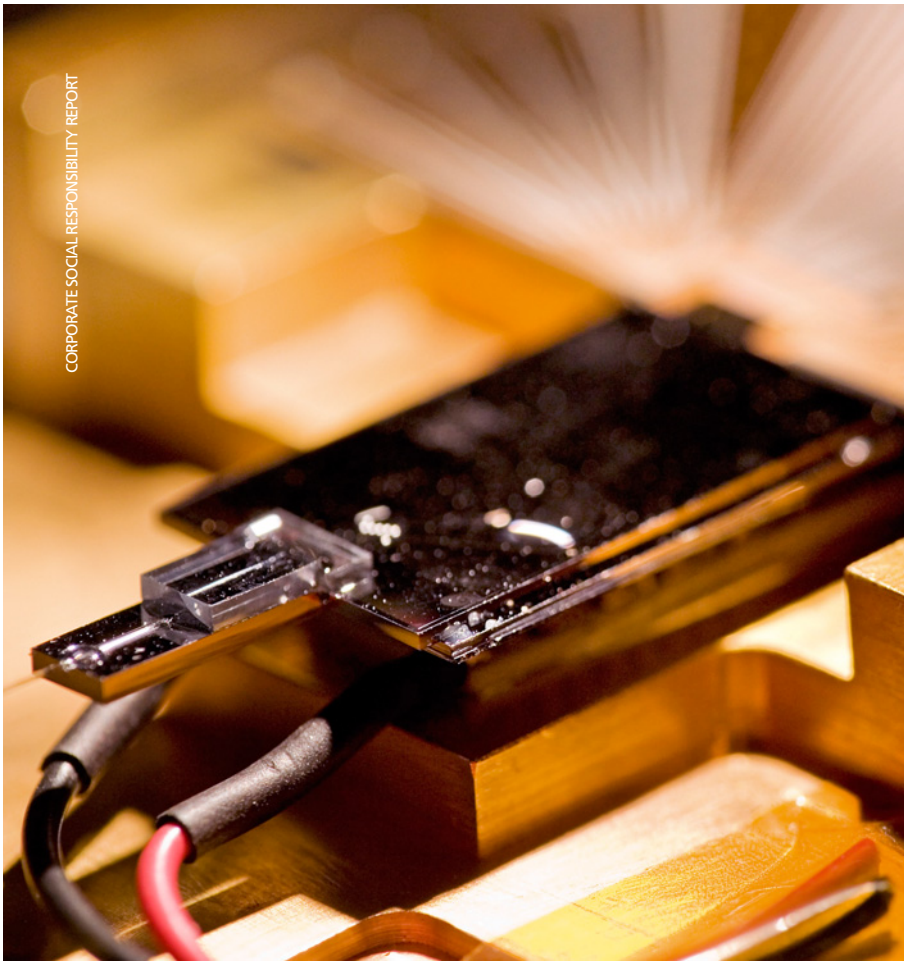
metric tons estimated weight of end-of-life equipment and subassemblies remanufactured and resold.

5,126

metric tons total weight of e-scrap we recycled.

90%

recycling rate for equipment collected and processed through our approved recycling partners, who must meet minimum EHS requirements.



Photonic Integrated Circuit prototype, capable of 10 channel x 10 Gb/s data transmission.

## What is E-Waste?

E-waste is a term used to cover almost all types of electrical and electronic equipment that has or could enter the waste stream. In addition to concerns over the impact of chemicals on humans and the environment, e-waste is also about resource efficiency. E-waste is the largest and fastest-growing category of manufacturing waste, according to the UN Environment Program. The U.S. EPA estimates that the amount of e-waste grows by 5-to-10% annually worldwide. In the EU, e-waste is increasing at 3-5% a year, almost three times faster than the total waste stream.



quality or reliability. As a recognized industry leader in this area, we rank among the foremost contributors to various industry consortia conducting leading-edge lead-free research and development. We believe we have built a firm foundation to achieve lead-free product design and, in the future, to eliminate all lead in compliance with evolving global environmental mandates. At the same time, we are committed to full compliance with all regulatory requirements, including the EU RoHS Directive, which covers lead as well as other hazardous substances.

## Managing batteries and their chemicals

Our customers use batteries to provide backup power for their telecommunications networks. To help them manage potentially harmful chemicals from lead-acid batteries, we established a battery maintenance, installation and removal, transportation and recycling program across the U.S. The goal is to prevent battery chemicals from entering the nation's waste stream and ultimately to make the chemicals available for reuse. In 2008, we participated in the U.S. Environmental Protection Agency's (EPA) National Partnership for Environmental Priorities (NPEP). In fact, we were among the 29 NPEP partners recognized in 2008 by NPEP for helping prevent harmful chemicals from entering the environment. Now we have initiated another three-year goal with NPEP to recover 1 million kilograms of lead from lead-acid batteries between 2008 and 2010. In 2008 we complied with the new EU Battery Directive by providing information on batteries in our products to end users, reporting quantities put on the market and collected at end-of-life, and financing the treatment and recycling of collected batteries.

## Reusing and Recycling Products

We are determined to help our customers extend the life of our products as a way to avoid unnecessary manufacturing and to minimize waste sent to landfills. In many countries, we collect competitors' end-of-life equipment as well as our own through a comprehensive product take-back program. In 2008 we improved this process by providing customers with an online request form for arranging equipment collection. For further information please go to [www.alcatel-lucent.com/product\\_takeback](http://www.alcatel-lucent.com/product_takeback)



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



# OUR TEAMS IN ACTION

Through the Alcatel-Lucent Foundation and a wealth of local initiatives, our people everywhere are getting involved and making a difference.



# 77,700

employees and more than 100 nationalities  
in 130 countries.

# 85,000

volunteer hours donated  
by Alcatel-Lucent in 2008.



85,000

volunteer hours donated  
by Alcatel-Lucent in 2008.

# WE ACTIVATE OUR COMMITMENTS THROUGH THE FOUNDATION

The Alcatel-Lucent Foundation leads our charitable activities, managing grants and employee volunteerism on a global scale. Funded by the company, it is a non-governmental, non-profit, private organization that is legally independent and governed by its own board of trustees.



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Created in 2007, the Foundation supports our commitment to social responsibility by serving and enhancing the communities where employees and customers live and work. In 2008, Foundation grants helped thousands of people around the world. The grants awarded by the Foundation are managed by the Foundation itself globally. The Alcatel-Lucent Foundation is currently refining its priorities and programs. Its board of trustees is made up of senior executives from both Alcatel-Lucent and external bodies.

## Policing charitable contributions

As we fulfill our responsibility to be an active, contributing member of the communities where we do business, we ensure that our charitable contributions are consistent with our values and intentions by adhering to a company-wide policy:

*"All charitable contributions must be made in full compliance with applicable legislation. All contributions must be done in accordance with the company's Statement of Business Principles, including its anti-corruption policies. Alcatel-Lucent allows only Regions, Business Groups, Corporate Functions, Fondation Azaria and the Alcatel-Lucent Foundation to make contributions. No other donations shall be made outside of these organizations and entities."*

To help ensure proper implementation, the Foundation provides advice and counsel to employees in any region, business segment or corporate function who wish to use funds from their budgets to make a charitable contribution. Funding for individuals or labor or political organizations is not permitted, nor is funding of multi-year pledges. Contributions must be made to appropriate organizations.

**"The Foundation's mission is to support the Alcatel-Lucent commitment to social responsibility by serving and enhancing the communities where our people and customers live and work. While the Foundation strategy is global, it empowers teams locally."**

**Béatrice Tassot, Executive Director, Alcatel-Lucent Foundation**

## Volunteering by our people

Managed by the Alcatel-Lucent Foundation, the Alcatel-Lucent Employee Volunteer Program is an employee-driven program that capitalizes on our long heritage of community involvement. We have devoted thousands of hours to community service – a reflection of the commitment to the community that is an integral part of the company's history.

Our volunteer program centers on team efforts and is designed to ensure the sustainability of our corporate social commitment legacies. Through the volunteer grant program, employees supported 41 projects

- 01. Inside ride in Ottawa, Canada
- 02. Ben Verwaayen, "Cercle Passeport Télécoms" event in Paris, France
- 03. Neighborhood party in Anchieta, Brazil



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for a total of 10,200 volunteer hours, which does not include the hours devoted to the International Days of Caring.

### Providing schools in China for earthquake victims

In the wake of the earthquakes which devastated China's Sichuan and Gansu provinces in May 2008, the Alcatel-Lucent Foundation lent its support to the China Youth Development Foundation program to provide temporary schools for the regions' children. Thanks to contributions from individuals, corporations, volunteers, non-governmental organizations, and governments, more than 70 Hope Schools were erected during the weeks following the tragedy.

The Alcatel-Lucent Foundation provided funds to help cover the costs of digital movie equipment, libraries and sports equipment for the makeshift schools, which are expected to remain in use for two to three years, until permanent buildings can be reconstructed. The support for the China Youth Development Foundation was channeled through the International Youth Development Project in China. Our Foundation supports the China Youth Development program

through project development assistance, funding to cover project expenses, and volunteer grants when teams have devoted sufficient hours of volunteering to qualify.

### Leveling the playing field for disadvantaged French youth

In 2008 the Foundation continued its support for the "Cercle Passeport Télécoms," a joint public/private partnership designed to help young people from disadvantaged urban areas in France gain access to desirable career paths.

The program involves mentoring and tutoring students from underprivileged areas to enable them to attend France's top engineering and business schools.

Of the seven telecom companies supporting the program for the 2008/09 school year, Alcatel-Lucent provided the highest number of mentors/tutors, with 154 of the total 475 mentors. Tutors from more than a dozen Alcatel-Lucent sites are taking part in the program during the current school year. The Alcatel-Lucent Foundation extended this program to American employees, who offer English language tutoring over the phone to help French students improve their English skills. ●●●

### The Value of Volunteer Time

According to the Independent Sector (non-profit organization in the U.S.), the estimated dollar value of volunteer time for 2008 was U.S. \$19.51 per hour. For example, Alcatel-Lucent volunteers donated a total of more than 85,000 hours. Multiplied by U.S. \$19.51, the estimated U.S. dollar value of the volunteer time for the 2008 IDOC (International Days of Caring) and the regular volunteer program totaled U.S. \$1,662,252.



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

01. Sichuan Province, China  
02. Robert Vrij and Ben Verwaayen  
in Murray Hill, USA



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Moreover, a series of videoconferences on “Working across cultures” was launched in late 2008. It will run through 2009.

### Training for Latin American girls and women

In 2008 the Alcatel-Lucent Foundation worked with The Resource Foundation, an organization that seeks to empower the disadvantaged in Latin America and the Caribbean so that they can gain skills, knowledge and opportunity to improve their lives. By partnering with the Resource Foundation the Alcatel-Lucent Foundation supported several initiatives in the region, including:

- A program providing professional training in technology and communications, as well as linkages to job opportunities for young women in the state of São Paulo, Brazil who suffer from disabilities and/or who are socially vulnerable.
- A program providing technology and life skills training as well as job placement services to low-income high school girls and young women in Caracas, Venezuela.
- A program providing training in health, empowerment, and life skills to 2,500 disadvantaged girls and young women in Nogales and Mexico City, Mexico.

### Disaster Relief in 2008

In 2008 the Alcatel-Lucent Foundation dedicated a specific budget of \$450,000 to disaster relief:

- May 5, 2008: \$100,000 donated to Give2Asia to support relief after the cyclone in Burma.
- May 6, 2008: \$25,000 donated to the Resource Foundation to support relief after the volcano eruption in Chaïten, Chile.
- May 12, 2008: \$150,000 donated to the Red Cross and the Red Crescent

Society to support relief after the earthquake in Sichuan Province, China.

- September 16, 2008: \$150,000 donated to the American Red Cross to support relief after Hurricanes Ike and Gustav in the Gulf of Mexico.
- September 16, 2008: \$25,000 donated to the Red Cross to support relief after Hurricanes Ike and Gustav in Central and Latin America: Haiti, the Dominican Republic and Cuba.



### Sharing the spirit of giving

With help from the Alcatel-Lucent Foundation and numerous Alcatel-Lucent site coordinators, our people and teams around the globe helped the less fortunate in their communities throughout the year, from food drives in Auckland to benefit craft fairs in Ottawa to children’s holiday parties in the U.K. As an example, members of the U.S. Communications team hosted their second annual holiday team activity: decorating and filling Christmas stockings for underprivileged children. CEO Ben Verwaayen and Americas President Robert Vrij stopped by to spread some cheer with the team, and filled a few stockings themselves.

This is just one of the many global projects the company is doing to help communities all over the world.



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### Supporting the International Days of Caring

The first Alcatel-Lucent International Days of Caring Project (IDOC) was launched in 2008. Held annually in April/May, the multi-week event focuses on team-driven, employee-led projects. More than 9,800 employees supported more than 180 projects for a total of nearly 75,000 volunteer hours in 15 countries: Argentina, Australia, Brazil, Canada, China, France, India, Italy, Kenya, Korea, Poland, Spain, Taiwan, the United Kingdom and the United States (in 18 states).



Alcatel·Lucent   
Foundation



### SUPPORTING CREATIVITY

**In addition to Foundation programs, we support cross-cultural initiatives.**

As a company focused on innovation, it is natural that we support contemporary creation in photography and video art. Our long-standing support for photography reflects a corporate citizenship policy that includes a strong commitment to cultural diversity.

In 2008 we added support for video art, as a way to actively promote the creation of quality content that can be shared by people everywhere via modern communications networks.

### Video Short List: the Dream Machines

In 2008, we initiated the Dream Machines/Video Short List project, an exhibition spawned by the shared visions of Jean-Luc Monterosso and Alain Fleischer. It features a selection of recent international videos and is a vivid example of the vibrant vitality of video art around the world. In partnership with Dailymotion and the Arte television network, this traveling exhibition began its

international tour with a show in Paris at the Passage de Retz. Alcatel-Lucent has sponsored the European Month of Photography since 2005, creating the Alcatel-Lucent Award. In 2008 the second Alcatel-Lucent prize for the European Month of Photography was awarded to Tuomo Rainio, a 25-year-old Finnish artist. The exhibition "Mutations II" showing the works of the seven finalists started its tour in Berlin before traveling to the other European cities celebrating the Month of Photography – Paris, Bratislava, Vienna, Luxembourg, Berlin, Moscow and Rome.

### Providing exhibition spaces

We have transformed the Atrium at our Paris headquarters and the lobbies at our major sites worldwide into photography exhibition spaces. These sites host four or five shows each year, enabling our people and visitors to discover talented artists or view our activities from a fresh, creative perspective. The artists featured in 2008 included Raghu Rai (*Connecting India*), Philippe Ramette (*Rationnel/Irrationnel*), William Daniels (*People at Work*) and Christophe Beauregard (*Technomads*).

01. C. Beauregard/*Signatures* – *Technomads*. International traveling exhibition.

02, 03. Video Short List: M. Grecu, *Coagulate*, 2008, and C. Durand, *Nauffrage*, 2008.

04. T. Rainio, winner of the 2008 Alcatel-Lucent Photography Award.



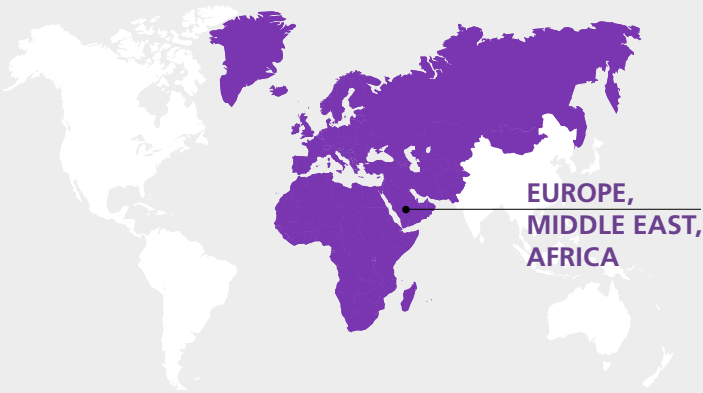
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# WE GET INVOLVED EVERYWHERE WE DO BUSINESS

**Our people are rolling up their sleeves and giving their time and money to worthy causes in dozens of initiatives in every part of the world.**



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## EUROPE

### France

In France, following the successful completion of a three-year program to integrate the disabled into our workforce in 2008, we are renewing our commitment with another three-year agreement.

Under the terms of the initial Mission Handicap program with our trade unions, the company agreed to recruit about 60 disabled people at nearly two dozen sites in France over a 36-month period. Mission Handicap

also undertook several initiatives to train and improve working conditions for disabled employees with an eye towards making it easier for disabled people not only to find jobs but to keep them. Over the course of the initial 36 months of Mission Handicap, we hired 67 disabled people in permanent jobs as well as six fixed-term contracts and 20 trainee contracts.

We recently received official approval from government authorities to renew our commitment with another three-year agreement.

Alcatel-Lucent joined with three major French multinational corporations to create Fondation Télécom in 2008, a foundation dedicated to supporting higher education. Fondation Télécom aims to raise 25 million euros over the next five years to finance initiatives in training, research, innovation and forecasting within French institutions of higher education.

In 2008, the Alcatel-Lucent Foundation continued its support for the "Cercle Passeport Télécoms", a joint public/private partnership to help disadvantaged French youths gain access to top-rated schools and career paths (see p. 43).

### Poland

The four dozen members of the volunteer Alcatel-Lucent Fire Brigade in Bydgoszcz donated blood and provided support for a local school in addition to their fire prevention and security duties.

The members of the brigade, which was founded in 1950, also engage in numerous charities, especially involving children. Our people in Poland donated generously to a local initiative to provide poor families with sorely needed shoes, clothes and school supplies. In Bydgoszcz, three dozen employees donated blood and collected toys and children's books for the Polish Red Cross.

### Spain

Hundreds of our people brought their families to our site in Madrid one Sunday afternoon in December 2008 to support the Banco de Alimentos food drive. They contributed more than 400 kilograms of rice, lentils, chickpeas and canned goods for distribution among Madrid's needy. We began helping Fundación Atapuerca to advance the understanding of human evolution through a sponsorship program

- 01. "Cercle Passeport Télécoms" event in Paris, France
- 02. Bydgoszcz, Poland
- 03. Egyptian tomb excavation project supported by Alcatel-Lucent in Saqqara, Egypt
- 04. Archeological site of Atapuerca, Spain



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launched in 2008 in Spain. The foundation conducts research based on the remains of primitive humans in archaeological sites found in the caves of the Atapuerca mountain range, where the oldest human remains in Europe have been discovered.

**Germany**

In Nuremberg, many of our people enthusiastically participated in the government's Go to Work by Bike initiative. At our campus in Stuttgart, a dedicated bike access and parking area were installed.

**Italy**

In Italy, we continued our ongoing support for a non-profit group that helps care for children cancer victims. The Peter Pan association provides rooms in private houses for relatives of children hospitalized for cancer treatment. Alcatel-Lucent has been sponsoring one of these rooms since 2007.

**U.K.**

Seven of our executives spent one October night outside in sleeping bags to help raise funds and increase awareness of the plight of homeless children in the U.K.. The so-called Byte Night initiative provides support for Action for Children, a charity that offers help for disadvantaged youths. These include not only the homeless but also victims of poverty, disability and abuse.

**MIDDLE EAST AND AFRICA**

**Egypt**

We are funding scholarships for top engineering students as part of our ongoing support for the Université Française

d'Egypte, which we have sponsored since its founding in 2002. We have also supplied funds for the construction of a state-of-the-art auditorium.

We have an ongoing partnership with Egypt's Future Generation Foundation, which aims at enhancing workforce performance through human resources development. We also support the American University in Cairo, where we have pledged five years of financial aid in 2006 to help the university build its new campus in New Cairo.

We are discussing the possibility of collaborating with the Nile University, the country's first university specialized in post-graduate education and research. The discussions follow the creation of a joint committee of researchers and academics from Nile University and Bell Labs in 2007.

**South Africa**

We are partnering with South Africa's Tshwane University of Technology to support teaching and research in telecommunications and signal processing. In 2008, we agreed to fund a permanent teaching chair at the university.



01

**LATIN AMERICA**

**Brazil**

Our teams in Brazil participated massively in the annual Alcatel-Lucent International Days of Caring. For example:

- Our people donated more than 65 kilograms of food and more than 10,000 euros to help the needy, along with 200 blankets
- Alcatel-Lucent employees gave paper and other material to be recycled in support of a reading incentive
- The members of our Rio de Janeiro choir performed at a health clinic for the elderly.

- We sponsored McHappy Day, a McDonald's initiative that donates one day's Big Mac sales to a group supporting young cancer victims, by purchasing 1,500 lunch tickets for São Paulo school children.

Alcatel-Lucent in Brazil continued its support for the Abrinq Foundation, an association that promotes the protection and exercise of citizenship rights of children and teenagers.

In 2008 we maintained our support for the Ethos business organization, which promotes corporate social responsibility and sustainable development.

We continued our support for the LIDE-EDH Corporate Leaders Group-Executives for Human Development, coordinated by the Ayrton Senna Institute.

**Mexico**

In Mexico, Alcatel-Lucent people in Nogales played a leading role in the construction of the country's first papercrete house. Papercrete bricks are made from a mixture of recycled paper, sand and concrete. Alcatel-Lucent volunteers actually helped make the bricks, which consisted in part of scrap paper donated by Alcatel-Lucent and several other so-called Maquiladoras export-only assembly plants in Mexico. In



02

addition to the coordination work central to the project's success, our people provided the stove, refrigerator and microwave for the new house's kitchen.

**NORTH AMERICA**

The Alcatel-Lucent Foundation co-sponsored a three-month exhibit entitled "RACE: Are We So Different?" in Jersey City, New Jersey in 2008. The exhibit at the Liberty Science Center combined the experiences of a multiracial society and the history of race as a social and scientific idea with contemporary scientific findings. Alcatel-Lucent has been

- 01. Neighborhood party in Anchieta, Brazil
- 02. Donation of multimedia classrooms with UNETE, Mexico
- 03. Anchieta, Brazil
- 04. Professional training to young socially vulnerable women in Sao Paolo, Brazil
- 05. Komen for the Cure run for fighting breast cancer, Newark, USA



04  
05

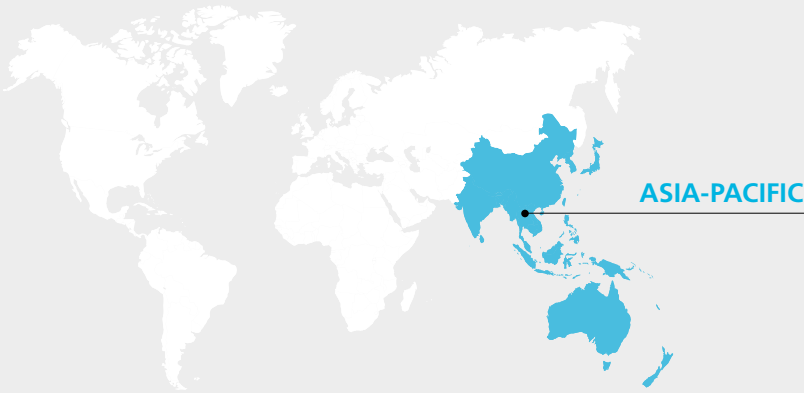


03

among the Liberty Science Center's corporate sponsors since its inception. Our employees, who enjoyed free admission, were encouraged to attend to see how the exhibit themes dovetailed nicely with portions of our Statement of Business Principles. We also continued our sponsorship of a breast cancer survivor program in Texas as well as our support for the North Texas affiliate of the organization behind it, the Susan G. Komen for the Cure Foundation. In 2008, as in past years, our people participated actively in the foot race that helps provide funds for breast cancer awareness, education, treatment, screening efforts and research grants.







01

## ASIA-PACIFIC

### China

Within weeks after an earthquake jolted Sichuan province in south-western China in May 2008, more than 100 Alcatel-Lucent Shanghai Bell engineers were working on site on disaster relief and network recovery. Our people helped local operators connect thousands of lines of switching equipment, set up network access gateways and re-establish ADSL service. The company dispatched 100 tons of telecom equipment immediately after the earthquake to support communications needs in earthquake-stricken areas. In addition to the relief fund from the Foundation, Alcatel-Lucent Shanghai Bell and its employees donated over 1 million euros in cash and goods, such as infant and health supplies to help the earthquake victims.

More than three dozen of our people volunteered to support Shanghai Roots & Shoots, an environmental group with a particular focus on educating the young. As part of a government program to eliminate the proliferation of plastic bags, our people helped Roots & Shoots distribute reusable bags to middle school pupils in Shanghai.

As part of our support for energy conservation efforts in China, we backed the World Wildlife Foundation's 20/20 campaign. Highlighting 20 ways to reduce energy consumption per unit of GDP by 20 percent, a WWF brochure was made available via the Alcatel-Lucent Shanghai Bell intranet. Alcatel-Lucent Shanghai Bell moved into China's top 20 Corporate Social Responsibility leaders as ranked by the influential newspaper *Southern Weekly*. The CSR award, in which more than 3,000 companies compete for recognition, measures such criteria as the quality of products and services, environmental protection efforts, employee benefits and philanthropy.

### India

From donating blood and planting trees to improving road safety and helping the destitute, our people in Chennai, India enthusiastically supported Corporate Social Responsibility Week with a range of projects and programs. In cooperation with WELCOM, the Welfare Committee of Alcatel-Lucent Chennai, our employees have pledged to focus on rural development by identifying and extending support to destitute families in and around Chennai. The Alcatel-Lucent Foundation provided



02

substantial support for QUEST (Quality Education and Skills Training) in India in 2008. A youth organization that partners with leading non-profits such as the Azim Premji Foundation, Pratham and CAP Foundation, QUEST focuses on two main groups: for more than 12,000 children ages 6-14, QUEST helps improve the quality of elementary education; for some 4,000 young people ages 12 to 21, it uses computer-assisted learning to provide life skills education, career exploration and employability skills. In 2008 QUEST helped youth in 23 elementary schools and 10 computer-assisted vocational/pre-vocational centers. All of the group's projects have become self-sustaining, their future assured thanks to ongoing community support and other resources.

### Australia & New Zealand

Our teams established several new relationships with the science and technology community in 2008, including the Powerhouse Museum in Sydney, Australia and New Zealand's national Te Papa museum. As part of the partnership with Te Papa, we sponsored an exhibit featuring a colossal squid, attended by some 600 of our people and their families at a special



For more information on our local initiatives, visit [www.alcatel-lucent.com/csr](http://www.alcatel-lucent.com/csr)

01. Christmas party with children from a migrant school, China

02. Welfare Committee of Alcatel-Lucent, Chennai, India

03, 04, 05. Heleen Verwaayen, Alcatel-Lucent Foundation trustee, visiting a school in India

04  
05



03

company-sponsored evening. In Sydney we partnered with the Powerhouse Museum to sponsor its exhibit *Star Wars: Where Science Meets Imagination*. Again, a special visit was organized for our people and their families. The partnership includes Alcatel-Lucent working with the museum to develop science-related material for students and teachers, along with online content for Powerhouse audiences. More than 200 senior science students and their teachers attended a fiber optics workshop co-designed and facilitated by Alcatel-Lucent engineering graduates and the Powerhouse Museum staff.





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

# WE ENCOURAGE OUR PEOPLE TO ACT RESPONSIBLY

We continue to introduce innovative programs to sensitize our people to CSR challenges and responsibilities. These are some of the many ways in which we encourage our people to act responsibly on a daily basis.



01

## CSR CHAMPIONS AWARDS We shine a spotlight on exceptional achievements.

The annual Alcatel-Lucent CSR Champions Awards program highlights outstanding Corporate Social Responsibility contributions by individuals and teams. Designed to encourage our people to continue building a unified and responsible corporate culture, the program includes cash grants to qualifying non-profit organizations selected by award winners. Annual winners are chosen by CSR Europe, an independent business

organization dedicated to supporting daily integration of CSR within member companies and partner organizations. In 2008 the eight winning teams were selected from among nearly four dozen entries according to criteria including CSR benefits to the company and the broader community, demonstration of our commitment to CSR, project scope, and project effectiveness and innovation.

### ● Partnering with students for diversity

Three of our people and a Russian intern were recognized for their roles in strengthening our ongoing partnership with AIESEC, a 60-year-old student-run organization that helps “young people discover and develop their potential so as to have a positive impact on society.” Eleven AIESEC interns from all over the world worked at our sites in the U.K. and Ireland in 2008.

### ● Reducing energy consumption for cellular networks

The members of our cellular networks infrastructure development team in the U.K. and Ireland developed an innova-

**“The CSR Champions Award program emphasizes the commitment of our people everywhere to corporate citizenship. Like me, they want to work for a company that is making a difference in the world. It is heartening to see that this year’s champions come from such a wide range of regions and activities.”**

**Ben Verwaayen, CEO, Alcatel-Lucent**

tive network architecture that can reduce energy consumption by as much as 70 percent. The improved telecommunications networks that result also yield indirect environmental benefits by supporting greater teleworking and telepresence.

### ● New tools help the elderly

The Integrated Video Assistance Solution for Elders (IVAE) developed by our teams in Spain and Belgium provides new tools for those who care for the elderly. It uses broadband and mobile communications to provide a range of

01. Young Professionals from AIESEC
02. Welfare Committee of Alcatel-Lucent, Chennai, India



02

## CSR WEEK

**Our first worldwide CSR Week highlighted our strong involvement as well as the major programs and achievements that back up our CSR commitment.**

Because we want all of our people to be aware of the importance and value of acting in a responsible way, we seized the occasion of the European Union "Green Week" in June to hold our own Corporate Social Responsibility week. The initiative consisted of a series of daily programs culminating with a quiz for our people at the end of the week and the projection of an animated CSR presentation at the annual shareholders' meeting.

A dedicated intranet site was developed for the occasion. Alcatel-Lucent CSR Week focused on several of the most important social responsibility issues we face, not only as a company but also as individuals.

For example, an interactive web-based tool enabled our people to calculate their individual carbon footprints by entering such data as how they get to work each morning and the distance traveled.

Other programs during our CSR week focused on such subjects as digital inclusion, responsible purchasing, diversity in the workforce and the increasing reliance of non-profit organizations on corporate giving.

interactive monitoring, tracking and assistance services that enable the elderly to avoid institutionalization.

### ● Saving energy

Our people in Qingdao, China left no stone unturned when they turned their attention to reducing energy consumption. By combining eight different energy efficiency measures with an awareness campaign, teams at the Qingdao systems integration center managed to reduce CO<sub>2</sub> emissions by 87 tons and save more than US\$115,000.

### ● Remanufacturing

In the U.S. and Poland, millions of pounds of hardware are remanufactured and sold every year. In addition to keeping the equipment out of landfills, teams contribute handsomely to revenues. In 2008, thanks to the sale of 2,500 pieces of configured equipment and 76,000 circuit packs, they contributed significantly to the operating profit.

### ● Responsible purchasing

Our commitment to integrating social responsibility into our procurement and sourcing practices encompasses both

purchasing for our own needs and our suppliers' CSR practices. The CSR Champions Award presented to our procurement and sourcing teams recognizes their key achievements in 2008.

### ● Innovation serving hospitalized children

A multi-functional, multimedia terminal that looks like a dog is the centerpiece of the award-winning Robot Designed to Improve Children's Lifestyle in Sterile Rooms (REVES) project. Developed by our teams in France, the canine robot serves as a companion as well as a communication channel with family and friends for children sequestered in sterile hospital rooms.

### ● Supporting India's less fortunate

There are almost no bounds to what the members of the Welfare Committee at Alcatel-Lucent Chennai will undertake. The members of the volunteer group collect used clothes, organize exhibits of artwork by disabled children, hold fundraising shows, conduct blood drives and visit orphanages, old-age homes and homes for disabled children.



## ECO-ATTITUDE

**"Let's Be Eco-Friendly" campaign focuses on simple daily habits.**

Launched worldwide in early 2009, the "Let's Be Eco-Friendly" campaign aims to raise awareness of environmental issues among all Alcatel-Lucent people. The program, first rolled out in France at the end of 2008, focuses on twelve simple eco-friendly daily habits, from remembering to switch off lights to avoiding unnecessary printing and favoring reusable coffee cups over disposable ones. To support easy, efficient local implementation of the campaign, company sites have access to a locally-adaptable toolkit and communications guidelines on the corporate CSR intranet.

60  
social and environmental indicators

100%  
reporting perimeter

# CSR GOVERNANCE

We are giving a new impetus to integrating social concerns into all of our business operations. Never before have we devoted such a high priority to fulfilling our corporate responsibilities.

ABOUT THIS PICTURE  
This photo was shot during the Alcatel-Lucent Innovation Days in December 2008 in Paris, France. Several exhibits were dedicated to innovative energy-efficient technologies and products for our customers.  
Photography by Aurélien Chauvaud

# 60 indicators

that result from regular collection of social and environmental data by our people worldwide.

## WE INTEGRATE CSR INTO OUR DECISION-MAKING

By placing Corporate Social Responsibility oversight at the highest level of the company, we are accelerating our drive for CSR leadership in our industry.



We continued to enhance our CSR program over the course of 2008. The company's commitment to CSR excellence received additional impetus following the appointment of Ben Verwaayen as Chief Executive Officer. The decision to create an Alcatel-Lucent CSR Council chaired by the CEO provided a clear signal of his intention to accelerate our progress towards becoming a CSR leader.

The CSR Council will set CSR priorities and goals, review progress, advise on key CSR strategy issues, provide perspective on potential risks and opportunities and make recommendations to the CEO

and Management Committee on emerging and critical social issues. Its members will include outside experts as well as senior company executives.

### Tracking progress

Ongoing supervision of our CSR initiatives and priorities continues to be the job of the CSR Steering Committee, whose members met monthly throughout 2008 under the chairmanship of the Vice President for Corporate Communications and CSR. The CSR Steering Committee consists of representatives of more than a dozen entities, including the Alcatel-Lucent Foundation, Environment, Health and Safety, Research and Innovation, Digital Inclusion, Public Affairs, Human Resources, Office of Business Conduct, Investor Relations, Marketing, Purchasing, Audit, Risk Management and Legal.

To help ensure that environmental initiatives are implemented in the field, we began nominating Green Team leaders in 2008. These are operations people who have responsibility for ensuring that data and information related to our carbon footprint is provided on a regular and reliable basis, and that local action

**"CSR must be integrated into all of our decision-making and visible in our daily activities. Given the broad range of issues, stakeholders, and geographies, the whole organization must be involved. Additionally, it is important that every employee be empowered to promote responsibility in business and in the communities where we operate. We must constantly nurture a culture of accountability to ensure that Alcatel-Lucent continues to be a responsible corporate citizen."**

**Caroline Guillaumin, Senior VP, Corporate Communications and CSR**



## Developing CSR Awareness

Implementing our Corporate Social Responsibility strategy and initiatives is the job of our CSR Department, which cooperates closely with the CSR Steering Committee and the CSR Council. In 2008, working alongside a variety of corporate functions and entities, the CSR department developed and carried out a series of initiatives designed to heighten awareness of CSR issues and recognize excellence among our people worldwide. They included:

- The annual Alcatel-Lucent CSR Champions Awards program, which

highlights outstanding Corporate Social Responsibility contributions by individuals and teams (see p. 52).

- Our first annual CSR Week, which spotlighted our strong commitment as well as the major programs and achievements that back up our CSR pledge (see p. 53).
- The launch of a dedicated corporate climate change intranet to serve as a hub where employees can find climate-related news, information and resources, including eco-sustainable products and solutions and examples of best practices.

plans are properly implemented to reduce our environmental impact. A total of 44 Green Managers were named over the course of the year for major Alcatel-Lucent facilities worldwide.

### We continue to develop reliable, comprehensive reporting tools

Our ability to fulfill our obligations and fully comply with CSR-related rules and regulations also depends on our access to sophisticated, high-performance measurement tools. The availability of reliable, timely and comprehensive social and environment data is critical to our ability to evaluate our performance, set meaningful objectives, measure progress and optimize opportunities.

That is why we continue to develop our CSR reporting tool, an online software solution we use to collect, report and manage CSR metrics and information. Early in 2009, for the second consecutive year, we undertook the collection of social and environmental data covering some 60 CSR indicators, based on contributions from nearly 100 of our people distributed across our organizations and our sites worldwide.

Following data collection, the information is validated, consolidated and then analyzed by specialists in our HR, EHS, Finance and CSR departments. This massive data consolidation enables us to establish our social and carbon footprint baseline. It also sets a foundation for precise decision-making for the future.

Before the data is published, the reporting process and some of the data is audited by external consultant Ernst & Young (see p. 59).

### Perspectives for 2009

The creation of a CSR Council in 2009 signals a renewed focus within Alcatel-Lucent to fulfill the company's corporate social responsibilities in an exemplary way. Across the business, our people are more dedicated than ever to ensuring that our commitments are translated into concrete actions.

We are determined to meet the expectations of our stakeholders, and especially those of our customers. Within the CSR Department, a particular focus will be placed on preparing and optimizing the CSR Council's operations and implementing its decisions. The CSR

**"Our objective is to make our data collection tool a solid management application that will help us measure our progress worldwide."**

**Françoise Grumberg, CSR Director**

department will help the company meet its strategic challenges while also seizing new opportunities. It is responsible for directing the company-wide network of correspondents that provide input and help communicate the company's CSR initiatives globally.

It intends to expand internal consciousness-raising initiatives and further develop the teams' involvement in the CSR Champions Awards, the International Days of Caring, as well as other activities. In 2009 the team will place a particular focus on a "Caring for Climate" program.

# CORPORATE CSR COMMITMENTS

CHALLENGES		TIMEFRAME
Reduce the impact of our products on the environment	Increase by 30% the total number of installed sites with renewable energy powering.	2009
	Include carbon footprint information in the eco-declaration for new product families, starting in 2010.	2010
	Improve the functional energy efficiency of key products* by at least 20% by 2010 compared with 2008. <i>*New or recently developed products on an upward curve of their life cycle.</i>	2010
	Expand product remanufacturing operations globally by 10% as an eco-alternative to disposal/recycling.	2009
Reduce our own carbon footprint and improve our EHS performance	Reach a 10% reduction in CO <sub>2</sub> emissions from facilities from the 2007 CSR reported baseline by the end of 2010.	2010
	Reduce our absolute carbon footprint (CO <sub>2</sub> equivalent) by 50%, of 2008 baseline, by 2020.	2020
Provide our people with opportunities	80% of our high-potentials changing their position within 3 years.	2011
	Simplify and standardize HR processes through the implementation of a global HR Information System to support business needs and achieve increased organizational efficiency and effectiveness	2009
	Engage employees towards high performance: <ul style="list-style-type: none"> <li>• Continue to implement leadership development programs;</li> <li>• Define behavioral KPIs;</li> <li>• Conduct two internal pulse checks to measure transformation's progress.</li> </ul>	2009
Responsible purchasing	Ensure that the CSR practices of all our key* and preferred** suppliers are assessed for meeting expectations. <i>*Key suppliers are defined as major and strategic suppliers for Alcatel-Lucent. **Preferred suppliers correspond to the preferred sources for a given purchasing family that should be considered first for all new developments.</i>	2010
	Establish a pilot for the environmental evaluation of products and services purchased for internal Alcatel-Lucent use.	2009
	Establish a systematic improvement program with suppliers assessed below satisfactory ensuring that by the end of 2012, 80% of the active suppliers assessed on CSR are satisfactory or above and action plans are in place for the remaining 20%.	2012
Community involvement	Implement a way to measure the effectiveness of the funds the Foundation invests in each program it supports around the world.	end 2009
	Foster a spirit of employee volunteerism across the company.	ongoing
	Implement an efficient tool to track and measure volunteerism across the company.	end 2009





# INDEPENDENT VERIFICATION STATEMENT

## Statutory Auditors report on the reporting procedures for environmental, health and safety indicators, and a selection of qualitative statements (Year ended December 31, 2008).

At your request and in our capacity as statutory auditors of Alcatel-Lucent, we have reviewed:

- The reporting process for environmental, health and safety information (the "Indicators"), prepared in accordance with the "2008 CSR Protocol for Environment, Health and Safety" (the "Protocol"), the Indicators being published in the 2008 Corporate Social and Responsibility Report on pp. 60 and 61.
- The qualitative statements related to 2008 main achievements, provided in the double page 8 and 9 of the 2008 Corporate Social and Responsibility Report (the "Statements"), entitled:
  - February: We publish our Global Human Rights policy.
  - May: We publish our 2007 CSR report.
  - May/June: The Alcatel-Lucent Foundation organizes the International Days of Caring.
  - June: We highlight responsibility issues and challenges during CSR Week.
  - August: We publish our Code of Conduct in 11 languages.
  - August/September: We recognize exceptional achievements through the CSR Champions Awards.
  - September: As part of the United Nations Caring for Climate initiative, we launch a dedicated climate change intranet.
  - December: We focus on CSR during the Alcatel-Lucent Innovation Days.
  - December: We launch annual reporting on social and environmental indicators.
  - All year round: Our CSR Steering Committee sets goals and tracks progress.
- Together with the CSR director, we have identified and collected supporting documents with respect to the Statements.

Our works have not covered the other social information presented in table p. 60: headcount, diversity, training, mobility, and performance management.

The reporting procedures and the Indicators and Statements published in this report were prepared under the responsibility of Alcatel-Lucent. Our responsibility is to report on our findings, based on the work carried out. Our independence is specified in the regulatory and professional standards, and in the professional code of ethics.

### 1. Nature and scope of our work

As agreed, we performed the following work:

- We have assessed the Protocol with respect to its accuracy, understandability, neutrality, completeness and relevance regarding the group activities.
- At group level, we have conducted interviews with the persons responsible for the reporting of the Indicators. At this level, we have assessed the coverage of scope reporting, the level of diffusion of the Protocol and of the dedicated computer-based reporting tool, reviewed the data consolidation process, data controls, and also their presentation in the Corporate Social Responsibility report.
- We have selected a sample of two sites (Antwerp, Belgium and Stuttgart, Germany) that represent 7% of total workforce on which we have conducted the following tests:
  - Interviews with the contributors and the validator of the Indicators in order to verify the application of the Protocol and use of the dedicated computer-based reporting tool.
  - Random tests on data (check of data flows and review of controls).

In performing our work, we were assisted by our specialized sustainable development team, placed under the responsibility of M. Eric Duvaud, partner in charge of our sustainability department.

This type of control is performed for the sixth consecutive year (before 2007, for former-Alcatel only). Last year, the tests were performed on Murray Hill location and Lucent Technology Inc. legal entity (United States) that represented 21% of Alcatel-Lucent's total workforce in 2007.

This work did not aim at obtaining an assurance in accordance with the international standard ISAE 3000 (International Standard on Assurance Engagement), and then, does not contain all the controls needed for an assurance (limited or reasonable).

### 2. Findings

Our findings are the following:

- Concerning the process of elaboration of the Indicators:
  - The Protocol describes process of data collection and consolidation of the sustainability indicators. It is based on the environmental, health and safety computer-based reporting tool.
  - This tool, whose features have been improved, is deployed in significant entities of the company, covering 72% of Alcatel-Lucent worldwide workforce.
  - A new organization of the reporting process and tool has been implemented, centered on 104 sites, instead of 47 legal entities as previously. This improvement has permitted to increase the reporting response rate and has facilitated the controls.
  - Internal controls have been strengthened compared to previous year, in particular at data consolidation step. Nevertheless, in the framework of a continuous progressing process, these controls should be better formalized and could be integrated to the computer-based reporting tool.
  - The group provides methodological notes in p. 60 and 61, in particular on 2008 reporting scope and extrapolation method used on the rest of the scope.
- Concerning the Statements, they are consistent with the supporting documents we have collected.

Neuilly-sur-Seine and Paris-La Défense, May 14<sup>th</sup>, 2009

**The Statutory Auditors**  
ERNST & YOUNG  
et Autres

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

Jean-Yves Jégourel

Eric Duvaud

# OUR CSR INDICATORS

## Social Indicators

	2007	2008	2008 perimeter
<b>Headcount</b>			
Total headcount as of Dec. 31, 2008	76,410	<b>77,717</b>	100%
Number of recruits	4,932	<b>7,725</b>	100%
Headcount reduction due to businesses transferred to Thales	-8,862	-	100%
Headcount increase due to acquisitions and insourcing	2,080	<b>4,141</b>	100%
Headcount reduction due to outsourcing and transfers	-484	<b>-277</b>	100%
Headcount reduction due to redundancies	-4,299	<b>-4,063</b>	100%
Headcount reduction due to natural departures (retirements, end of temporary work contracts, resignations, deaths)	-6,327	<b>-6,219</b>	100%
<b>Headcount/ diversity</b>			
Percentage of women/headcount	23.61%	<b>23.44%</b>	100%
Percentage of women—Asia Pacific	27.54%	<b>27.20%</b>	100%
Percentage of women—Europe, South America, Middle East, Africa and India	20.60%	<b>20.88%</b>	100%
Percentage of women—North America	26.07%	<b>25.71%</b>	100%
Percentage of women in the Leadership Pipeline	18.3%	<b>19%</b>	100%
Number of disabled employees	594*	<b>182**</b>	France
<b>Training</b>			
Training budget (as a percentage of payroll)	1.2%	<b>1.0%</b>	100%
Total hours of training per employee	20	<b>18</b>	100%
Percentage of training time via e-learning technologies	32%	<b>33%</b>	100%
<b>Mobility</b>			
Number of expatriates worldwide	792	<b>766</b>	100%
Expatriates by host region—Europe	265	<b>262</b>	100%
Expatriates by host region—North America	33	<b>45</b>	100%
Expatriates by host region—South America	32	<b>19</b>	100%
Expatriates by host region—Middle East, Africa and India	183	<b>180</b>	100%
Expatriates by host region—Asia Pacific	279	<b>260</b>	100%
<b>Health and safety</b>			
Number of days of absence due to work-related accidents per employee	0.11	<b>0.09</b>	86%
Rate of frequency (number of accidents per year per 1 million hours worked)	2.2	<b>1.72</b>	86%
<b>Performance management</b>			
Percentage of managers and professionals who had an annual performance review	90%	<b>85%</b>	100%
Percentage of managers and professionals who had learning and development activities approved	74%	<b>50%</b>	100%

\* The number of disabled employees worldwide is greatly underestimated. This is overall due to some local legal requirements in some regions. As an example, in the U.S. (34.5% of the headcount), there is no requirement to collect disability-related information and there are no government reporting requirements.

\*\* For 2008, the number of disabled employees concerns only six French legal entities (Compagnie Financière Alcatel-Lucent, Alcatel-Lucent France, Alcatel-Lucent Entreprise, Alcatel Vacuum Technology France, Alcatel-Lucent Submarine Networks France and Alcanet International SAS).

## Social Indicators Methodology and Evolution

### Definitions and methodology

All indicators are based on Alcatel-Lucent data.

The perimeter of 2008 social reporting, specified for each indicator, is measured in terms of total percentage of employees of Alcatel-Lucent covered by the indicator.

Data on employees of activities transferred to Thales has been excluded from "Total headcount as of December 31, 2007" and also mentioned as "Headcount reduction due to businesses transferred to Thales."

The available figures provided are consolidated at a corporate level either:

- Through the corporate financial information systems (headcount including gender headcount);
- Through the corporate HR information systems (training and mobility);
- Through the CSR reporting tool (health-safety, disabled employees).

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

### 2007–2008 evolutions

For 2008, data on all the social indicators has been collected and consolidated at a corporate level since the HR information systems have been fully converged, except for health and safety and disabled employees data from our CSR reporting tool. Regarding the health and safety data, the survey covered 53 sites, representing 86.87% of the total headcount.

## Environmental Indicators

	Units	2007	2008	2008 perimeter
<b>Consumed energy and CO<sub>2</sub> emissions</b>				
Consumed electricity	GWh	1,366	<b>1,306</b>	100%
Consumed electricity per employee	MWh	17.9	<b>16.8</b>	100%
Consumed fossil energy	GWh	584	<b>528</b>	100%
Consumed fossil energy per employee	MWh	7.6	<b>6.8</b>	100%
Total consumed energy, including hot and chilled water	GWh	1,975	<b>1,972</b>	100%
Total consumed energy per employee	MWh	25.5	<b>23.6</b>	100%
Indirect emissions of CO <sub>2</sub> , linked to consumed electricity	tCO <sub>2</sub> *	625,965	<b>603,568</b>	100%
Indirect emissions of CO <sub>2</sub> per employee	tCO <sub>2</sub> *	8.2	<b>7.8</b>	100%
Direct emissions of CO <sub>2</sub> linked to consumed fossil energy	tCO <sub>2</sub> *	115,906	<b>99,197</b>	100%
Direct emissions of CO <sub>2</sub> per employee	tCO <sub>2</sub> *	1.5	<b>1.3</b>	100%
Total emissions of CO <sub>2</sub> **	tCO <sub>2</sub> *	741,871	<b>702,764</b>	100%
Total emissions of CO <sub>2</sub> per employee	tCO <sub>2</sub> *	9.7	<b>9.0</b>	100%
<b>Water and wastes</b>				
Consumed water	m <sup>3</sup>	3,466,091	<b>3,048,624</b>	100%
Consumed water per employee	m <sup>3</sup>	45	<b>39</b>	100%
Production of hazardous waste	t	1,392	<b>1,689</b>	100%
Production of hazardous waste per employee	kg	18	<b>22</b>	100%
Percentage of hazardous waste recycled***	%	56	<b>80</b>	100%
Production of non-hazardous waste	t	26,771	<b>24,684</b>	100%
Production of non-hazardous waste per employee	kg	350	<b>318</b>	100%
Percentage of non-hazardous waste recycled***	%	77	<b>76</b>	100%
<b>Other emissions</b>				
Solvents		No significant quantities, indicator not relevant and not consolidated		
Halogenated hydrocarbons		No significant quantities, indicator not relevant and not consolidated		
Discharge into water (heavy metals)		No significant quantities, indicator not relevant and not consolidated		
<b>Miscellaneous</b>				
% Alcatel-Lucent headcount, ISO 14001 certified****	%		<b>42</b>	
New products covered by ecodeclarations	%	more than 95	<b>96</b>	

\* tCO<sub>2</sub>: CO<sub>2</sub> metric tons.

\*\* Emissions of CO<sub>2</sub> associated with purchased hot and chilled water are not included.

\*\*\* Recycled: not released in a landfill and not burned without energy recovery.

\*\*\*\* New metric to better align with evolving business model.

## Environmental Indicators Methodology and Evolution

### Definitions and methodology

**1.** The 2008 environmental reporting perimeter includes all Alcatel-Lucent facilities, owned or leased as of December 2008.

For the 2008 fiscal year, 104 facilities representing a total of 72% of Alcatel-Lucent employees and 82% of gross building area were surveyed.

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

**i** – For energy consumption and CO<sub>2</sub> emissions, 104 facilities accounting for 72% of total Alcatel-Lucent employees;

**ii** – For water consumption, 98 sites accounting for 68% of total Alcatel-Lucent employees;

**iii** – For non-hazardous waste production, 104 facilities accounting for 72% of total Alcatel-Lucent employees;

**iiii** – For hazardous waste production, 104 facilities accounting for 72% of total Alcatel-Lucent employees.

To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied based on calculated ratios per employee.

**2.** Reported waste does not include WEEE (Waste Electrical & Electronic Equipment).

### 2007-2008 evolutions

The survey scope and design of the 2008 CSR reporting campaign was modified from that employed in 2007, in the sense that individual facilities versus legal entities were assessed during this year's evaluation. This change resulted in an Alcatel-Lucent employee headcount response rate higher than that experienced in 2007. In addition, significantly more actual facility operational data was obtained, thereby resulting in less estimation to obtain a 100% company-wide assessment.

Due in part to consolidation of facilities for more efficient use of our resources, implementation of energy efficiency projects, as well as the initiation of employee energy efficiency awareness programs, we have achieved an actual reduction of total CO<sub>2</sub> emissions of more than 5%. This consists of a reduction of 4% of electricity usage, and 9% of fossil fuel usage rate compared with their 2007 values. The 21% (297 t) increase in hazardous waste production and the 8% (2,087 t) decrease in non-hazardous waste production from 2007 to 2008 resulted from changes in the methodology. The reporting perimeter changed from legal units to facilities, and there was an expanded definition for the hazardous waste indicator. This explains why recycled hazardous waste data increased from 56% to 80% and recycled non-hazardous waste data decreased from 77% to 76%. Total waste production (hazardous and non-hazardous) actually decreased by 6% (1,790 t) from 2007 to 2008.

# GLOSSARY

## **CSR – Corporate Social Responsibility:**

CSR integrates the interests of stakeholders—all of those affected by a company's conduct—into the company's business policies and actions. CSR focuses on the social, environmental, and financial activities of a company—the triple bottom line, with the goal being to positively impact society while achieving business success. Corporate Social Responsibility embraces two main concepts: accountability and transparency. CSR covers issues of human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, diversity, and workplace issues.

**EDGE** – Enhanced Data rates for GSM Evolution, an enhancement to GSM that allows for data transmission rates of up to 473 kbit/s.

## **EHSMS – An Environment, Health and Safety Management System**

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

**Global Compact** – The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

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

**GSM – Global System for Mobile** communications is the world's most widely used digital mobile telephony system. It supports circuit mode mobile communications services such as SMS.

**ICT – Information and Communication Technologies** are the technologies used for the transmission, manipulation and storage of data by electronic means.

**IP – Internet Protocol**, a data transmission method used on computer networks such as the Internet.

**ISO 14001** – The ISO 14001 standard is an environmental standard that identifies those elements of an Environmental Management System necessary for an organization to effectively manage its impact on the environment. Compliance with this standard can be certified by an accredited third party on a voluntary basis.

**ITU** – ITU is the leading United Nations agency for information and communication technology issues, and the global focal point for governments and the private sector in developing networks and services.

**LCA – Life Cycle Analysis** is a methodology developed to assess a product's full environmental impact, from raw material to final disposal. The aim is to increase resource use efficiency and decrease liabilities. It can be used to study the environmental impact of either a product or the function the product is designed to perform.

**OHSAS 18001** – The Occupational Health and Safety Assessment Series (OHSAS) 18001 specification is an international occupational health and safety management system specification that identifies those elements of an Occupational Health and Safety Management System necessary for an organization to effectively manage its occupational health and safety risks. Compliance with this specification can be certified by an accredited third party on a voluntary basis.

## **OSP – Open Services Platform**

The Alcatel-Lucent 8690 Open Services Platform (OSP) is an IT-based system providing comprehensive support for the rapid development and deployment of high-value services through which operators can generate additional revenue streams ahead of the competition. Built on the intelligent network (IN) service architecture, the Alcatel-Lucent 8690 OSP offers industrial strength, scalability and carrier-grade reliability. Its architecture guarantees fast, efficient and high-capacity internal communication supporting application inter-working.

## **PACI – Partnering Against Corruption Initiative**

In an effort to combat global corruption, the World Economic Forum Partnering Against Corruption Initiative (PACI) was formally launched by CEOs from the Engineering and Construction, Energy and Metals and Mining industries in January 2004. PACI is business-driven global initiative with commitment from the top. Its mission is to develop multi-industry principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct.

## **RFID wireless tags – Radio Frequency Identification**

technology that allows an object to be identified and tracked though a radio wave-emitting tag attached to or integrated in the object.

**RoHS Directive** – The purpose of Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment is to approximate the laws of the Member States on the restrictions of the use of hazardous substances in electrical and electronic equipment and to contribute to the protection of human health and the environmentally sound recovery and disposal of waste electrical and electronic equipment.

**SA8000 standard** – The SA8000 standard (Social Accountability 8000) is a social standard based on the principles of international workplace norms contained within the ILO (International Labour Organization) conventions, the UN's Universal Declaration of Human Rights and the Convention on the Rights of the Child. The fundamental focus of SA8000 is to improve working conditions around the world. This intent has pioneered the way forward for organisations to improve and demonstrate their corporate social responsibility (CSR) as regards basic human rights in the workplace.

**Smart Metering** – “Smart metering” is a term that covers everything from simple remote meter reading to complex charging and control algorithms as applied to energy consumption. Smart metering is designed to provide utility customers information on a real-time basis about their domestic energy consumption.

**TL 9000** – The TL 9000 is a quality standard that provides value and benefits across all the supply chain disciplines (buyers, suppliers, and service providers) by providing a consistent set of quality expectations that parallel rapid technology changes and customer expectations.

**W-CDMA** – Wideband Code-Division Multiple Access, an enhancement to CDMA that allows data transmission rates of up to 2 Mbit/s.

## **WEEE Directive – Waste Electrical and Electronic Equipment**

The purpose of Directive 2002/96/EC on waste electrical and electronic equipment (WEEE) is, as a first priority, the prevention of waste electrical and electronic equipment, and in addition, the reuse, recycling and other forms of recovery of such wastes so as to reduce the disposal of waste. It also seeks to improve the environmental performance of all operators involved in the life cycle of electrical and electronic equipment, e.g. producers, distributors and consumers, and in particular those operators directly involved in the treatment of waste electrical and electronic equipment.

**WiMAX** – Worldwide Interoperability for Microwave Access, a broadband wireless data transmission method that is expected to allow service providers to offer a wireless solution for the “last mile” to consumers instead of optical fiber or copper lines.

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Most of the photos used to illustrate this report are of Alcatel-Lucent employees. The photo report taken during the Alcatel-Lucent Innovation Days was shot by Aurélien Chauvaud in December 2008 in Paris, France. William Daniels also contributed to this report with photos taken in early 2008 at Alcatel-Lucent sites in China, France, India and the U.S.

We sincerely thank all the employees who agreed to be photographed and especially those whose photos appear here.

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**Photos**  
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