Corporate Social Responsibility
Report 2009

"Corporate Social Responsibility
must be part of our day-to-day
business decisions."
Ben Verwaayen, CEO

Alcatel·Lucent

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This visual tag means that you can find more detailed information on our website.

This visual tag indicates that a video is available.

This visual tag indicates that the highlighted paragraph has been subjected to an independent assurance process performed by Ernst & Young.

About this report
This annual Corporate Social Responsibility (CSR) Report covers our performance for the year 2009. 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 32. This report, meant for all of our stakeholders, is an important element in our overall public reporting policy. This year's report includes a strong focus on Alcatel-Lucent's commitment to protecting the environment and transforming communications for a sustainable planet. This report will not be printed; it will be available only online. An "In brief" interactive version will also be available on our CSR website. Further details about our CSR activities and performance are available at www.alcatel-lucent.com/csr. More information about Alcatel-Lucent's business and financial performance is available at www.alcatel-lucent.com/investors.

Ben Verwaayen's
Message

"We're not faced with 'just' an economic crisis, but also a crisis of confidence in leadership and a major climate change crisis. We need radically different thinking."

What is Alcatel-Lucent's ambition in terms of Corporate Social Responsibility (CSR)?

Ben Verwaayen: Best in class – nothing less, a leader in our industry across the broad range of CSR issues. Our employees want it, our customers and investors expect it. Our technology is an enabler so we feel a particular obligation to be an engaged, active corporate citizen of the global community. We have the technology to help the world deal with some of its most stubborn problems, such as climate change, access to modern healthcare and much broader access to education. We need to be stubborn in finding more ways to use our talents and technology to invent solutions for those problems.

How is CSR linked to your business activity?

Ben Verwaayen: CSR informs every decision we make. Being a good corporate citizen is the right thing to do and it is the right business thing to do. If we conduct our business in an ethical way, earning our customers' business on the strength of our solutions, the expertise of our people and the value we bring, we will earn their business again. On the issue of operating in an ecologically responsible way and helping our customers do the same, that is increasingly a requirement in the bid requests we respond to. Our customers expect it of us, we expect it of our suppliers and in the end all of us benefit.

What should the Alcatel-Lucent CSR Council achieve in 2010?

Ben Verwaayen: Last year the CSR Council put a stake in the ground by establishing firm, radical – but achievable – goals that will make us best in class. We spent our first year developing a deeper understanding of our top challenges in the corporate social responsibility arena and establishing some benchmarks, benefiting greatly from the perspectives, advice and straightforward assessments of external experts. Now we need to move on to action and to tell our people what we expect, empowering them to develop the programs and initiatives we need to be the kind of corporate citizen we aspire to be.

Why has the company launched the GreenTouch™ initiative?

Ben Verwaayen: Bell Labs initiated the GreenTouch™ consortium because its research indicated that communications networks could be thousands of times more energy efficient than they are today. We could not sit on that knowledge and do nothing. While we alone cannot develop all the technology and implement all the changes that will be needed in the decades ahead, we could get the ball rolling. So that is what we did. We are committed to evolving our industry to be environmentally responsible. Reaching out to our customers, suppliers and competitors throughout the industry to form GreenTouch™ was one step to make that happen.

How does CSR fit into the ongoing Alcatel-Lucent transformation plan?

Ben Verwaayen: I am convinced that Corporate Social Responsibility is critical to our transformation. Speaking as an employee and as a leader, to stay engaged in this tough transformation we have to know that we are striving to become a more responsible, ethical company that can make a difference in the world. Customers want to work with a company as committed to building sustainable networks as they are. It is one way they show their commitment to their communities and we want to support them in that. Good financial numbers are always important, but this is a tough transformation and it requires dedication and even passion on the part of our people to succeed. You will not get that from people unless they also know they are working for an organization worthy of that commitment, one with good financial value and good social value.

Steering from the Top to Achieve New CSR Heights

"The CSR Council provides the impetus, moving us towards the forefront of the CSR field. In 2009, the dialogue with the outside experts who sit on the Council proved especially valuable." Ben Verwaayen

External Experts on Alcatel-Lucent's CSR Council

Claude Fussler

Special Advisor to the United Nations Global Compact

"Companies can only succeed in the long run as they contribute to build successful societies in harmony with the natural environment. But human demographics and aspirations seriously threaten this balance. Alcatel-Lucent must continue to lead the innovation in waste reduction, resource efficiency, the respect of human rights, business integrity and employee development. It is a complex agenda, it needs speed and decisiveness in action, but it holds a lot of business opportunities."

Eric Olson

Senior Vice President, Advisory Services, Business for Social Responsibility

"As an ICT company, Alcatel-Lucent makes technologies that can be part of the solution. They can help their customers use less energy and address other challenges. The same is true for economic development and poverty alleviation. Digital technologies are already playing a significant role, increasing access to health, education and other services in the developing world."

CSR Council

Launched in March 2009 and headed by Alcatel-Lucent CEO Ben Verwaayen, the **Corporate Social Responsibility Council** counts eight members, including senior executives, members of the Management Committee and CSR Department, and two outside experts. The CSR Council meets four times per year. It sets CSR priorities and goals, tracks progress, advises on key CSR strategy issues, provides perspective on potential risks and opportunities and makes recommendations to the Management Committee on emerging and critical sustainability issues. ☑

CSR Operational Bodies

The **CSR Department**, which pilots and coordinates implementation of the company's CSR strategy and initiatives worldwide, is backed by a **CSR Steering Committee**. Put in place in 2002, the Steering Committee consists of representatives of more than a dozen entities, including the Alcatel-Lucent Foundation, Environment, Health and Safety, R&D, Public Affairs, Human Resources, Office of Business Conduct, Corporate Communications, Marketing, Purchasing, Audit and Legal. The CSR Steering Committee, which implements the CSR strategy, follows-up action plans and discusses current CSR issues and best practices, met monthly throughout 2009.

The CSR Department is also in charge of consolidating all the social and environmental indicators that help monitor progress (see 2009 social and environmental indicators pages 30-31).

Tracking Environmental Progress in Operations

To help ensure that environmental initiatives are implemented in its operations, Alcatel-Lucent began nominating Green Team Leaders in 2008. For major Alcatel-Lucent facilities worldwide, a total of more than **40 Green Team Leaders** are responsible for ensuring that data and information related to the company's carbon footprint is provided on a regular and reliable basis, and that local action plans are properly implemented to reduce the environmental impact of the company. Carbon footprint is calculated quarterly to track progress against goals. In addition to longer-term goals, annual reduction targets have been set, as well as an incentive structure that supports progress against them (see page 22).

Alcatel-Lucent CSR and Environmental Reporting wins Recognition

Alcatel-Lucent was selected for the FTSE4Good index in 2009 (co-owned by the Financial Times/London Stock Exchange). The index is designed to reflect the performance of socially responsible equities and to track the progress of companies meeting international corporate responsibility standards.

FTSE4Good

The company was also recognized by the Carbon Disclosure Leadership Index (CDLI) France as one of the 20 leading French companies in terms of transparency and communication on their climate impact.

Playing a pro-active Role with Key Global Stakeholders

From customers and industry partners to community groups and leading decision makers, Alcatel-Lucent engaged with key stakeholders in 2009 as part of its commitment to build and nurture regional and global partnerships to address major CSR issues.

Alcatel-Lucent contributed to numerous collaborative programs and efforts at global, national and local levels in 2009. As a **World Economic Forum (WEF) "Strategic Partner"**, the company actively participated in many WEF regional and global events as well as WEF workgroups on such subjects as "Low-Carbon Prosperity", anti-corruption, technology pioneers, telecommunications and global growth companies.

For example, Alcatel-Lucent CEO Ben Verwaayen was among the speakers at the annual WEF meetings in Davos, Switzerland in January 2009 and again in 2010, calling for radically changed thinking to meet today's economic crisis as well as the crises of climate change and confidence in leadership. He also served as a mentor on business and innovation to WEF Global Growth Companies at the annual meeting of the WEF New Champions 'Summer Davos' in Dalian, China and spoke about 'raising the bar' on climate change at the 25th anniversary of the Indian Economic Summit in New Delhi.

Other Alcatel-Lucent executives actively participated in WEF regional summits in Latin America, the Middle East, East Asia and India as well as WEF work groups. For example, Rajeev Singh-Molares, Alcatel-Lucent President for Asia Pacific, joined the WEF Global Agenda Council on the Future of Mobile Communications launched in September 2009. Bell Labs President Jeong Kim became an official member of the WEF Technology Pioneers Selection Committee 2010.

Alcatel-Lucent was among the key signatories of a WEF letter to G20 heads of state underlining the importance of public/private collaboration to tackle climate change in April 2009. The company also signed the "Copenhagen Communiqué on Climate Change", supporting the goals of the UN Conference on Climate Change in Copenhagen in December.

In addition, the launch of the **GreenTouch™ consortium** in early 2010 represents a major initiative in the company's commitment to working with diverse stakeholders in the battle against climate change (see page 21).

As part of its continuous partnerships with customers, including ongoing dialogue nurtured during WEF meetings, Alcatel-Lucent helps them evaluate existing networks and operations to identify more energy efficient network opportunities. For example, the company assesses opportunities for greater use of renewable energy sources, seeks ways to reduce equipment cooling costs, and evaluates potential sharing of radio access network equipment to optimize operations.

Alcatel-Lucent actively participates in numerous additional CSR programs, including such initiatives as the **UN Global Compact** (see box), the **Global e-Sustainability Initiative** (GeSI), the **Alliance for Telecommunications Industry Solutions** (ATIS) and the **International Telecommunications Union** Focus Group on ICT and Climate Change. Ben Verwaayen also continues to chair the **Confederation of British Industry** (CBI) climate change board.

The 10 Principles of the United Nations Global Compact

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

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.

In this report, this pictogram highlights 2009 initiatives related to one or more of the above principles.

1 ▶ 10

2009 Key CSR Facts and Figures

The Alcatel-Lucent CSR Council, chaired by our CEO and including outside stakeholders, ensures that CSR issues are fully integrated into our ongoing strategy, decision-making and operations.

92%

of Alcatel-Lucent employees acknowledged the company's Code of Conduct.

Reduce Alcatel-Lucent absolute Carbon Footprint by 50% by 2020

We aim at drastically reducing emissions of greenhouse gases, our own, our industry's and other economic sectors'.

CO_2

65,000 employees

received formal training in 2009.

50,000 volunteer hours

were donated by Alcatel-Lucent employees in 42 countries in 2009.

Alcatel·Lucent Foundation
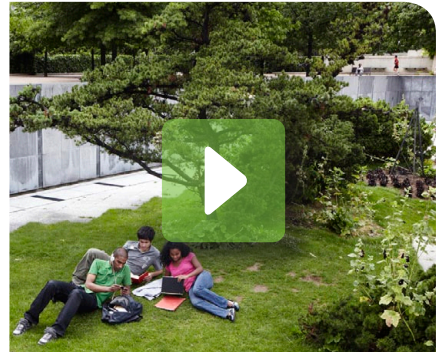
GreenTouch™

A research consortium to make communications networks

1,000 times

more energy efficient.

GreenTouch™ video

900 assessments

of supplier CSR practices since 2004.

Developing Alternative Energies

Alcatel-Lucent's Alternative Energy Program

aims at helping the deployment of mobile base stations powered with alternative energy such as solar, wind and fuel cells, in order to meet the growing need for "green" and energy autonomous mobile networks.
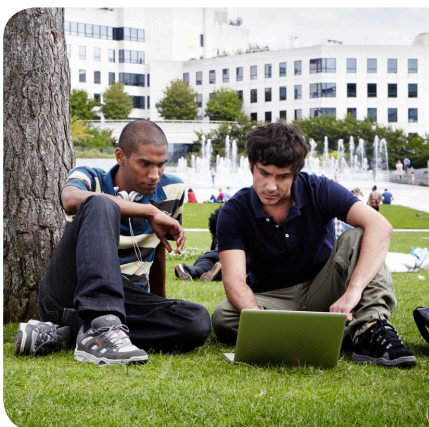
Alcatel-Lucent listed in the

FTSE4Good

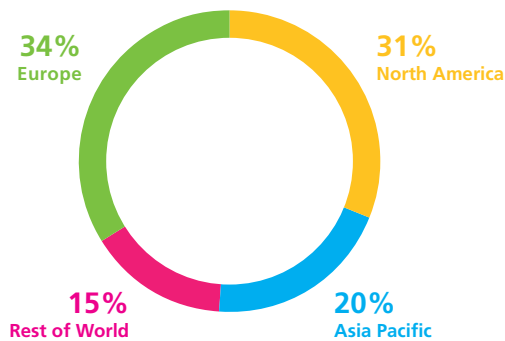# Encouraging Employees to act Responsibly

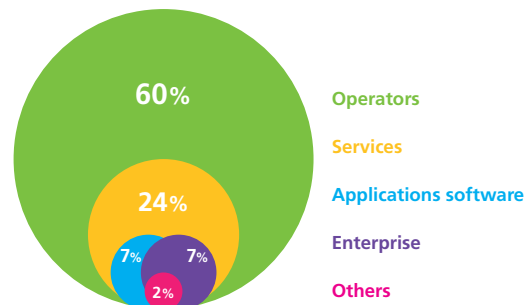Launch of a worldwide eco-attitude awareness campaign, including a dedicated video challenge.

Presentation of Alcatel-Lucent

Breakdown of 2009 revenues by geographical area

34% Europe

31% North America

15% Rest of World

20% Asia Pacific

Breakdown of revenues by organization structure

60%   Operators

24%   Services

7% **7%**   Applications software

2%   Enterprise

     Others

Company Profile

Alcatel-Lucent is the trusted transformation partner of service providers, enterprises, strategic industries such as defense, energy, healthcare, transportation, 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 unrivalled 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 15.2 billion in 2009 and is incorporated in France, with executive offices located in Paris.

Company Key Figures

€15.2 billion revenues

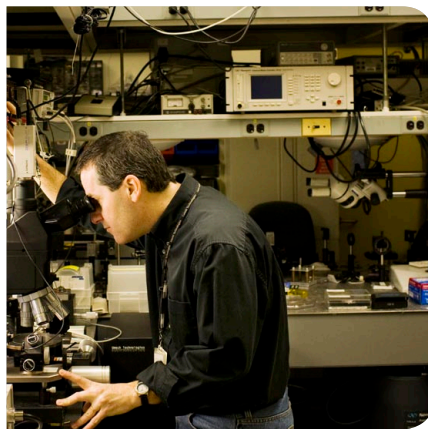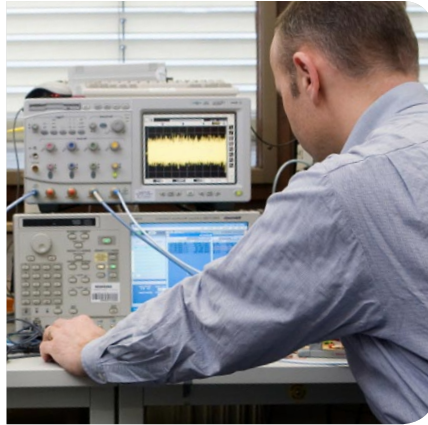**€2.37 billion** adjusted* R&D expenses

78,000 employees

130 countries
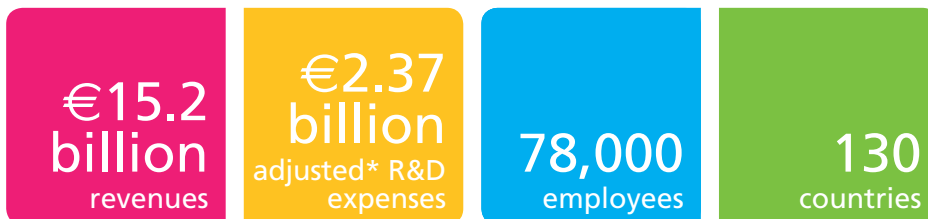
* "Adjusted" means excluding the impacts of the PPA entries in connection with the Lucent business combination.

For more information:

› Visit Alcatel-Lucent on the Internet

› Read the latest posts on the Alcatel-Lucent's blog

› Follow us on Twitter
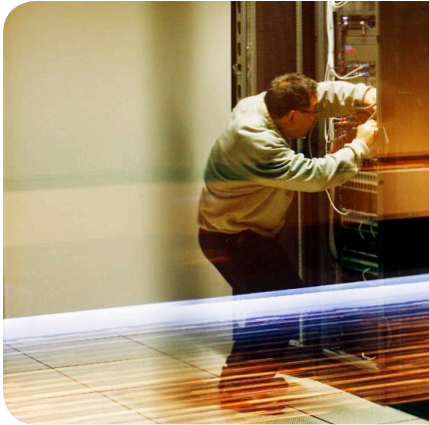
Bell Labs Key Figures

27,600
active patents

7 Nobel prizes

8 research centers
around the world

2,100 new patents
issued in 2009

Bell Labs, Alcatel-Lucent's Innovation Engine

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

Bell Labs is a global research organization whose world-renowned scientists generate near and long-term innovations by drawing on deep experience in science and technology.

In addition to achieving breakthroughs in communications networking technology in 2009, Bell Labs advanced innovations in energy management and took steps towards organizing GreenTouch™, an open, industry-wide consortium whose goal is to create the technologies needed to make communications networks 1,000 times more energy-efficient.

Transformation

Ethics

Smart Grids

Health and Safety

Energy Efficiency

Volunteerism

Integrity

Eco Design

E-learning

Environment

Responsible Purchasing

Charitable Activities

Our CSR Challenges

Major CSR News Highlights

January 2009

Our responsible purchasing approach was enhanced thanks to the implementation of the **EcoVadis supplier rating system** (see page 24).

Ben Verwaayen calls for "radically different thinking" to meet the economic crisis as well as the crises of climate change and confidence in leadership at the annual **World Economic Forum** meeting in Davos, Switzerland.

February / March

To ensure that CSR issues receive high priority, Alcatel-Lucent creates a senior level **Corporate Social Responsibility Council**, headed by the CEO (see page 2).

To help encourage women with skills in information and communication technologies (ICT), Alcatel-Lucent joins four other major ICT companies to sign the **European Union's Code of Best Practices for Women and ICT**.

Alcatel-Lucent signs the Partnering Against Corruption Initiative sponsored by the **World Economic Forum** (see page 13).

April

The Alcatel-Lucent Foundation partners with **Charitable Recycling in a cell phone recycling program** to benefit Girls, Inc. and Earthshare.

Alcatel·Lucent Foundation

The worldwide **Eco-Attitude campaign** underlines the importance of CSR for all employees, encouraging everyone to get involved through eco-friendly initiatives (see page 23).

Be eco-friendly

May

Alcatel-Lucent marks World Environment Day with the publication of its annual **CSR report** and revamped **CSR website**.

Alcatel-Lucent employees volunteer support for some 225 projects in 42 countries during the 2009 **International Days of Caring** (see page 27).

INTERNATIONAL DAYS OF CARING

June / July

As part of the **Alcatel-Lucent Alternative Energy Program**, the company inaugurates the world's first alternative energy lab and pilot site dedicated to telecommunications in Villarceaux, France (see page 19).

Reinforcing its zero-tolerance program for unethical business behavior, the **Office of Business Conduct** publishes a shortened, easier-to-use version of the company's **Code of Conduct** (see page 12).

WORLD ECONOMIC FORUM
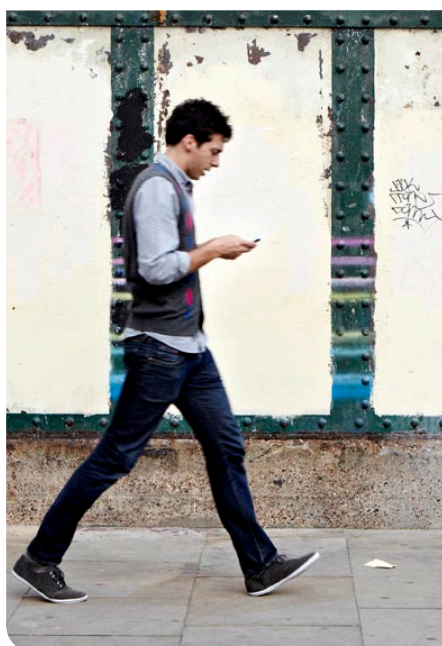
COMMITTED TO IMPROVING THE STATE OF THE WORLD

Working with Key Stakeholders to stimulate constructive Dialogue

To support its commitment to work alongside key partners in addressing the most pressing issues of our time, Alcatel-Lucent joined the **World Economic Forum (WEF)** in January 2009 as a "Strategic Partner". "I am a big believer in the multi-stakeholder approach", explained Ben Verwaayen. "Real dialogue and action with people from different perspectives is very powerful. The unique thing about the World Economic Forum is that it offers the best platform in the world for dialogue." In 2009, Ben Verwaayen and other Alcatel-Lucent executives actively contributed to more than half a dozen WEF regional conferences, the annual meeting at Davos, as well as played a leadership role in WEF workgroups and communities (see page 3).

September

In response to customer concerns on the environ-mental impact of networks, Alcatel-Lucent adheres to the **European Union Code of Conduct on Energy Consumption of Broadband Equipment**.

In anticipation of the year-end UN Conference on Climate Change, Alcatel-Lucent demonstrates its support for the battle against climate change by signing the **Copenhagen Communiqué on Climate Change.**

Ben Verwaayen calls for "confidence, transparency and innovation" to support recovery at the annual meeting of the **World Economic Forum's** New Champions in Dalian, China.

October

Alcatel-Lucent renews its commitment to Cercle Passeport Télécoms with **more than 200 employee volunteers** in France and the U.S.

In recognition of the company's CSR commitment, policies and achievements, **Alcatel-Lucent is included in the FTSE4Good Index**.

November

The **eco-friendly video challenge** gives Alcatel-Lucent employees a way to express themselves while highlighting environmental initiatives at company sites worldwide, with 100 trees planted by Alcatel-Lucent for each video posted (see page 23).

The **Carbon Disclosure Leadership Index France** (CDLI) recognizes Alcatel-Lucent as one of France's 20 leading companies in terms of transparency and eco-related communication.

December

Alcatel-Lucent wins France's **Digital Green Growth Prize** for developing the first end-to-end "green" mobile base station solution powered with alternative energies (see page 19).

January 2010

Created at the initiative of Alcatel-Lucent Bell Labs, the **GreenTouch™ consortium** unites more than a dozen industrial, academic and non-governmental research organizations dedicated to dramatically improve the energy efficiency of communications and data networks (see page 21).

Ben Verwaayen advocates the need for "cohesive capitalism" to create jobs and contribute to a sustainable society at the annual **World Economic Forum** meeting in Davos, Switzerland.

Bridging the Digital Divide with Alternative Energy

Designed to enable people everywhere to benefit from wireless communications, the Alcatel-Lucent Alternative Energy Program will help ensure that service providers can quickly and cost-efficiently deploy wireless networks even to areas not served by electrical power. Focusing first **on solar and wind power**, the program is bringing to market the very first integrated, pre-tested, mass produced, alternatively powered wireless base stations, which can be deployed on a global scale with delivery lead times comparable to those for standard base stations. **March 2010: Alcatel-Lucent has been awarded the Sustainable Energy Europe Award 2010 by the European Commission** (see page 19).

Encouraging Eco-Attitude throughout the company

The **"Let's be eco-friendly"** awareness campaign, launched during Earth Week, consisted of dozens of initiatives at company sites worldwide, including a video contest. During the three-month long internal competition, 23 amateur videos were posted, highlighting team initiatives from facilities in Australia, Canada, China, France, Italy, Kazakhstan and the U.S. The winner, chosen by voting by employees and CSR Steering Committee members, was awarded with a U.S.$10,000 company contribution to the NGO of his choice. **Thousands of trees will be planted in 2010** as a result of this campaign and to highlight employee involvement in global environmental issues (see page 23).

Ethics and Compliance

Each Employee's
Responsibility

With a renewed emphasis on ensuring ethical business practices everywhere the company does business and an updated Code of Conduct, Alcatel-Lucent insists on 100 percent integrity.

92% of **employees**
have completed review of the Alcatel-Lucent Code of Conduct.

Alcatel-Lucent is formally committed to acting ethically and being socially responsible in everything it does. During 2009, this commitment was strongly reaffirmed through a series of initiatives, including deployment of the Code of Conduct and an acknowledgment program to ensure that every employee had read and understood its terms. Part of the broad Alcatel-Lucent engagement to act as a good corporate citizen, the **Code of Conduct** spells out the high-level values and behaviors that characterize how our people conduct themselves with one other and with all stakeholders, from customers and suppliers to business partners and even competitors.

Considerably shorter and more concise than previous versions, the revised Code of Conduct published in 2009 makes it easier for all Alcatel-Lucent people to understand the principles that must guide all of their business practices, every day of the year, every place they do business.

Zero Tolerance

Visits to the Office of Business Conduct intranet more than doubled to approximately

25,000
over the course of 2009.

As part of the company's renewed, systematic enforcement of its ethical approach in 2009, senior management established a zero tolerance policy related to overall compliance issues, insisting upon **100 percent integrity** in all business practices. The company expects all employees to comply with applicable legal and company requirements; all identified compliance violations are addressed swiftly, consistently and fairly.

With a reinforced focus on zero tolerance, the company decided to phase out the use of agents and consultants to reduce risks of corruption. Now, sales specialists have begun developing new ways of going to market in places where the agent/consultant channel has been used in the past. In addition to reducing risk, the move also helps Alcatel-Lucent nurture closer customer relationships by eliminating middlemen.

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

THE GLOBAL COMPACT

WE SUPPORT

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International Industry Initiatives

As a responsible corporate citizen committed to combating corruption, Alcatel-Lucent has joined forces with a number of leading international anti-corruption partnerships and initiatives. These include the "Partnering Against Corruption Initiative" (PACI) (see box), the International Chamber of Commerce (ICC) "Anti-Corruption" Work Group where the company recently contributed to a training tool called "RESIST", and Transparency International. Alcatel-Lucent's membership in the UN Global Compact also means that the company has embraced Global Compact Principle 10 against corruption.

This visual tag means that you can find more detailed information on our website.

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This visual tag indicates that the highlighted paragraph has been subjected to an independent assurance process performed by Ernst & Young.

Compliance Tools and Priorities

A variety of resources are available to all Alcatel-Lucent people to help them conduct themselves in an ethical manner and to handle potentially questionable situations. Employees are encouraged to address their managers, the corporate **Office of Business Conduct** or the corporate Law Division for information or guidance. In addition, the Office of Business Conduct website provides access to relevant articles, messages, and links to all compliance policies, contacts and available training. The website includes directions for reporting compliance issues.

Alcatel-Lucent management has identified and monitors 18 key compliance areas, calculating risk assessments against the significance and likelihood of a violation for each one. Highest priority is attached to anticorruption and compliance with the National Security Agreement with the U.S. government. This agreement is a contract that the company signed with the U.S. government as a requirement for the Alcatel and Lucent merger. It governs access to critical product intellectual property and service provider end-user information.

Privacy and data protection also received particular attention during 2009, to ensure compliance with legislation regulating the way we handle personal information. Privacy and data protection legislation, and associated penalties for violations, have been expanded in many countries in recent years due to the growth in Internet commerce and banking. Increased concern over privacy was one of the reasons for launching a company-wide data privacy program in 2009.

Where permitted by local laws, employees have access to a

24/7 hotline

to report compliance issues, concerns, violations or suspected violations of law or company policy.

Looking Ahead

As senior management continues to underline the company commitment to zero tolerance in 2010, the Office of Business Conduct will focus in particular on sensitizing middle management to the necessity for 100 percent integrity. At the same time, it will continue to enhance compliance training programs, in such areas as the Code of Conduct, data privacy and security, anti-bribery, anti-trust/ competitive behaviors and procurement. The data privacy plan launched in 2009 will be executed over the course of the year and the company will continue to focus on meeting U.S. NSA requirements.

Partnering Against Corruption

Underlining the Alcatel-Lucent commitment to ethical business practices, Ben Verwaayen was the first CEO in the ICT industry to sign the World Business Forum's "Partnering Against Corruption Initiative" (PACI). PACI's 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. PACI enables private sector companies to guide governments' and international organizations' strategies and policies on anti-corruption. As a signatory, Alcatel-Lucent pledges to adopt zero-tolerance towards bribery and to implement a practical, effective anti-corruption program within the company.

95%
of employees

targeted for compliance training have completed their training.

Ethics and Compliance

About Controversies

Valuing our People

Supporting Transformation
and building Skills

In 2009, Alcatel-Lucent's Human Resources teams played a key role in supporting the strategic transformation of the company while promoting diversity, fostering skills and strengthening the common culture.

Women represented

22%
of Alcatel-Lucent's workforce and 19% of managers in 2009.

Launched in 2009, the Alcatel-Lucent transformation program aims at reinforcing the commitment of all employees worldwide to a single strategy, common systems & structure, and shared culture & behavior. Several new and ongoing initiatives seek to strengthen the common, collaborative culture. For example, to help employees better understand the transformation strategy and changes that have already taken place, Alcatel-Lucent executives staged more than **20 strategy road shows** in 15 countries in 2009.

Additional internal programs launched to support the company's transformation included employee pulse checks, internal and external blogs, open intranet forums, live chats and blogging and a video sharing service. To ensure that all employees become involved, each is being encouraged to serve as a transformation agent and identify at least one objective that takes into account one of the company's core values.

The company also continued to streamline its organization in 2009, flattening hierarchies in management structures to become more innovative, empower people and eliminate silos. Human Resources processes were also further simplified and standardized through the implementation of a global HR Information System.

55,000
days
of telecommuting in France in 2009.

Fostering Diversity

With more than 78,000 employees in 130 countries representing more than **100 nationalities**, Alcatel-Lucent actively seeks to ensure that its employee body reflects the diversity of its business environment.

Convinced that women should play a larger role, the company has deployed a range of training, mentoring and coaching tools specifically designed to support women in their career development. In March 2009, along with four other major ICT companies, the company signed a **Code of Best Practices for Women and ICT** to promote diversity and equal opportunity. During the editing of this report, Alcatel-Lucent was recognized as one of America's Top Corporations for Women's Business Enterprises by the Women's Business Enterprise National Council (WBENC). The award honors corporations for world-class programs that create level playing fields for women's business enterprises (WBEs) to compete for corporate contracts.

❯ Valuing People

THE GLOBAL COMPACT
WE SUPPORT
3 - 6

Looking Ahead

To continue supporting transformation efforts, career development and business objectives in 2010 and beyond, the Alcatel-Lucent corporate Human Resources Department defined objectives described on pages 28 and 29.

Developing and managing Mobility and Skills

Numerous initiatives strengthened Alcatel-Lucent's ability to manage its human capital in 2009. The Global Performance Management Process (GPMP) for example, is an online tool that helps managers and employees work together, facilitates open discussion and feedback, aids in the creation of development plans and supports the company's business objectives. Annual Organization and People Reviews (OPR) help make certain that the company benefits from a dynamic pipeline of future leaders. Succession plans for all key positions ensure leadership continuity. Alcatel-Lucent also continues to actively encourage **mobility** across geographical, organizational and functional borders to give its people opportunities to explore new career options and pursue professional advancement.

Social Innovation

Alcatel-Lucent continued to pioneer and explore a range of creative human resources programs in 2009. For example, the **Entrepreneurial Bootcamp program** enables any employee to transform innovative ideas into comprehensive business opportunity plans. The program's goal is to stimulate innovation and enhance creativity across the organization by transforming new ideas into marketable products or services. Promising Bootcamp solutions are incubated within the Ventures department or absorbed into one of the company's business groups.

Alcatel-Lucent also encourages employees to take advantage of broadband technologies to adapt flexible work styles by working from home, office or other company sites. Telecommuting has become part of everyday life in many Alcatel-Lucent offices around the world, and contributes to establishing a better balance between professional and personal life.

Open Dialogue with Employees

The Alcatel-Lucent European Committee for Information and Dialogue (ECID) is one way to conduct an **open dialogue** with employees and their representatives on important actions and decisions that directly affect the company and the countries where they work. ECID enables Alcatel-Lucent senior management and European employee representatives to share views. The committee has 30 members from 14 European countries, including representatives from Romania since January 2009. There is also a separate liaison committee made up of five members designated by the ECID among the main European countries that have the largest number of Alcatel-Lucent employees. In 2009, the ECID decided to maintain the previous year's liaison committee countries, with representatives from Belgium, France, Germany, Italy and Spain. In 2009, the ECID met three times (March, June and October); specific meetings were also organized with the liaison committee when appropriate.

Restructuring for Profitability

The Alcatel-Lucent strategic transformation plan is designed to reduce costs and streamline structure. It aims to reduce selling, general & administrative expense (SG&A) costs, along with contractor reductions, manager layers' reductions, co-sourcing, facility consolidation, reduced use of agents and other operational efficiencies. Managed on a regional or country basis, all workforce reductions are carried out with great care for people and in full compliance with local rules and regulations.

84%
of managers and professionals used the Global Performance Management Process for their annual review.
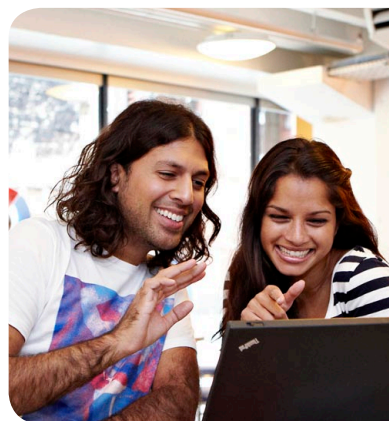
65,000
employees received formal training in 2009.

E-learning
spread from 33% (in 2008) to
40% of the workforce in 2009.

Alcatel-Lucent University supports change with innovative Learning

To help employees adapt to today's rapidly changing business landscape and support the company's transformation, Alcatel-Lucent University, a network of 21 accredited training centers worldwide, provides a range of innovative learning services. The "Learning two point go" (2.g0) program, for example, offers anytime, anywhere learning in engaging formats. Available to all employees starting in early 2010, Learning2.g0 changes the way Alcatel-Lucent employees learn by offering downloadable content that can be taken off-line to any mobile device. Alcatel-Lucent University offers 15 operational learning programs dedicated to business transformation, and designed to enhance employee knowledge and efficiency.
Alcatel-Lucent University is also addressing the need for employee technology qualification programs in strategic areas, such as Long Term Evolution (LTE) and Application Enablement*.

* Application Enablement is an industry vision and network approach that combines the trusted capabilities of network operators and the speed and innovation of the web to provide end users and enterprises what they demand: a richer and more trusted web experience and beyond.

Transforming Communications for a Sustainable Planet

The battle against climate change is not just part of Alcatel-Lucent's commitment to act in a socially responsible way. The company's success as a business depends upon its ability to reduce emissions of greenhouse gases – its own, its industry's and those of other economic sectors.

Alcatel-Lucent is integrating environmental concerns into everything it does – from engineering and operations, to the way employees are trained, and to interactions with the communities where Alcatel-Lucent people live and work.

THE GLOBAL COMPACT

WE SUPPORT

8 - 9

The Alcatel-Lucent business strategy is built in part upon the conviction that eco-sustainability is the way forward, the solution that the world needs to tackle climate change and ultimately drive growth. The company's contribution to reducing global greenhouse gas emissions depends both on its ability to enable new applications as well as to reduce the energy consumption of existing systems and networks.

Compared to other sectors, the Information and Communications Technology (ICT) industry is responsible for a relatively small portion of global greenhouse gas emissions – an estimated 2%. For its part, Alcatel-Lucent is working to substantially reduce emissions. However, beyond these direct efforts, the company's long-term success and sustainability depend on its ability to impact the remaining 98% of greenhouse gas emissions for which it is not directly responsible.

As co-chair of the Global e-Sustainability Initiative (GeSI) Climate Change Work Group in 2008, Alcatel-Lucent is using the findings of GeSI's landmark research to develop and promote innovative applications and solutions that help reduce carbon emissions. The findings suggest that all told, green ICT solutions could help reduce global carbon emissions by about 15% by 2020.

❯ SMART 2020: enabling the low Carbon Economy in the Information Age

Victory in the battle against climate change will require open, collaborative innovation. That's why the company is providing the impetus for cooperative initiatives, such as the Bell Labs-led creation of the GreenTouch™ research consortium (see page 21). And why Alcatel-Lucent remains committed to play a proactive role with all key stakeholders (see page 3).

The following pages provide an overview of the company's approach to environmental issues, highlighting some of its key goals and achievements over the past year. For a more complete review of Alcatel-Lucent achievements, goals, policies and practices, please visit the website below.

❯ Alcatel-Lucent: we care for the Environment and Climate Change

The first portion of this chapter describes the company's end-to-end approach to developing eco-sustainable networks, explaining how life cycle assessments lead to environment-conscious design and how Alcatel-Lucent is implementing its ground-breaking alternative energy program. The next sub-chapter focuses on ways the company is enabling a low carbon economy and promoting new "smart" solutions for energy-intensive industries. The final portions describe Alcatel-Lucent's ongoing commitment to improve its own operations, protect employee health and safety and enlist its entire workforce in environmental efforts.

❯ This visual tag means that you can find more detailed information on our website.

This visual tag indicates that a video is available.

☑ This visual tag indicates that the highlighted paragraph has been subjected to an independent assurance process performed by Ernst & Young.

Developing eco-sustainable Networks

Systematic use of life cycle assessment (LCA) forms the foundation of the Alcatel-Lucent effort to reduce the environmental impact of its products and networks – from cradle to grave. Life cycle assessment enables the company to identify environmental issues at multiple levels and to increase its level of eco-sustainability. The approach includes an analysis of potential ways to extend product lifetimes, through hardware upgradeability for example, and a methodical evaluation of trade-offs between extending lifetimes versus replacement by newer, more energy-efficient alternatives. To help customers more accurately track their carbon footprint, Alcatel-Lucent will begin providing them with life cycle assessment-based carbon footprint information on new products starting in 2010.

*The Alcatel-Lucent High Leverage Network™ is a converged, scalable, multi-access IP network with the embedded intelligence to allow dynamic service creation and delivery... at the lowest cost per bit.

Life cycle analysis at the network, system and product assembly levels helps drive enhanced energy efficiency. At the network level, the Alcatel-Lucent end-to-end High Leverage Network™ (HLN)* architecture provides an eco-sustainable choice for customers, including eco-efficient solutions for the network, outside plant and customer premises.

Enabling customers to adjust network power to real-time network load is among the most outstanding

carbon reduction results of this HLN approach. For example, by entering a low-power mode when user traffic is low, the Alcatel-Lucent eco-efficient digital subscriber line (DSL) platform enables service providers to consume up to 25% less power than conventional solutions. In 2009, to further solidify its environmental commitment, the company became one of only two major telecom suppliers to sign the European Union Code of Conduct on Energy Consumption of Broadband Equipment.

❯ Alcatel-Lucent eco-sustainable Solutions: find out more about our latest successes in energy efficiency

❯ Alcatel-Lucent is transforming communications for a sustainable planet

Powering down Sleeping Networks

Alcatel-Lucent has extended the eco-benefits available to wireless network operators thanks to Dynamic Power Save (DPS), a new feature for GSM/EDGE networks. Introduced in 2009, DPS powers down amplifiers when they are not needed, for example during low traffic over-night hours. For its customer China Mobile, the company demonstrated how this feature could reduce power consumption by up to 27%. As a software upgrade, Dynamic Power Save also provides a good example of how eco-design can extend product lifetimes. DPS can be installed on all Alcatel-Lucent multi-standard base stations deployed since 1999, that is to say some 700,000 stations.

Materials Matter

By evaluating the environmental impact of each product, including its sub-assemblies, the company can continually improve design, material selection and operating characteristics. Component level assessment helps Alcatel-Lucent experts select lower impact materials. In addition to the environmental effects, the company pays close attention to health and safety issues linked to materials. In fact, the Alcatel-Lucent approach to hazardous waste and substances exceeds regulatory requirements by encompassing, for example, the so-called materials of concern.

Eliminating PVC

Alcatel-Lucent is aggressively pursuing the elimination of PVC from its products. The amount of PVC in Alcatel-Lucent products has continually decreased since 2006, when the company initially requested suppliers to avoid PVC in products and materials provided to Alcatel-Lucent.

In an ongoing effort to eliminate PVC entirely, the company is working with suppliers to transition to eco-friendly PVC-free alternative materials. Alcatel-Lucent participates in both internal and external industry research on PVC alternatives, including the iNEMI (International Electronics Manufacturing Initiative) PVC Alternatives Project.

❯ Alcatel-Lucent Product Take-back Services

When End of Life Means New Life

Alcatel-Lucent takes back, remanufactures and reuses telecom network equipment from customers through its growing refurbishing operations. In 2009, the company remanufactured and reused 636 metric tons of equipment and increased the number of product types remanufactured by 36%. Remanufactured products offer a significant advantage in reducing greenhouse gas emissions, with improvements of 30%-44% demonstrated in our analyses, as compared to manufacturing new products.

Bridging the Digital Divide with Alternative Energy

More than one billion people live in areas with no access to reliable electrical power, cut off from the communications networks that are now part of the basic infrastructure for socio-economic development. Wireless networks powered by alternative energy can help, but today, wireless network base stations equipped to use solar or wind energy are generally designed and built on a site-by-site basis, with multiple vendors involved, which is both costly and time-consuming. To meet this challenge, the Alcatel-Lucent Alternative Energy Program has brought to market the very first integrated, pre-tested, mass produced alternative energy solution to power wireless base stations, which can be deployed on a global scale with standard delivery lead times. The program, launched in 2009, is designed to address a market of more than 100,000 sites by 2012.

Bringing together company experts with external partners and institutions specialized in alternative energies, Alcatel-Lucent is creating an eco-system bridging telecoms and alternative energies expertise at its Alternative Energy Lab. Opened in 2009 near Paris, it is the world's first and only alternative energy laboratory and pilot site dedicated to telecommunications. In recognition of progress to date, the company was awarded France's Green Digital Growth Prize in 2009 for its Alternative Energy Program.

> Alcatel-Lucent Alternative Energy Program

Sustainable Energy Europe Award

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

EU Sustainable Energy Week 2010

22–26 March

> Sustainable Energy Europe Award

Fiona Hall, Member of the European Parliament, President of the jury

"The Alcatel-Lucent Alternative Energy program is an inspiring project that goes to the heart of reducing the carbon footprint of telecoms. Most importantly, this is not just a 'one-off' trial. It can become the standard way of powering telecoms across the world. I am delighted that this project won the Sustainable Energy Europe Award. It is well deserved."

Alternative energy:
a market of more than

100,000 sites by 2012

ABI Research

"Alcatel-Lucent is a true pioneer. It has demonstrated clear vision and strategy and, more importantly, a coherent organization and implementation path. It will certainly play an important role in answering the growing demand for green base stations."

Vodafone Qatar CTO

The Alcatel-Lucent solution is "one of the most innovative and best-performing solutions that we have tested so far in Vodafone."

> Launch of the First Hybrid-powered Wireless Base Station in Qatar

A Green Call from the Desert

The alternative energy-powered wireless base station deployed by Alcatel-Lucent and Vodafone Qatar in early 2010 is a harbinger for the future. In the words of Vodafone Qatar Chief Technical Officer Jenny Howe: "Our partnership with Alcatel-Lucent has enabled a significant first step toward commercializing the technologies we need to reduce our carbon footprint and make a world of difference for all people in Qatar."

Enabling a low Carbon Economy

The success and sustainability of Alcatel-Lucent's business depends on its ability to help customers reduce their carbon footprints. Alcatel-Lucent places particular emphasis on finding new ways to enable customers to more efficiently operate electricity generation and distribution systems, buildings, transportation and traffic management systems and other carbon-intensive activities.

Electricity generation and distribution account for an estimated one quarter of total worldwide greenhouse gas emissions. Alcatel-Lucent is combining its expertise in utility communications with its experience in telecoms applications to create solutions aimed at the evolving smart grid and smart metering markets. The company enables utilities to monitor real time usage, to inform and influence consumers to be more energy aware and to consume energy more efficiently. Alcatel-Lucent smart grid/smart metering applications enable utilities to launch flexible tariff patterns, providing a financial incentive to consumers (and enterprise customers) to reduce usage during high-cost, peak production periods.

For example, Alcatel-Lucent smart meters and smart meter management system enable the Electric Power Board of Chattanooga, Tennessee, one of the largest U.S. publicly owned electric power companies, to use power more efficiently and to introduce flexible rates based on changing conditions. Likewise, Alcatel-Lucent is helping AltaLink, Canada's only fully independent electric transmission provider, to offer customers electric power when they need it, at the most economical price and highest possible reliability. In Germany, Alcatel-Lucent signed an agreement in late 2009 with Vodafone to bring business solutions to electricity, gas and water suppliers. The first smart metering managed service is being implemented by Stadtwerke Pasewalk, a municipal utility in the German state of Mecklenburg-Vorpommern.

> Smart Choices: establishing a solid Foundation for an effective, future-ready Smart Metering System

> Smart Solutions

Smart Transport and Teleworking

For the transport sector, the second-leading greenhouse gas emitting sector after energy, Alcatel-Lucent is among the participants in the ng Connect Program, a cooperative effort to develop solution concepts featuring the latest breakthroughs in network, device and software technologies. Innovations can be supported by 4G/LTE networks as they begin to be deployed this year. Founded by Alcatel-Lucent, the LTE Connected Car solution concept brings together leading auto makers, network operators, component suppliers and content providers to create an entirely new mobile platform. New applications and services could help drivers reduce energy consumption and time spent on the road thanks to real-time traffic, weather and road condition alerts. Such features as remote maintenance (including vehicle software and application upgrades) and safety and mechanical telematics could also help optimize performance and extend the vehicle life cycle.

> LTE Connected Car

Not only do smart solutions make travel more efficient, they can also greatly reduce the need for travel. For example, working with West Corporation, a global business process outsourcing firm, an Alcatel-Lucent integrated call center linked together nearly 15,000 home agents in a teleworking network, saving an estimated 384,000 commuter miles per day – roughly 100,000 metric tons of CO_2 emissions annually.

> Alcatel-Lucent solutions: less Carbon through Smart ICT

> Alcatel-Lucent Bell Labs and Korea's Gachon Energy Research Institute collaborate in next generation power grid research

Tomorrow's Smart Grids

The company's joint research program with the Gachon Energy Research Institute (GERI) of Korea's Kyungwon University was launched in 2009 to design mission-critical communication infrastructure and comprehensive security systems and develop innovative businesses models. The Grid 2.0 program aims to fundamentally enhance the efficiency, reliability, security and intelligence of electric power grids by exploiting the convergence between electric power systems and information and communications technologies.

GreenTouch™

Inventing the technologies to make networks dramatically more energy-efficient

GreenTouch™, the research consortium initiated by Bell Labs, targets a 1,000-fold improvement in the energy efficiency of Internet and communications networks by reinventing the technologies on which they are based.

Created in January 2010, the GreenTouch™ global consortium brings together leaders in industry, academia and government labs to invent and deliver radical new approaches to energy efficiency that will be at the heart of sustainable networks in the decades to come. The goal is to make communications networks 1000 times more energy efficient than they are today. To support its objectives the GreenTouch™ initiative will deliver – within five years – a reference network architecture and demonstrations of the key components required to realize this improvement.

Communications turn totally green

The idea is to take a radically different approach to networks and realize the potential that exists for enormous energy gains. Achieving the 1,000-fold improvement in energy efficiency is roughly equivalent to being able to power all of the world's communications networks for three years using the same amount of energy that it currently takes to run them for a single day.

GreenTouch™ founders represent leading companies and institutions from across the industry and around the globe, including AT&T, China Mobile, Orange, Portugal Telecom, Swisscom, Telefonica, the Massachusetts Institute of Technology's (MIT) Research Laboratory for Electronics (RLE), Stanford University's Wireless Systems Lab (WSL), the University of Melbourne's Institute for a Broadband-Enabled Society (IBES), the CEA-LETI Applied Research Institute for Microelectronics, Imec, the French National Institute for Research in Computer Science and Control (INRIA), Bell Labs, Samsung Advanced Institute of Technology (SAIT), Huawei and Freescale Semiconductor.

GreenTouch™

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Global Vision
Innovation, collaboration and dedication can fundamentally transform global communications and data networks to be thousands of times more efficient.

Watch the 10-minute video highlight of the press conference

Follow us on: YouTube

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About Us
We aim to reduce energy consumption in worldwide ICT networks by a factor of 1000.
More

Challenges & Opportunities
A dramatic increase in global energy consumption presents an immediate challenge and an amazing opportunity.
More

Members
A consortium of leading industry, academic and non-profit research experts from around the world.
More

Bell Labs

News
Huawei Joins GreenTouch Consortium
Feb 12, 2010

Communications Turns Totally Green
Jan 11, 2010

Three questions for Gee Rittenhouse

Head of Research for Bell Labs

How does Internet and communications growth represent an environmental challenge?

Gee Rittenhouse: There is a direct correlation between increases in network usage and increased energy consumption. What makes this a critical issue now is that we are on the threshold of an exponential growth in the usage of networks resulting from millions of new users gaining access to broadband networks, increasing popularity of video and machine-to-machine communication. Under these conditions, the contribution of the Information and Communication Technology sector to global energy consumption is expected to double over the next ten years.

How can energy consumption be reduced if network usage skyrockets?

Gee Rittenhouse: We realized that even if we applied all the technology solutions currently available we would fail to keep in check the anticipated exponential increase in energy consumption. GreenTouch™ takes a multidisciplinary approach to addressing this trend and we see great potential for efficiencies in areas such as protocols, circuit design, advanced coding and transport. These are areas where GreenTouch™ members are world-renowned experts.

What is the GreenTouch™ consortium supposed to achieve?

Gee Rittenhouse: GreenTouch™ brings together leaders from industry, academia and government labs to invent radical new approaches to energy efficiency and create the technologies needed to make communications networks 1,000 times more energy-efficient than they are today. To support its objectives the GreenTouch™ initiative will deliver – within five years – a reference network architecture and demonstrations of the key components required.

GreenTouch™

Reducing Alcatel-Lucent's Carbon Footprint

19%
reduction in business travel in 2009

Key achievements in 2009 include reducing the carbon footprint from company facilities by 9.5% from 2008 level, and reducing the company's entire carbon footprint by 13.1%.

Cutting

CO₂

emissions by **50% by 2020**

Ernst&Young statement

Alcatel-Lucent has set up a qualified and dedicated organization, has developed an in-house software and based its reporting protocol on U.S. Environmental Protection Agency principles. Progress will be measured in comparison with the carbon footprint of 2008.

The method used for calculating the footprint, although robust at this stage, could gradually extend its scope. Journeys between home and work and road transport are not included today in Scope 3 even though they represent an important part of the carbon footprint of Alcatel-Lucent. The future evolution of the perimeter will impact the 2008 baseline, which will need to be recalculated.

Alcatel-Lucent is committed to reduce its carbon footprint by 50% of 2008 levels by 2020. The company is taking measures that involve its entire workforce and the full range of its activity, from facility operations and logistics to IT and business travel.

Alcatel-Lucent is putting special emphasis on operations at its more than 700 facilities worldwide - they account for over 60% of its total carbon footprint. As a short term goal, the company set in 2007 a target to reduce CO_2 emissions by 10% by the end of 2010. We are happy to report that we exceeded that goal a full year early. This means the company can focus on its larger goal of reducing its carbon footprint from all sources by 50% by 2020. Alcatel-Lucent has been applauded by the U.S. Environmental Protection Agency (EPA) Climate Leaders Program for completing a corporation-wide inventory of greenhouse gas emissions, setting aggressive long-term reduction goals, and annually reporting progress to the EPA.

Sparked by the creation of an Office of Sustainability within the Operations organization, 2009 efforts focused on integrating the company's diverse range of initiatives into a unified, coherent sustainability program. The Office of Sustainability was set up to help Alcatel-Lucent reach its sustainability goals by serving as a resource and catalyst to embed sustainable business thinking across all areas of the company. As a result of a global approach to sustainability, the company is targeting everything that contributes to reducing its carbon footprint, directly and indirectly.

For example, company research shows that business travel by air accounts for nearly 10% of the company's total carbon footprint. To raise employees awareness to the environmental impact of air travel and enlist them in the effort to reduce carbon emissions, the company began displaying precise CO_2 emissions for each flight segment booked on its online booking tool and has seen a 19% reduction in business travel. Likewise, the company has begun taking prospective CO_2 emission reductions into account as a criterion when evaluating employee telecommuting opportunities and facility consolidations.

Tracking down and reporting Carbon Emissions

The holistic approach Alcatel-Lucent takes in reducing carbon emissions requires it to measure and report such emissions as completely and transparently as possible. Working with the Carbon Disclosure Project, the company reports emissions from all sources including facilities, fleet operations, mobile sources of combustion and all other Scope 1 and 2 sources of emissions that result directly from its business operations. Alcatel-Lucent also reports Scope 3 emissions from outsourced activities such as leased vehicles and vessels, product logistics, and company business travel. It strives to continuously improve emissions-reporting activities by working with suppliers and business partners. In 2009, the company asked its major suppliers to likewise report on their emissions that are in support of Alcatel-Lucent activities which will then become part of our Scope 3 emissions.

Much of the company's carbon footprint reduction progress depends on the members of its three regional Green Teams, who have been charged with identifying opportunities to reduce energy consumption and emissions. These include simple, straightforward behavioral changes and shortterm payback initiatives such as lighting changes as well as longer term measures. For major Alcatel-Lucent facilities worldwide, a total of 44 Green Team leaders are responsible for ensuring that carbon footprint data is provided on a regular and reliable basis, and that local action plans are implemented to reduce environmental impact.

For example, following a Cleaner Production Assessment undertaken by Green Team members at Alcatel-Lucent Shanghai Bell, the introduction of a hybrid solar and wind power system for street lamps reduced grid electricity consumption by 800,000 kilowatt hours (KWh). Modifications to an air compressor system brought additional economies of 214,000 KWh. All told, the program resulted in savings of nearly 2 million KWh and brought recognition to Alcatel-Lucent Shanghai Bell as a Shanghai Cleaner Production Model Enterprise from the Shanghai Municipal Government Authority.

A similar evaluation by Green Team members at the Alcatel-Lucent site in Calabasas, California prompted a range of education, awareness and efficiency initiatives, including powering down of non-essential equipment after normal business hours and the removal of obsolete or unused lab equipment. These initiatives resulted in a 175 ton reduction in CO_2 emissions in 2009.

▶ Our Carbon Footprint

Mobilizing the entire Workforce

Employee involvement is critical towards achieving carbon footprint goals. Alcatel-Lucent raises awareness internally and invites employees to play a proactive role in the fight against climate change.

Launched during Earth Week 2009, the Alcatel-Lucent eco-attitude awareness campaign – **"Let's be eco-friendly"** – raised employee awareness of how to reduce environmental impact by adopting eco-friendly gestures at work, such as carpooling, e-meetings, water savings, waste sorting, green printing, monitoring of devices and lights and others.

This campaign sparked dozens of initiatives at company sites worldwide, such as "no print days" and environmental brainstorming sessions, implementation of a carpooling platform, monitoring of air conditioning systems and a used cell phone collection program. The eco-friendly video challenge was one of the high points of the campaign, with amateur videos highlighting team initiatives from facilities including Australia, Canada, China, France, Italy, Kazakhstan and the U.S. The winning video submission, selected on the basis of voting by employees and CSR Steering Committee members, was recognized with a U.S. $10,000 company grant to an environmental NGO of their choice. The winning team, based in the Alcatel-Lucent's Ottawa, Canada facility, chose to award the grant to the Nature Conservancy of Canada.

In addition, thousands of trees will be planted by Alcatel-Lucent in 2010 in support of this campaign and to highlight employee involvement in global environmental issues.
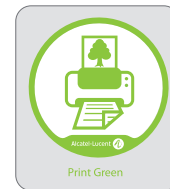
Print Green

Save Water
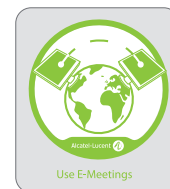
Use E-Meetings

▶ Alcatel-Lucent Eco-attitude Awareness Campaign – "Let's be eco-friendly"

Protecting the Environment, Health and Safety

Key 2009 achievements included maintaining certification of the company's Environmental, Health and Safety Management System, enhancing the system to meet new requirements and continuing improvements in contractor safety management for high risk activities.

The ongoing certification of the Alcatel-Lucent Global Environmental Health & Safety Management System (EHSMS) followed more than 12 days of surveillance auditing in five countries. The system was certified to comply with both ISO 14001:2004 and updated OHSAS 18001:2007 requirements. In addition, two U.S. sites were successfully re-certified to the U.S. Occupational Safety and Health Administration Voluntary Protection Program. Several other internal organizations continue to maintain their locally-certified EHSMS as they implement plans to migrate to the Global EHSMS. These certifications provide objective, third-party confirmation of the company's conviction that its EHSMS provides an efficient, effective way to meet legal requirements, minimize environmental impact and manage employee health and safety, while fostering continual performance improvement and cost reductions. The Alcatel-Lucent EHSMS continues to meet the needs of customers, who increasingly insist upon EHS systems certified by third parties. The company continues to drive these same requirements through its supply chain to minimize the overall impact of its operations.

Alcatel-Lucent is also committed to an ongoing program of EHS compliance audits and risk assessments, not only to ensure legal compliance, but also to support continual improvement goals.

Responsible Purchasing

Infusing Sustainability
throughout the Supply Chain

Alcatel-Lucent requires that suppliers demonstrate a genuine commitment to Corporate Social Responsibility issues and backs up its expectations by assessing their performance.

Suppliers representing

79%

of total supplier spending were assessed satisfactory on CSR in 2009.

Jean-David Calvet

Chief Procurement and Design to Cost Officer

"We called our supplier convention "Netting the Future" to underline that, moving forward, we expect our suppliers to strongly support our CSR goals through initiatives such as the GreenTouch™ consortium."

1 ▸ 6

8 - 10

Alcatel-Lucent engages in a permanent dialogue with suppliers and subcontractors to ensure that Corporate Social Responsibility (CSR) is an integral part of their business practices.

The quality of supplier CSR assessments was significantly enhanced in 2009 thanks to a partnership with EcoVadis, a company specialized in sustainable supply management solutions, and to the implementation of the EcoVadis rating system. The collaborative EcoVadis platform enables customized assessments by using questionnaires tailored to supplier size, sector and location. Ratings are determined by an expert team, which analyses answers and supporting documents.

The EcoVadis solution also enhances monitoring by providing suppliers with a third-party perspective and an industry-wide point of reference. Assessment results can be shared with all EcoVadis partner companies, enabling suppliers to capitalize on a single CSR assessment. Assessment results also help suppliers improve their practices by identifying detailed strengths and weaknesses. EcoVadis implementation in 2009 brought significant improvements in the 2009 supplier non-response rate, which decreased by half compared to 2008, representing 7% of all assessments initiated in 2009.

In 2009, Alcatel-Lucent performed 278 supplier assessments using the EcoVadis solution (more than twice the number of 2008 assessments). The results showed that the topic requiring the most attention was supplier policy regarding their respective supply chains. 34% of suppliers had no formal sustainable procurement policies in place at the time of the assessment.

On-site Audits to measure CSR Performance

As a complement to EcoVadis assessments, Alcatel-Lucent conducts on-site audits of suppliers. These consist of supplier capability audits, which cover the full scope of supplier business capabilities, including CSR policies and practices or, on-site CSR-dedicated audits, when risk levels are high and assessments yield unsatisfactory results. Based on SA8000 principles, International Labor Organization conventions, the Universal Declaration of Human Rights and the International Convention on the Rights of the Child, CSR assessments are conducted by qualified internal auditors, EHS experts and procurement professionals.

Alcatel-Lucent conducted 46 audits in 2009. The CSR issues most often identified during the audits included the absence of comprehensive social and ethical policies as well as insufficient usage of material safety instructions and safety equipment. The audits also revealed deficiencies in health and safety policies and emergency plans. Following audit results, action plans were defined and tracked to completion. 91% of the required improvement plans related to supplier capability audits were completed within 55 days after the audit.

Looking Ahead

Throughout 2009, Alcatel-Lucent advanced satisfactorily towards its stated goals of:

- **Assessing all key* and preferred** suppliers by 2010.**
  - → Following the 2009 assessment campaign, 99% of key and 90% of preferred suppliers have been assessed on their CSR practices.

- **Establishing systematic improvement programs with suppliers assessed below satisfactory so that, by the end of 2012, 80% of suppliers assessed on CSR are satisfactory or above and that improvement plans are in place for the remaining 20%.**
  - → Toward that end, improvement plans focusing on weaknesses identified during assessments are systematically requested from unsatisfactory suppliers and tracked to completion to ensure they reach a satisfactory level.

The percentage of spend assessed on CSR remained stable at 66%, as in 2008. This is due to the evolution of the company's suppliers base, and because a significant part of the 2009 assessment campaign addressed tier 2 suppliers, which do not figure into the spend calculation.

Alcatel-Lucent works cooperatively with suppliers to help them improve CSR performance. Straightforward monitoring and jointly-developed improvement plans work effectively with advanced suppliers. More thorough CSR information is provided to those who fail to understand the critical importance of CSR.

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

Increasing Supply Chain Diversity

The Alcatel-Lucent Supplier Diversity program aims to broaden business relationships with diverse suppliers and to drive inclusion throughout the supply chain. Alcatel-Lucent engages with diverse suppliers solely on merit. The company's diversity program responds to customer expectations and complies with U.S. legislation (Small Business Act, Public Law 95-507, Federal Acquisition Regulations). In 2009, the Supplier Diversity Program won recognition from several U.S. sources, including the Best Corporation Award from the National Veteran-Owned Business Association and the Top Corporation from the Women's Business Enterprise National Council.

CSR ranks high at Supplier Convention

The critical importance of vigorous CSR policies and practices was among the main points emphasized during the Alcatel-Lucent supplier convention held in Shanghai in January 2010. Representatives of 150 suppliers gathered along with Chinese government officials, media and industry analysts for the event, which included a plenary presentation and a workshop dedicated to CSR. Alcatel-Lucent procurement leaders underlined the priority attached to environmental considerations.

They also highlighted the added value of CSR to suppliers and insisted upon the need for suppliers to meet the company's responsible purchasing requirements. This event was a major step in building positive long-term CSR dynamics involving suppliers.

Ernst&Young Statement

Leading the way in responsible purchasing, Alcatel-Lucent has been assessing the sustainable development credentials of its main suppliers since 2005. For the past two years assessments have been supported by a dedicated tool, enabling monitoring of supplier relationships. Alcatel-Lucent is committed to supporting the lowest scoring suppliers by jointly establishing improvement action plans. The purchasing indicators audited by Ernst&Young do not fully reflect Alcatel-Lucent sustainable purchasing ambitions since they only relate to the number of suppliers assessed. However, more qualitative elements related to implementation methods and results, that have not been audited, are available in this CSR report.

❯ CSR in the Supply Chain

Alcatel-Lucent Foundation

Education Programs
and Employee Volunteerism

Strengthened by a reconstituted Board of Trustees and renewed mission, the Alcatel-Lucent Foundation manages grants for education programs and rallies employees worldwide to donate their time and skills to worthy community causes.

Alcatel·Lucent
Foundation

21,000
students
received help in 2009, through 35 Foundation-funded projects in 17 countries.

The Alcatel-Lucent Foundation spearheads the company's charitable activities. With a strong focus on education programs, the Foundation manages grants and encourages and supports employee volunteer programs on a worldwide scale. In dozens of local communities in every region of the world, Foundation-backed projects provide vivid proof of the Alcatel-Lucent comitment to social responsibility.

With a renewed Board of Trustees and a reinforced **focus on education**, especially for girls and women, the Foundation set the groundwork for its future endeavors in 2009. All told, 35 new projects were vetted and launched by the Foundation in 17 countries over the course of the year. All of them were initiated with the help of local teams and aligned with the Alcatel-Lucent Foundation mission statement.

50,000
hours
donated by Alcatel-Lucent employees to participate in some 225 "International Days of Caring" projects in 42 countries.

In 2009, the Foundation heightened the visibility of its activities to further **rally employees to take part in volunteer actions** – one of its key objectives. Employees and other stakeholders were kept up to date on progress through a variety of in-house and external media initiatives.

The Alcatel-Lucent Foundation achieved another key goal with the recent selection of a new software application, aimed to enable closer tracking and measurement of results. Available to all employees in early 2010 and compatible with the company's CSR tracking tools, the new application will help ensure optimized results from the Foundation's financial investments and employee volunteering.

❯ The Alcatel-Lucent Foundation

Looking Ahead

In 2010, the Foundation plans to further underline the value of employee volunteering, not only as a way to support the communities where the company does business but also as part of the human factor of the ongoing Alcatel-Lucent transformation. At the same time, the Foundation intends to further refine its control processes to ensure that investments yield maximum returns. Finally, the Foundation will optimize use of its new tracking and measurement tool in order to better gauge volunteer efforts by employees worldwide.

Helping Haiti

Following the devastating earthquake that hit Haiti on January 12, 2010, the Alcatel-Lucent Foundation reinstated its Disaster Relief Matching Gift program and established a simple process to facilitate employee's donations to provide relief to Haitians. The Foundation selected international nonprofit organizations to maximize the benefit of individual employee contributions. From January to March 2010, the Foundation operated a dedicated internal web portal to facilitate donations. Each employee donation will be matched by the Alcatel-Lucent Foundation, dollar-for-dollar, with an overall cap of U.S. $250,000 in Foundation funds.

From May 4 until June 30, 2009
The volunteer program for Alcatel-Lucent employees.

http://volunteer.all.alcatel-lucent.com/Teams/GDCakillingham/VOLSearch.htm

Alcatel·Lucent Foundation

Caring for Communities Worldwide

More than 7,600 Alcatel-Lucent employees around the world responded to the call of the 2009 International Days of Caring. From building homes for families in Cambodia to making the "Festival of the Stars" event a success for the Powerhouse Museum in Sydney, Australia, and fund-raising events, Alcatel-Lucent people everywhere demonstrated commitment to their local communities.

Annually organized by the Alcatel-Lucent Foundation, the **International Days of Caring** initiative focuses on team-driven, employee-led projects. Environmental projects proved particularly popular in 2009, including a Reuse & Recycle Extravaganza in Illinois, a trash and debris clean-up in Poland, an innovative home-building project in Mexico and a migrant bird wetlands clean-up in Shanghai.

" Alcatel-Lucent employee involvement in our communities is crucial.
By teaming together on projects around the world, we believe we can make a difference in the communities where both our employees and customers live and work. This year again, our employees massively responded with creativity, dedication and hard work to the call for volunteers for our annual International Days of Caring campaign."

Beatrice Tassot, Executive Director, Alcatel-Lucent Foundation

Training young Women in Brazil

The Alcatel-Lucent Foundation made a U.S.$70,000 grant for 2009 to support a program in the state of São Paulo, Brazil, that helps young women.

Many adolescents in São Paulo, especially young women, have difficulty in accessing education and getting a job. Through this program, a local association – Associação para Valorização e Promoção de Excepcionais (AVAPE) – provides **professional training in technology and communication for 150 young women** between the ages of 16 and 18. All are either disabled or live in socially vulnerable situations.

This is the first all-female program for AVAPE. The young women have improved their life habits and their professional skills and, as a result, their employability. Many have already been hired to work in a telemarketing center.

➤ Our local initiatives

Three Questions for Victor Agnellini

Chairman of the Alcatel-Lucent Foundation Board of Trustees

What is the Alcatel-Lucent Foundation's role?

Victor Agnellini: The Alcatel-Lucent Foundation helps coordinate the human touch that is so necessary to the successful implementation of the company's transformation within the telecommunications industry. To encourage employee involvement in local communities, we have established an interactive map on a company web site to help our employees locate and participate in projects near them.

What is the Foundation's policy on charitable contributions?

Victor Agnellini: As a contributing member of the communities where our employees live and work, we make sure that our charitable contributions follow a company-wide policy. The policy dictates that all charitable contributions must be made in full compliance with applicable legislation. And all contributions must be made in accordance with the company's Statement of Business Principles, including our anti-corruption policies.

What is the key to the success of the company's volunteering program?

Victor Agnellini: The key is that it has always been driven by employees. Through the years they have unselfishly given their time and talents, representing a rich heritage of community involvement. The other key is that they work in teams for the most part, establishing a sense of teamwork, community and friendly competition that helps maximize the results of most projects.

Youth is our Mission

Managing grants and employee volunteerism on a global scale, the Alcatel-Lucent Foundation enables employees worldwide to get involved and make a difference. Funded by Alcatel-Lucent, the Foundation is a nonprofit, private organization that is legally independent and governed by its own board of trustees.
The Foundation's mission is to "provide youth, with a special focus on girls and young women, in targeted underserved communities with access to education and life skills programs that will help prepare them to seek employment, higher education, and the opportunity to contribute as citizens and community leaders."

Our CSR Challenges and Commitments

	2009 Commitments	**Timeframe**
Ethical behavior	All employees complete review of the Alcatel-Lucent Code of Conduct	2009
	All employees targeted to complete their compliance training	2009
See page 12	Phase out the use of agents and consultants to reduce risks of corruption	2010
Reduce the impact of our products on the environment	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 *New or recently developed products on an upward curve of their life cycle.	2010
	Increase by 30% the total number of installed sites powered by renewable energy	2009
See page 18	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 (Environment, Health and Safety)	Reduce our absolute carbon footprint (CO_2 equivalent) by 50%, of 2008 baseline, by 2020	2020
See page 22	Reach a 10% reduction in CO_2 emissions from facilities compared with the 2007 CSR-reported baseline by the end of 2010	2010
Provide our people with opportunities	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
	80% of our high-potentials change position within 3 years	2011
	Continue to implement Leadership Development programs	2009
	Define behavioral KPIs (Key performance indicators)	2009
See page 14	Conduct two internal pulse checks to measure transformation progress	2009
Responsible purchasing	Ensure that the CSR practices of all of our key* and preferred** suppliers are assessed for meeting expectations. *Key suppliers are defined as major and strategic suppliers for Alcatel-Lucent. **Preferred suppliers correspond to the preferred sources for a given purchasing family that should be considered first for all new developments.	2010
	Establish a pilot for environmental evaluation of products and services purchased for internal Alcatel-Lucent use	2009
See page 24	Establish a systematic improvement program with suppliers assessed below satisfactory to ensure that by end 2012, 80% of 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
See page 26	Implement an efficient tool to track and measure volunteerism across the company	End 2009

End 2009 Status	Commitments for the coming Years	Timeframe
✓ 92% of employees completed review of the Alcatel-Lucent Code of Conduct	Data privacy plan to be executed	2010
✓ 95% of employees completed their compliance training	All employees complete the Ethics and Integrity Training Course	2010
➡ No new agents and consultants engaged after June 2009	Phase out the use of agents and consultants to reduce risks of corruption	2010
➡ Ongoing - Leading industry efforts on unified and efficient LCA* process. On target for including carbon footprint information in eco-declarations in 2010	Include carbon footprint information in the eco-declaration for new product families *Life Cycle Assessment	2010
➡ Ongoing - on target to meet and exceed this goal	Improve the functional energy efficiency of key products* by at least 20% by 2010 compared with 2008 *New or recently developed products on an upward curve of their life cycle.	2010
✓ Exceeded - as of the end of 2009, we increased by 40% the total number of installed sites powered by renewable energy		
✓ Exceeded - as of the end of 2009, we increased by 36% the number of product families being remanufactured in our operations	Expand product remanufacturing operations globally by an additional 20% compared with 2009 as an eco-alternative to disposal/recycling	2010
➡ Reduced carbon footprint from our facilities by 9.5% and reduced entire corporate carbon footprint from all operations by 13.1%	Reduce our absolute carbon footprint (CO_2 equivalent) by 50%, of 2008 baseline, by 2020	2020
✓ Goal exceeded by achieving a 15% reduction in total CO_2 emissions one year earlier than projected		
✓ MyHR, our global HR Information System, was deployed in 17 countries by year end 2009. It provides both employees and managers with a single source for information, contacts and HR support	Continue simplifying and standardizing HR processes by deploying MyHR Information System worldwide. Systems and tools support business needs and contribute to the achievment of organizational efficiency and effectiveness	2011
➡ 70% of our high-potentials had held their current position for less than 3 years	80% of our high-potentials changing position within 3 years	2011
✓ Leadership Development Programs are offered to key talents based on their career potential in the organization. More than 300 high potential leaders participated in these programs in 2009. In addition to structured leadership programs, nearly 150 senior leaders took part in "Leading Change" workshops	Triple the number of employees that complete professional certification, with impact on overall skill development and employability	2011
✓ Four leadership behaviors : passion and energy, leads courageously, global team player and transformation agent. All managers and professionals are required to have key performance indicators related to these behaviors		
✓ Online Transformation Pulse Check survey in April and November 2009, available to all employees in multiple languages. Participation rate close to 50%. Survey results used to engage employees in identifying transformation action plans	Continue tracking transformation progress with internal pulse checks	2010
➡ 99% of key and 90% of preferred suppliers have been assessed on their CSR practices	Ensure that the CSR practices of all of our key* and preferred** suppliers are assessed for meeting expectations	2010
➡ The green purchasing pilot program was launched in 2009 and completed beginning of 2010 (analysis ongoing)	Build on the environmental pilot results to broaden the program to other internal use sectors and installation projects procurement	2010
➡ Ongoing action plans -59% of suppliers assessed are CSR satisfactory	Establish a systematic improvement program with suppliers assessed below satisfactory to ensure that by end 2012, 80% of active suppliers assessed on CSR are satisfactory or above and action plans are in place for the remaining 20%	2012
➡ Ongoing action plan	Implement a way to measure the effectiveness of the funds the Foundation invests in each program it supports around the world	2010
✓ 50,000 hours of volunteerism donated by Alcatel-Lucent employees during the International Days of Caring program	Further foster the spirit of employee volunteerism across the company	2010
➡ Selection of a new software application to optimize tracking and measurement of employee volunteering	Implement an efficient tool to track and measure volunteerism across the company	2010

✓ target reached ➡ in progress

Social Indicators

	2007	2008	2009
Headcount			
Total headcount as of Dec 31	76,410	77,717	**78,373**
Number of recruits	4,932	7,725	**6,773**
Headcount reduction due to businesses transferred or sold	(8,862)	-	**(699)**
Headcount increase due to the full consolidation of previously non-fully consolidated companies	-	-	**1,468**
Headcount increase due to acquisitions and in sourcing	2,080	4,141	**4,219**
Headcount reduction due to outsourcing and transfers	(484)	(277)	**(1,956)**
Headcount reduction due to redundancies	(4,299)	(4,063)	**(4,246)**
Headcount reduction due to normal departures			
(retirements, end of temporary work contracts, resignations, deaths)	(6,327)	(6,219)	**(4,903)**
Headcount/ Diversity			
Percentage of women/headcount	23.61%	23.44%	**22.35%**
Percentage of women – Asia Pacific	27.54%	27.20%	**20.73%**
Percentage of women – Europe, South America, Middle-East, Africa and India	20.60%	20.88%	**22.34%**
Percentage of women – North America	26.07%	25.71%	**24.19%**
Percentage of women amongst the Leadership Pipeline	18.3%	19%	**19.05%**
Number of disabled employees	594*	182**	**190**
Training			
Training budget (as a percentage of payroll)	1.20%	1.00%	**1.10%**
Total hours of training per employee	20	17	**17**
Percentage of training time via e-learning technologies	32%	33%	**40%**
Mobility			
Number of expatriates worldwide	792	766	**623**
Expatriates by host region Europe	265	262	**170**
Expatriates by host region North America	33	45	**55**
Expatriates by host region South America	32	19	**12**
Expatriates by host region Middle East, Africa and India	183	180	**198**
Expatriates by host region Asia Pacific	279	260	**188**
Health and Safety			
Number of days of absence due to work-related accidents per employee	0.11	0.09	**0.09**
Rate of frequency (number of accidents per year, per 1 million hours worked)	2.2	1.72	**1.61**
Performance Management			
Percentage of managers and professionals who had an annual performance review	90%	85%	**85%**
Percentage of managers and professionals who had learning and development activities agreed upon	74%	50%	**54%**

2009 geographical perimeter of all social indicators: 100% (except for the number of disabled employees: France only ; Health & Safety: 87%)

* 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., there is no requirement to collect disability-related information and there are no government reporting requirements.
** For 2008, the number of disabled employees covers 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).

Definitions and Methodology

All indicators are based on Alcatel-Lucent data. The perimeter of 2009 social reporting, specified for each indicator, is measured in terms of total percentage of Alcatel-Lucent employees covered by the indicator.

The available figures provided are consolidated at a corporate level either:
- through the corporate financial information systems (headcount including gender headcount),
- through the corporate HR information systems (training, mobility and performance management),
- through the CSR reporting tool (health and safety).

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

2009/2008 Evolutions

For 2009, data on all social indicators have been collected and consolidated at a Corporate level, except for health and safety data that are issued from our CSR reporting tool.
Regarding health and safety data, the survey covered 339 sites, representing 87% of the total headcount.

Environmental Indicators

	Units	2007	2008	2009
Consumed energy and CO$_2$ emission [5]				
Consumed electricity	GWh	1,366	1,306	**1,197**
Consumed electricity by employee	MWh	17.9	16.8	**15**
Consumed fossil energy	GWh	584	528	**373**
Consumed fossil energy by employee	MWh	7.6	6.8	**5**
Total consumed energy, including hot and chilled water	GWh	1,975	1,972	**1,634**
Total consumed energy by employee	MWh	25.5	23.6	**20**
Indirect emissions of CO$_2$, linked to consumed electricity	t CO$_2$ [1]	625,965	603,568	**559,019**
Indirect emissions of CO$_2$ per employee	t CO$_2$ [1]	8.2	7.8	**7**
Direct emissions of CO$_2$, linked to consumed fossil energy	t CO$_2$ [1]	115,906	99,197	**70,983**
Direct emissions of CO$_2$ per employee	t CO$_2$ [1]	1.5	1.3	**1**
Total emissions of CO$_2$ [2]	t CO$_2$ [1]	741,871	702,764	**630,001**
Total emissions of CO$_2$ per employee [2]	t CO$_2$ [1]	9.7	9.0	**8**
Water and wastes				
Consumed water	m^3	3,466,091	3,048,624	**2,754,507**
Consumed water per employee	m^3	45	39	**35**
Production of hazardous waste	t	1,392	1,689	**1,517**
Production of hazardous waste per employee	kg	18	22	**19**
Percentage of hazardous waste recycled [3]	%	56	80	**79**
Production of non hazardous waste	t	26,771	24,684	**29,932**
Production of non hazardous waste per employee	kg	350	318	**382**
Percentage of non hazardous waste recycled [3]	%	77	76	**58**
Other emissions				
Solvents				
Halogenated hydrocarbon		No significant quantities, indicator not relevant and not consolidated		
Discharge into water (heavy metals)				
Miscellaneous				
Alcatel-Lucent headcount, ISO 14001 certified	%		42	**39**
New products covered by ecodeclarations(4)	%	over 95%	96	**100**

2009 perimeter of all environmental indicators: 100%

(1) t CO$_2$: CO$_2$ metric tons
(2) Emissions of CO$_2$ associated with purchased hot and chilled water are not included
(3) Recycled: not released in a landfill and not burned without energy recovery
(4) Associated with new products released during the cited year
(5) CO$_2$ emission factors based on initial values issued by IPCC and kept constant for data consistency

Definitions and Methodology

1. The 2009 environmental reporting perimeter includes all Alcatel-Lucent sites, owned or leased as of December 2009.
- For the 2009 exercise, 148 facilities representing a total of 79% of Alcatel-Lucent employees and 85% of gross building area were surveyed.
- From this scope of reporting, the number of facilities having effectively reported resulted in the following corresponding percentage of total Alcatel-Lucent employees:
i. For energy consumption and CO2 emissions: 148 sites accounting for 79% of total Alcatel-Lucent employees;
ii. For water consumption: 104 sites accounting for 73% of total Alcatel-Lucent employees;
iii. For non-hazardous waste production: 141 sites accounting for 75% of total Alcatel-Lucent employees;
iv. For hazardous waste production: 141 sites accounting for 75% 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).

2009/2008 Evolutions

The survey scope of the 2009 CSR Campaign was increased from that used in 2008. For the 2009 CSR Campaign, all owned facilities, regardless of building area, and leased facilities with an area of at least 7000 m^2 participated in the assessment. This change resulted in a facility response rate that exceeded that which was experienced in 2008. As a result, 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 to more efficiently utilize our resources, implementation of energy efficiency projects, as well as the deployment of employee energy efficiency awareness programs, we have achieved an actual reduction of total CO$_2$ emissions of over 10%, from 2008 levels. This consists of a reduction of 8% of electricity usage, and 29% of fossil fuel usage rate from their 2008 values.

In 2007, we conducted a world-wide assessment of total CO$_2$ emissions associated with facility operations. As per that CSR Campaign, emissions attributed to facility use of fuel oil and natural gas in stationary sources were quantified at 115,906 tonnes CO$_2$, while facility use of electricity and purchased steam and chilled water were established at 625,965 tonnes CO$_2$. Based on those results, the following goal was established - "by the end of 2010, reach a 10% reduction in total CO$_2$ emissions from facilities from the 2007 CSR reported baseline".

Based on results from this 2009 CSR Campaign we have exceeded that goal, by achieving a 15% reduction in total CO$_2$ emissions a year earlier than projected.

ΞΙΙ ERNST & YOUNG

Independent Verification Statement

Independent Assurance Report on a Selection of Corporate Social Responsibility (CSR) indicators and statements

Further to the request made by Alcatel-Lucent, we have performed a review on a selection of CSR indicators and statements for the financial year ending December 31, 2009 in the CSR report, including quantitative indicators (hereafter referred to as "the Indicators") and qualitative statements (hereafter referred to as "the Statements"), related to the following key areas:

Indicators:

- Total consumed energy [1], including hot and chilled water (page 31),
- Total emissions of CO_2 [2] (page 31),
- New products covered by eco-declarations (page 31),
- Number of CSR assessments of suppliers performed in 2009 (page 24),
- Number of CSR assessments of key and preferred suppliers at the end of 2009, as regards to Alcatel-Lucent's objective to assess 100% of them by the end of 2010 (page 25),
- 2008 baseline for carbon footprint (page 22).

Statements:

- Creation of the CSR Council: "Launched in March 2009 and headed by Alcatel-Lucent CEO Ben Verwaayen, [...] on emerging and critical sustainability issues." (page 2),
- Existence of a hotline to report violations of law: "Where permitted by local laws, [...] violations or suspected violations of law or company policy." (page 13),

- Implementation of the annual awareness campaign "Let's Be Eco-Friendly": "The "Let's Be Eco-Friendly" awareness campaign, [...] to highlight employee involvement in global environmental issues." (page 11).

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

1 The Indicators were prepared in accordance with the reporting criteria applicable in 2009 [3] (the "Reporting Criteria"), consisting of Alcatel-Lucent instructions, procedures, and guidelines specific for each indicator.

2 The Statements have been presented in accordance with the principles of reliability, neutrality and clarity as defined by international standards [4].

It is the responsibility of Alcatel-Lucent to prepare the Indicators and Statements, to provide information on the Reporting Criteria, and to compile the CSR report.

It is our responsibility to express a conclusion on the Indicators and the Statements based on our review. The latter was conducted in accordance with the ISAE 3000, International Standard on Assurance Engagements from IFAC [5]. Our independence is defined by the IFAC professional code of ethics.

Nature and Scope of our Review

We performed the following review in order to express a conclusion:
- We assessed the Reporting Criteria, policies and principles, with respect to their relevance, completeness, neutrality, and reliability.
- At a site level [6] and function level [7], we conducted interviews with the persons responsible for CSR reporting and performed auditing tests, on a sample basis, related to the Indicators. The coverage of the selected sample is as follows:

Indicators	Sample Coverage
Total consumed energy, including hot and chilled water	14,7 %
Total emissions of CO_2	12,6 %
New products covered by ecodeclarations	33,3 %
Number of CSR assessments of suppliers performed in 2009	100 %
Number of CSR assessments of key and preferred suppliers at the end of 2009, as regards to Alcatel-Lucent's objective to assess 100% of them by the end of 2010	Key : 32 % Preferred: 56%
2008 baseline for carbon footprint	6 %

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

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

Limitations of our Review

Our review was limited to the Statements and Indicators identified above and did not cover other disclosures in the CSR Report, in particular social indicators.

A higher level of assurance would have required more extensive work.

Information about the Reporting Criteria and the Statements Preparation Process

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

Relevance

Alcatel-Lucent's sustainability reporting is comprised of a wide set of indicators allowing coverage of the sector's key CSR issues.

Concerning CSR in Purchasing, the indicators reviewed during our work are only based on quantitative elements. Nevertheless, Alcatel-Lucent's dashboard and CSR report contain several qualitative indicators.

Concerning energy and impact on climate change, Alcatel-Lucent has taken a step forward by calculating its corporate carbon footprint on Scope 1 and 2 in accordance with the EPA protocol.

Completeness

The Indicators' reporting perimeter aims to cover all of Alcatel-Lucent's relevant activities.

- For environmental indicators, the reporting process is deployed throughout the company's significant entities, covering 79% of Alcatel-Lucent's worldwide workforce. In order to report on 100% of the company's environmental impacts, an extrapolation of data was performed for non-reporting sites. A description of the extrapolation method is provided on page 31.

- For procurement and eco-declarations indicators, the reporting process was deployed at 100%.

- For carbon footprint indicator, Alcatel-Lucent decided to include some of the Scope 3 greenhouse gases emissions. However, the greenhouse gases emissions related to the following items are not yet included: Entering materials; Human transportation: home to work, visitors; Road freight; Waste; Use; Life-ending; Fixed assets.

Reliability

Alcatel-Lucent's reporting process is supported by dedicated computer-based reporting tools. These tools, together with a formalized and quite structured internal control process (performed at site level by the validator and then at consolidation level by environmental and health and safety experts), allow for the company to improve data reliability.

Nevertheless, internal controls onsite level should be better formalized and more systematically performed. In particular, controls expected by the validator should be described in the reporting guidelines and could be integrated directly in the computer-based tools.

Neutrality and Clarity

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

Conclusion

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

- the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria; and

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

Paris-La Défense, France, May 5, 2010

The Statutory Auditors   With the assistance of ERNST & YOUNG
ERNST & YOUNG et Autres   Climate Change & Sustainability Services
Jean-Yves Jégourel   Eric Duvaud

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1. Fuel, natural gas and electricity
2. Related to total energy consumption. Emissions of CO_2 associated with purchased hot and chilled water are not included.
3. Alcatel-Lucent GHG Inventory Management Plan, 2009 CSR protocol and appendix, Eco-declaration process manual.
4. ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Standard.
5. ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.
6. On site audit (Vélizy, France and Murray Hill, New Jersey, U.S.A) – On distance follow up review of last year site audit (Stuttgart, Germany and Antwerp, Belgium).
7. Procurement and Product Groups – Product Divisions.

Alcatel·Lucent