

2015

Sustainability Report
Alcatel Lucent

Sustainability

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1 Alcatel-Lucent combines with Nokia

In April 2015, Nokia announced its plan to create a global leader in connectivity by acquiring Alcatel-Lucent. The two entities officially began operating as a combined company under the Nokia name on January 14, 2016.

This report reviews only Alcatel-Lucent's 2015 sustainability performance; it does not include information related to Nokia's performance.

2 Our approach to sustainability: Responsible business innovation

Sustainability at Alcatel-Lucent means responsible business innovation. It was integrated in all of our activities in 2015. As the leading specialist in IP networking, ultra-broadband access and cloud technology, Alcatel-Lucent remained focused on

making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide.

2.1 Alcatel-Lucent sustainability priorities

Our sustainability activities in 2015 focused on five core priorities, aligned with the results of our materiality assessment in 2014 (see Section 2.2) of the key issues related to sustainability and validated by our Chief Executive Officer and the Leadership Team. Those priorities were:

Eco-sustainability

- Lead in eco-innovation by providing energy efficient, environmentally sustainable networks and technologies that meet growing bandwidth demands

Ethical business

- Reinforce ethical business in every action by every employee, contractor and subcontractor, with zero tolerance for compliance violations

Supply chain

- Do business with suppliers and contractors who meet our sustainability requirements and work to improve performance

Our people

- Create a diverse and highly skilled global workforce that is able to meet customer demands for reliable, quality service

Digital inclusion | The Alcatel-Lucent Foundation

- Help youth innovate in a digital world

2.2 Sustainability materiality assessment

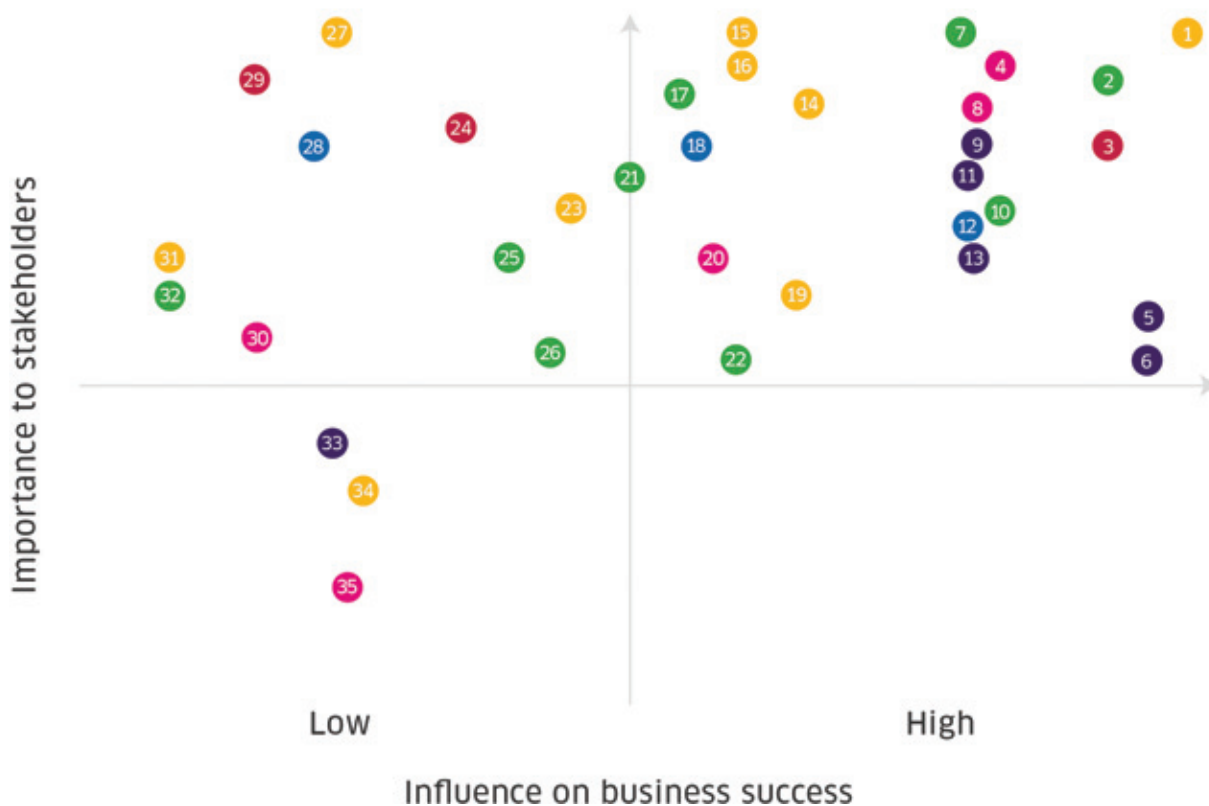
Alcatel-Lucent carried out a materiality assessment in 2014 in line with its strategy for refocusing the business, The Shift Plan. The aim of the materiality assessment was to identify top issues and monitor and fine-tune our sustainability strategy, priorities and key performance indicators according to the expectations of material stakeholders internally and externally.

The assessment looked at more than 35 business issues affecting our short-, medium- and long-term corporate strategy — everything from products, services, customers, operations, employees, risk management and energy efficiency to ethics and governance, information security, human rights, digital

inclusion, and diversity and philanthropy. Each issue was carefully defined and weighted both for impact on the Group's commercial success and stakeholder expectations. More than 30 key executives within Alcatel-Lucent were interviewed in depth over a four-month period along with all members of its Sustainability Advisory Panel.

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

Materiality assessment map



Product innovation and environment

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

Digital inclusion

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

Ethics and compliance

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

Supply chain

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

Our people

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

Sustainability management

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

In 2015, we continued to apply the findings of our materiality assessment. With the validation of our CEO and Management Team, we recalibrated our sustainability strategy and approach to responsible business innovation. For each material priority, we established a dedicated action plan concentrating on

addressing industry issues such as energy efficiency, ethics, human rights and freedom of expression, data privacy, supply chain transparency, employee well-being, gender diversity and social innovation via the Alcatel-Lucent Foundation.

2.3 Our sustainability strategy and reporting framework

Alcatel-Lucent’s sustainability strategy and reporting framework conformed to the following key regulatory, investor and customer requirements and globally recognized sustainability frameworks in 2015:

- Article 225 of French *Grenelle II* law (July 10, 2010): *Grenelle II* requires companies’ annual reports to include information on the environmental, social and societal impacts of their business activities and on their commitments to sustainable development, with independent, third-party verification of the information published.
- Global Reporting Initiative (GRI): Our sustainability report is prepared according to the GRI sustainability reporting guidelines. The 2010 report was prepared according to the GRI Guidelines, at Application Level B+. The 2011, 2012 and 2013 reports were prepared according to the GRI Guidelines, at Application Level A+. All these reports were submitted for the GRI Application Level Service. The 2014 report was prepared following GRI G4 Core Guidelines. The 2015 report will only focus on the Grenelle II legal requirements and the Principles of the United Nations Global Compact.
- United Nations Global Compact (UNGC): In 2015, Alcatel-Lucent based its sustainability activities and reporting on the 10 Principles of the UNGC.
- EcoVadis: Our sustainability strategy follows the EcoVadis framework, which is a mandatory annual evaluation of customer and supplier corporate social responsibility. It is based on the GRI, UNGC and ISO 26000 standards. In

2013, we were granted Gold Recognition with a score of 71/100, placing us in the top two percent of suppliers assessed in all industrial categories. In early 2015, we were granted Gold Recognition for the third year in a row with a score of 81/100 placing us in the top 1% of suppliers assessed in all industrial categories.

- Dow Jones Sustainability Indices (DJSI): Our sustainability strategy is closely based on the RobecoSAM DJSI framework. In 2015, for the fourth year in a row, we were named Industry Group Leader for the Communication Equipment Industry with a score of 92/100. This follows being named Leader of the Technology Supersector’s CMT Communications Technology Sector in 2011, and recognized Group Leader for the Communication Equipment Industry in 2012, 2013, 2014 with scores of 86/100, 87/100 and 91/100, respectively.
- Carbon Disclosure Project (CDP): Alcatel-Lucent referred to the CDP framework relating to climate change strategy, governance, performance as well as supplier requirements, in preparing its 2015 sustainability report. In 2015, Alcatel-Lucent received a score of 100A for transparency and performance placing us in the A-List of companies. Alcatel-Lucent was also classified in the CDP Supplier Climate A-List.
- International Integrated Reporting Framework (IIRC): In 2014, Alcatel-Lucent performed a gap assessment to incorporate the IIRC framework into its corporate reporting. In 2015 we launched a dedicated analysis on quantifying value for one major product solution set based on energy efficiency requirements. The findings are being finalized at the time of the publication of this report.

2.4 2015 Sustainability Achievements, progress and commitments

We continued to measure our sustainability performance last year according to the 14 distinct indicators in the dashboard below, categorized by challenge. Together, these indicators

reflect our commitment in 2015 to responsible business innovation in line with The Shift Plan and key sustainability frameworks.

2015 Alcatel-Lucent dashboard

Challenge: Reduce the impact of our products on the environment

COMMITMENTS	TIMEFRAME	STATUS 2015
1. Improve the functional energy efficiency of our radio access technology, which is now part of the lightRadio™ portfolio, by at least 75% by 2015 compared to 2008.	By 2015	ACHIEVED: The energy efficiency of typical WCDMA configurations improved by 190% between 2008 and 2015.
2. Eliminate PVC from all products (subject to the availability of technically, environmentally and economically sound alternatives).	By 2015	ACHIEVED: We successfully eliminated PVC from our products where technically, environmentally and economically sound alternatives were identified. In 2015, we completed an exhaustive review of the remaining PVC used in our products, partnered with suppliers to identify and switch over to appropriate PVC-free alternatives.

Our approach to sustainability: Responsible business innovation

COMMITMENTS	TIMEFRAME	STATUS 2015
3. Measure how the Green portal (GWATT) demonstrates the energy challenge for ICT in the short/middle term and the impact on technology deployment choices.	By 2015	ACHIEVED: More than 28,000 visitors accessed the GWATT (Global 'What if' Analyzer of NeTwork Energy ConsumpTion) portal since its April 2014 launch. A third version for dedicated product evaluations is planned for 2016.

Challenge: Reduce our eco-footprint

COMMITMENTS	TIMEFRAME	STATUS 2015
4. Reduce our absolute carbon footprint (CO ₂ equivalent) from our operations by 50% by 2020 (from 2008 baseline).	By 2020	ON TRACK: Since 2008, we have reduced our carbon footprint by 46%.

Challenge: Our people

COMMITMENTS	TIMEFRAME	STATUS 2015
5. Launch employee awareness and training to deliver on The Shift Plan.	By 2015	ACHIEVED: In 2014, we designed an online course on The Shift Plan for delivery through Alcatel-Lucent University and updated employees on a quarterly basis through pushmails, corporate intranet video messages and live progress reports during all-hands calls.
6. Introduce a new performance-based reward program (ABP) for management and employees based on corporate, business line/organization and individual KPIs to drive The Shift Plan.	By 2015	ACHIEVED: The Achievement Bonus Plan (ABP) launched worldwide in February 2014 to more than 32,000 managers and individual contributors for that calendar year. Under the plan, employees were rewarded for corporate and business line KPIs achieved in alignment with The Shift Plan, and for KPIs reflecting individual performance measured through the performance management process.

Challenge: Stakeholders

COMMITMENTS	TIMEFRAME	STATUS 2015
7. Via the Central Marketing Organization ("CMO"), continue to promote public policies favoring ultra-broadband in key countries worldwide.	By 2015	ACHIEVED: We actively promoted ultra-broadband and infrastructure investment policies via multilateral bodies such as the OECD, Broadband Commission, ITU, GSMA and B20.
8. Via the CMO, continue to promote best-in-class CSR policies to public authorities (in particular, corporate governance) to enhance legislation and voluntary initiatives.	By 2015	ACHIEVED: We participated actively in the B20 coalition on anti-corruption, which brought together key stakeholders and influential working groups from bodies such as the ICC, UN Global Compact and OECD.

Challenge: Philanthropy

COMMITMENTS	TIMEFRAME	STATUS 2015
9. Via the Alcatel-Lucent Foundation, create a company-wide strategy to guide corporate philanthropic activities aligned with The Shift Plan.	By 2015	ACHIEVED: New mission statement, strategy and two key priorities defined in May 2014 by the Alcatel-Lucent Foundation, aligned with the company's industrial strategy, The Shift Plan.

Challenge: Ethics and compliance

COMMITMENTS	TIMEFRAME	STATUS 2015
10. Deploy annual Code of Conduct review process to employees globally and target 90% and above completion.	By 2015	ACHIEVED: More than 94% of global employees completed the Alcatel-Lucent Code of Conduct annual review.
11. Deploy business integrity training for deployment to employees globally in 2015.	By 2015	ACHIEVED: More than 94% of employees globally completed <i>Conducting Business with Integrity</i> training in 2015, which included modules on conflicts of interest, anti-corruption, harassment, fraud and other compliance topics.
12. Deploy human rights communications and education to enhance employees' global awareness of human rights issues.	By 2015	ACHIEVED: Information on the Group's human rights policy and program was included in business integrity training and Code of Conduct reviews in 2015 to raise awareness of human rights principles and actions within Alcatel-Lucent.

Challenge: Supply chain

COMMITMENTS	TIMEFRAME	STATUS 2015
13. Roll out our anti-corruption screening program with suppliers.	By 2015	ACHIEVED: We completed the global rollout of a corruption risk screening control triggered by any request to create a new supplier account or add an additional location to an existing supplier account within our global supplier database.
14. Establish conflict minerals traceability from smelters to Alcatel-Lucent.	By 2015	ACHIEVED: In 2015, 52% of suppliers who responded to our survey were able to fully trace the origins of their minerals compared to 27% in 2014.

2.5 Sustainability governance

The following bodies governed Alcatel-Lucent sustainability activities in 2015:

- **Management Committee**

The Head of Brand and Corporate Sustainability participated in the Group's Management Committee. Management Committee validated sustainability priorities, strategy and key performance indicators, and tracked progress on commitments in collaboration with the CEO and Leadership team. The Head of Brand and Corporate Sustainability also reviewed potential risks and opportunities, providing oversight to the Board of Directors on emerging and critical sustainability issues as appropriate.

- **Sustainability Council**

Led by the Head of Brand and Corporate Sustainability, this body of experts represented key corporate functions including Human Resources, the Office of Business Conduct, Operations, Strategy, Bell Labs and Quality and Risk. The Chief Technology Office and Chief Marketing Office representatives also sat on the council, along with various business line representatives. The Sustainability Council met virtually on a quarterly basis to help define and execute the

Group's sustainability strategy, key performance indicators and commitments, and to identify key risks and commercial opportunities related to sustainability performance and activities.

- **Sustainability Advisory Panel**

This panel engaged material stakeholders in Alcatel-Lucent's sustainability strategy and KPIs over the course of the year, providing insight into and guiding actions related to key risks and opportunities. The panel was made up of key customers, an investor, a key supplier, a government representative, a representative from a Non-governmental Organization (NGO) and a representative from a rating agency. It was led by the Head of Brand and Corporate Sustainability with the support of Management Committee and Sustainability Council members, and was moderated by an external advisor. The five meetings held in 2015 focused on the priorities arising from the previous year's materiality assessment: energy efficiency, data privacy, responsible supply chain management, diversity and digital inclusion/philanthropy. During each meeting, a designated panel member presented on activities and expectations related to a given material topic, prompting exploration of concrete partnership opportunities.

Our approach to sustainability: Responsible business innovation

- **Corporate Sustainability Team**

This group defined and drove the implementation of Alcatel-Lucent's sustainability strategy and initiatives worldwide, with

accountability for regulatory and reporting requirements and for leading proactive stakeholder dialogue. The Alcatel-Lucent Foundation was an integral part of the corporate sustainability function.

2.6 Environment, Health and Safety (EHS) management

Through our Environment, Health and Safety (EHS) policy, we remained committed to operating in a way that protected the environment as well as the health and safety of employees, contractors, customers and the communities in which we did business in 2015. Meeting this commitment was a primary management objective as well as an individual and collective responsibility.

Our EHS Management System

Last year, Alcatel-Lucent continued to rely on its Environment, Health & Safety Management System (EHSMS) to facilitate the use of a common EHS management model. The EHSMS was designed to identify risks, maintain compliance and promote EHS excellence. It provided an efficient and effective way to manage EHS issues with products, services and activities while we cost-effectively pursued continuous improvement in our EHS performance.

The EHSMS met the needs of customers insistent on third-party-certified EHS systems. Decisions regarding third-party certification were made locally based on risk, the nature of hazards, customer requirements and competitive advantage. We drove this EHS management approach throughout our supply chain to minimize the overall impact of our operations.

Centralizing environmental information

Assigned contributors at Alcatel-Lucent facilities used an on-line cloud-based reporting tool to collect, analyze and report on sustainability metrics and account for the Group's energy use, water consumption, direct greenhouse gas (GHG) emissions last year (applicable invoices and bills authenticated this data.) Using the tool improved the accuracy and completeness of the data used in our annual sustainability reporting. In addition, we used an online survey that was sent to assigned contributors at Alcatel-Lucent facilities for collecting, reporting and analyzing waste indicators data.

At the beginning of 2015, 429 sites were contained within our real estate portfolio, representing a total area of 2,528,951 square meters. Over the course of the year, 38 sites were added to and 77 sites were removed from our portfolio. At year-end, 390 sites were contained within our real estate portfolio for a total area of 2,245,769 square meters. As a result of these changes to our portfolio, in 2015 we achieved a 11% reduction of our worldwide real estate area. 100% of facilities contained within our real estate portfolio were accounted for in the reporting tool.

Carbon footprint: Of the 467 sites in our real estate portfolio during the year, 196 were directly responsible for inputting data

on applicable Scope 1 and Scope 2 activities using the reporting tool. These sites accounted for 87% of our worldwide annual average real estate area and 80% of our total annual average headcount. For the remaining sites that we did not have operational control, we estimated their electricity and natural gas usage, electricity transmission/distribution loss and refrigerant loss using company-specific algorithms, to obtain a 100% accounting for all worldwide locations. Scope 3 Category information was obtained from both Alcatel-Lucent groups along with our suppliers.

Waste management: 173 of our 467 sites in 2015 were responsible for completing the Group's online waste survey. The response rate to this survey represented 72.3% of Alcatel-Lucent's total headcount; these data were extrapolated based on per-employee ratios to account for the organization's full employee base. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

For more detail on Alcatel-Lucent's environmental performance in 2015, see the Environment indicators section (See Section 9.1).

OHSAS 18001

Alcatel-Lucent maintained EHSMS certification to the Occupational Health and Safety Management Systems (OHSAS) 18001:2007 standard and the International Organization for Standardization (ISO) 14001:2004 standard. In 2015, the Group expanded its EHSMS to include Alcatel-Lucent New Zealand, where operations in Wellington obtained OHSAS 18001:2001 certification. The EHSMS in the United Kingdom was consolidated from three locations to a new, single location in Bristol.

EHS Compliance Audit Program

The aim of this program was to confirm that EHS programs at Alcatel-Lucent facilities and field worksites were implemented properly and effectively, and to assure management that the organization was operating consistently with our EHS Policy. Facilities and fieldwork were evaluated against a number of criteria including Alcatel-Lucent standards, international norms and country-specific federal and local regulations.

As part of our EHS audit strategy in 2015, subcontractor field audits were completed in the United States, Spain, Portugal, France, Belgium, Argentina, Mexico, Ecuador, Peru, Chile, Qatar, South Africa, Australia and China. Facility audits included Alcatel-Lucent Vermicore (Italy), Murray Hill (United States), Villarcoux (France), RFS Shanghai (China) and ASB Shanghai (China).

2.7 Environmental risks

Risks related to climate change

Any company with global operations faces extreme weather-related risks resulting from climate change. Alcatel-Lucent designed many of its products to withstand extreme conditions, and worked with customers to develop and customize product specifications to meet their needs. We maintained procedures throughout the year to ensure the safety of installation and engineering workforces in the field, factoring conditions encountered due to climate change. These procedures were reviewed periodically and adjusted as needed.

Provisions and guarantees for environmental risks

We continued to comply with all applicable environmental requirements and maintained our commitment to provide safe, environmentally sound workplaces that will not adversely affect the health or safety of the communities in which we operate. The Group believes it is in material compliance with all environmental, health and safety laws and regulations, and that it has obtained all material environmental permits and authorizations required for its operations and products.

However, we may need to incur future expenditures significantly in excess of current expectations and forecasts to cover environmental liabilities, maintain compliance with current or future environmental, health and safety laws and regulations, or undertake any necessary remediation. The future impact of environmental matters, including potential liabilities, changes in carbon and environmental reporting requirements and the pricing of carbon emissions, is often difficult to estimate. We modeled the potential pricing of carbon on our financial statements and, while it is not possible to predict the outcome of remedial and investigatory activities with absolute certainty, we believe the ultimate financial impact of these activities — net of applicable reserves — will not have a material adverse effect on our consolidated financial position or our income (loss) from operating activities.

As of December 31, 2015, Alcatel-Lucent's remaining outstanding balance related to its main provisions for environmental risks was €67 million.

Contingency planning and adaptation to environmental risks

In 2015, Alcatel-Lucent had 64 real estate business continuity plans (BCPs) in place to address environmental and other risks related to the potential loss of critical functions. These BCPs targeted locations with more than 500 employees (or more than 200 employees in areas with elevated risks) and covered all critical real estate functions for a given location — enabling the Group to respond to diverse threats mitigate risks. Certain plans were managed centrally as part of the Group's corporate crisis management process for response to regional or global events

such as pandemics while local emergency response plans supported individual facilities.

Laws and regulations

Alcatel-Lucent's operations, facilities and products remained subject to international, national and local laws and regulations in every jurisdiction where it operated last year. These laws and regulations impose various limits (including on the discharge of pollutants into the air and water) and establish standards for treating, storing and disposing of solid and hazardous waste that required the Alcatel-Lucent Group to remediate certain sites. We continued to incur annual costs to comply with these laws and regulations in 2015.

Throughout 2015, Alcatel-Lucent monitored legal, regulatory and other developments that might affect the environmental, health and safety aspects of its activities, products or services. Compliance reviews were performed regularly and appropriate remedial measures were implemented once applicable legal, regulatory and other requirements were identified.

Remedial and investigative activities

Remedial and investigative activities continued in 2015 at numerous current and former facilities owned or operated by the former Alcatel and Lucent entities. In 2015, Lucent Technologies Inc. (Alcatel-Lucent USA Inc.) remained a potentially responsible party at numerous Superfund sites, pursuant to the U.S. *Comprehensive Environmental Response, Compensation and Liability Act* of 1980 (CERCLA) or comparable state statutes in the United States (Lucent Technologies Inc. had been named as a successor to AT&T with respect to certain Superfund sites liabilities, as described below).

Under a Separation and Distribution Agreement with AT&T and NCR Corporation (a former subsidiary of AT&T), Alcatel-Lucent USA Inc. agreed to assume responsibility for certain liabilities resulting primarily from or relating to its assets and the operation of its business as conducted at any time before or after separating from AT&T, including related businesses discontinued or disposed of prior to its separation from AT&T. Under the Separation and Distribution Agreement, Alcatel-Lucent USA Inc. is required to pay a portion of contingent liabilities in excess of certain amounts paid out by AT&T and NCR, including environmental liabilities.

For more information, including our anticipated remedial costs associated with the cleanup of the Fox River Superfund Site in Wisconsin, please see Section 6.5 "Contractual obligations and off-balance sheet contingent commitments," subtitle "Specific commitments — Alcatel-Lucent USA Inc." of the 2015 Annual Report on Form 20-F. In Alcatel-Lucent USA Inc.'s Separation Agreements with Agere and Avaya, those companies have agreed, subject to certain exceptions, to assume all environmental liabilities related to their respective businesses.

2.8 Taxation risks

Alcatel-Lucent strove to comply with tax law and regulations in all countries where we operated last year. We published our tax policy (along with all major company policies) on our website. Alcatel-Lucent used a third-party online application to track tax litigations and areas of tax uncertainty around the world, and reported any significant changes internally to management and also to external auditors at least once every calendar quarter. The company's tax team contributed to enterprise risk

management (ERM) efforts and had one file on the group's ERM dashboard at year-end, relating to a complex tax audit underway since mid-2012.

Throughout the year we actively followed developments at the OECD related to Base Erosion & Profit Shifting (BEPS), especially for intellectual property remuneration and country-by-country tax reporting requirements.

3 Our engagement with stakeholders

3.1 Dialogue and action

Stakeholder dialogue remained the cornerstone of our approach to sustainability in 2015. We engaged actively with material stakeholders in the public and private sectors (customers, investors and members of civil society) and with employees to collectively address the global challenges of climate change, digital inclusion, human rights (e.g., freedom of expression and privacy), ethical business practices and the evolution of digital economies.

All our interactions with partners were constructive, completely transparent and premised on meaningful action. These included direct discussions via the Alcatel-Lucent Sustainability Advisory Panel, joint initiatives, global forums and conferences. We also hosted online conversations via the Alcatel-Lucent Blog, Twitter, YouTube and our internal social media platform, Engage. In all such interactions, we applied relevant stakeholder governance structures and ethics and compliance policies.

3.2 Stakeholder engagement highlights

Below are select highlights of Alcatel-Lucent's stakeholder engagement approach in 2015, including the frequency of engagement by type and stakeholder group, key topics and concerns, and how they were addressed:

STAKEHOLDER	ENGAGEMENT VEHICLES	2015 RESULTS
Employees	Engage, our social networking platform Talent Dialogue tool Town hall meetings Annual "Top 200" Leadership meeting Top10 Women Intranet communications "You Made My Day" digital initiative "Text-Me" SMS service "On the Air" radio program "InnoZap" WebTV program "Tip of the Month" intranet series Podcasts and videos The Blog, Twitter, YouTube	<ul style="list-style-type: none"> Our award-winning social networking platform had more than 47,000 registered users and 2015 saw a 6.8% increase in interaction per piece of content. Engage is open to all employees, including management, and enables open, transparent and horizontal communication company-wide. Our Talent Dialogue tool helped employees connect with managers bi-annually on objectives and track individual progress From April to December 2015 members of our leadership team travelled to nearly 30 major sites around the world to talk with employees about the Nokia deal and integration progress in person. These Town Hall meetings included live Q&A sessions. The annual Top 200 leadership meeting was held in September 2015 in Paris. The theme was: "Proud of our Past, Inspired by our Future". The meeting featured a highly informative keynote address and Q&A session with Nokia CEO, Rajeev Suri. The TOP10 Women leadership program continued its second year, providing customized career-development support to 10 women in each region. As part of our global employee recognition program, a new digital initiative called "You Made My Day" was launched in mid-2015. The idea is to show how grateful we are to a colleague who offered a much appreciated helping hand by sending them a personalized message telling them so. The company maintained best-in-class open communications with employees, including social media and the "Text-Me" and "On the Air" tools to keep employees informed of the latest company news. 2015 saw the launch of a new innovation-focused webTV program known as "InnoZap" and a best practice series known as "Tip of the Month"

Our engagement with stakeholders

Customers	<p>Sustainability Advisory Panel</p> <p>BT Better Future Supplier Forum</p> <p>The Shift Plan</p> <p>Customer Satisfaction Survey Program</p> <p>Quality Management System (QMS)</p> <p>Dedicated meetings at major industry events such as Mobile World Congress and Broadband World Forum</p> <p>Dedicated operational reviews and audits on sustainability</p> <p>Ad hoc initiatives such as the Telecommunications Industry Dialogue on Human Rights</p>	<ul style="list-style-type: none"> • Three global service provider customers — members of the Alcatel-Lucent Sustainability Advisory Panel — continued to provide feedback on our strategy and performance, shared their own programs and KPIs, and sought concrete opportunities for partnership. • In Spring 2015 Alcatel-Lucent was invited to participate in BT's Better Future Supplier Forum (BFSF), dedicated to helping our customer meet its sustainability objectives of reducing its overall carbon footprint by a factor of 3. The first part of this program consisted of a deep evaluation of Alcatel-Lucent's sustainability activities according to BFSF metrics both at corporate and local levels. Following this first step evaluation, BT ranked Alcatel-Lucent among its top-performing suppliers. This program will continue in 2016 with a focus on supply chain process improvements, quantifying the eco-sustainability value of Alcatel-Lucent flagship products deployed in BT's networks and exploring how to challenge the sustainability of BT's communications solutions leveraging Bell Labs innovation. • Alcatel-Lucent continued to work with customers including service providers, extra-large enterprises, network platform players, cable providers and certain sectors of government investing in IP networking, ultra-broadband access and cloud to address their communications needs. • Through our Customer Satisfaction Survey Program we interviewed 333 customers in person, representing our top 34 accounts (80% of our total revenue). Our QMS includes TL 9000 standards quality certification in 108 locations, 49 countries and 35 different product categories. We renewed our certification 2013-16. • Over 1100 customer meetings and tours were held at Mobile World Congress in 2015. • 823 customer events hosted at our global Executive Briefing Centers. • We responded to more than 50 customer questionnaires on sustainability, supported audits in facilities globally, and participated in dedicated operational reviews on our sustainability performance and activities. • We continued to work with seven of our customers to exchange best practices on human rights, freedom of expression and privacy via the Telecoms Industry Dialogue.
Suppliers	<p>Require, Assess, Improve approach</p> <p>EICC Code of Conduct and UN Global Compact Principles</p> <p>Anti-corruption requirements</p> <p>Conflict Minerals Traceability Program</p>	<ul style="list-style-type: none"> • We continued to pursue sustainable purchasing through contracts with our suppliers, assessing their sustainability performance via ratings and onsite audits and supporting the remediation efforts of suppliers whose performance is not at the expected level. • 80% of our active suppliers rated "satisfactory" or above for their sustainability performance. • We worked with suppliers to ensure compliance with the UN Global Compact Principles and EICC Code of Conduct. • We implemented a compliance screening process for all suppliers, with two levels of screening depending on risk profiles. • We surveyed more than 360 suppliers on conflict minerals to determine the origin of key components, and published our second conflict minerals report. • We invited a Tier 1 supplier to join our Sustainability Advisory Panel and provide dedicated feedback on our strategy and performance.
Public institutions and regulators	<p>Promotion of ultra-broadband access plans</p>	<ul style="list-style-type: none"> • Alcatel-Lucent worked with approximately 40 governments and regulators — many in emerging countries — to promote the benefits of ultra-broadband action plans and digital inclusion. • We invited a major regional public representative to join our Sustainability Advisory Panel and provide feedback on our strategy and performance.

Our engagement with stakeholders

<p>Multilateral and industry organizations</p>	<p>Promotion of ultra-broadband access plans</p> <p>Energy efficiency and climate change</p> <p>Digital Health</p> <p>Compliance and fair business practices for the telecommunications sector</p>	<ul style="list-style-type: none"> • We worked within the UN Broadband Commission and International Telecommunication Union on key topics including ultra-broadband access, energy efficiency, climate change and sustainable development goals at large. • In the context of the COP21, we worked with the European Round Table (ERT) to contribute to the global debate on carbon pricing, and more specifically, how carbon pricing can incentivize low carbon innovation and investment in industry, while supporting the achievement of the UNFCCC worldwide 2°C goal. • We partnered with the United Nations (UN, ITU) and the Inter-American Development Bank on large scale digital health initiatives in Senegal and Mexico. We work closely with other organizations to promote and scale digital health to developing and emerging countries such as GSMA, UN Foundation, USAID and World Bank. • We engaged in dialogue with the UN Global Compact and Transparency International on compliance and fair business practices for the telecoms sector following our signing of the UNGC’s Call to Action on Anti-Corruption in 2014, and participating in the UNGC’s Annual Summit and Work Group in New York City.
<p>NGOs and civil society</p>	<p>Alcatel-Lucent Foundation</p> <p>Human rights, privacy and freedom of expression</p>	<ul style="list-style-type: none"> • We invited a major NGO to join our Sustainability Advisory Panel and feedback on our strategy and performance. • The Alcatel-Lucent Foundation launched 22 partnerships with non-profit organizations to develop digital education for youth in key geographies of strategic value to our business and significant for our employees. • We launched a major Youth Innovation program in October 2015 in partnership with UNESCO and MakeSense. • We communicated with key NGOs such as Access Now, CDT, GNI, IHRB, CDT and Privacy International on human rights issues. This was done both directly and through the Telecoms Industry Dialogue, which continued to collaborate with GNI on issues of freedom of expression and privacy. • Alcatel-Lucent chaired the Telecoms Industry Dialogue between April and October to finalize the merger of the Industry Dialogue and GNI, enabling a truly multi-stakeholder ICT organization dedicated to mitigating risks related to freedom of expression and privacy worldwide.
<p>Investors</p>	<p>Regular meetings</p> <p>Quarterly earnings announcements</p> <p>Annual shareholder meeting</p> <p>Annual Financial Report on Form 20-F</p> <p>Sustainability Report</p>	<ul style="list-style-type: none"> • Alcatel-Lucent regularly updated shareholders and prospective investors on its business strategy, activities and financial performance — with a focus on The Shift Plan — through quarterly earnings announcements. • We interacted regularly with investors in one-on-one meetings to discuss specific aspects of our sustainability performance in all five priority areas identified by the materiality assessment. • We invited a key investor to join our Sustainability Advisory Panel and provide dedicated feedback on our strategy and performance. • We reported our financial performance and activities through our Annual Financial Report on Form 20-F (with a dedicated chapter on sustainability under “20-F Additional Information”) and through our 2014 Sustainability Report and Annual Review.
<p>Local communities</p>	<p>Philanthropy</p> <p>Digital literacy of youth, with a focus on young women, in disadvantaged communities</p>	<ul style="list-style-type: none"> • The Alcatel-Lucent Foundation provided US\$0.9 million to charitable programs benefitting 47,000 individuals in communities around the world. More than 2,500 employees donated 10,400 volunteer hours to these programs. • We continued to support local organizations and grassroots programs dedicated to education, the digital literacy of youth and — especially — innovation. Our ConnectEd program concluded in 2015: over 4 years it provided training to 22,575 youth, 58% of whom were girls.

4 Ethical Business

4.1 Our approach to ethics and compliance

Alcatel-Lucent maintained a zero-tolerance policy for compliance violations and reinforced full integrity in every business action from every employee in 2015. The Group’s ethics and compliance activities were overseen by an Ethics and Compliance Council established in February 2007 and composed of the Chief Compliance Officer as well as

representatives from Law, Finance, Operations, Human Resources, Communications, Corporate Audit Services, Corporate Investigation Services Operations, and the Office of Business Integrity & Compliance. The Council met quarterly and oversaw Alcatel-Lucent’s Group-level design and implementation of an integrated ethics and compliance system.

4.2 Ethics and Compliance Management System

We began implementing a comprehensive Ethics and Compliance Management System in 2007 — to promote compliance and ethical behavior consistent with the highest standards of our customers, shareholders and employees. This system aims to prevent and detect violations of law, regulation and company policy, and to cultivate an ethical business culture throughout the company. Key elements of the Ethics and Compliance Management System include:

- a comprehensive compliance governance structure;
- the Alcatel-Lucent Code of Conduct;
- a Compliance Hotline and other reporting vehicles;
- policies, procedures and controls;
- monitoring and auditing practices;
- an annual compliance risk assessment (with related mitigation plans and processes for continuous improvement);
- education and training;
- ethics and compliance communications focusing on maintaining a “speak-up” culture; and
- a global compliance-resolution process.

4.3 Alcatel-Lucent Code of Conduct and Compliance Hotline

Alcatel-Lucent Code of Conduct

The Code of Conduct is available in 22 languages on our intranet and can be viewed by third parties on our external website. In 2015, all employees and non-employee workers were required to review the Alcatel-Lucent Code of Conduct to understand their obligation to abide by it. The company achieved greater than 94% compliance globally for this review and acknowledgment process.

Compliance Hotline

Alcatel-Lucent’s Compliance Hotline is available in 114 countries — 24 hours a day, seven days a week. Our non-retaliation policy specifically prohibits adverse action against employees who report suspected violations of law or company policy in good faith.

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

In 2015, 425 issues/allegations were reported to the Compliance Hotline. During the year, 90 allegations (49 of which were opened prior to 2015) were substantiated with “cause found” after investigation. Of these, 80 resulted in disciplinary action up to and including termination.

Last year, 30 cases involved allegations of potential harassment or discrimination (including those categorized as sexual harassment), and 36 potential harassment or discrimination cases were closed in the year (16 of which were opened prior to 2015). Of the 36 cases closed, six resulted in a “cause found” determination.

Zero cases involved violations related to our commitments on human rights freedom of expression and privacy.

4.4 Compliance with competition and anti-trust laws

Alcatel-Lucent has a clear policy to obtain business solely on the merits of its products, services and people. Compliance

with laws that promote and protect competition in the marketplace (“competition laws” and “anti-trust laws”) is

carefully spelled out in our Code of Conduct and competition/anti-trust law policy and guidelines. We comply with all international trade laws, including applicable export, import and sanction laws, and regulations in the countries where we do business.

Employees whose jobs are affected by this policy participate in relevant in-person and online training programs.

Suppliers and contractors from whom we purchase goods and services are also required to comply with our competition/anti-trust law policy. Competition/anti-trust law violations can be reported via the Alcatel-Lucent Compliance Hotline.

4.5 Ethics and compliance training

In 2015, Alcatel-Lucent's Compliance and Business Integrity Training Program continued to educate employees about their personal and professional responsibilities under the Alcatel-Lucent Code of Conduct, fostering commitment to the highest levels of ethical business conduct. Courses were updated as needed to reflect current business requirements and evolving regulations.

We also continued to implement a comprehensive global ethics and compliance training program, deploying seven mandatory, specialized compliance courses based on job responsibility.

Targeted compliance areas included export control, national security agreements, data privacy for Information System/Information Technology, free/open source software, environment health and safety, and harassment and discrimination. Additional recommended training was delivered on information security, data privacy for human resources, environment, and health and safety. This complemented the requirement for all employees and non-employee contract workers to complete the "Conducting Business with Integrity" training, which reviewed the Alcatel-Lucent Code of Conduct.

4.6 Actions taken to prevent corruption

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

Our Anti-Corruption Compliance Program focuses on ensuring employee awareness of and compliance with our 6 company policies and applicable laws such as the United States *Foreign Corrupt Practices Act* and the United Kingdom *Bribery Act*. Key pillars of our anti-corruption program include:

- ongoing monitoring of legislative and regulatory activities;
- annual program self-assessment and development of related enhancement plans;
- annual compliance risk assessment with related mitigation plans;
- regular status reporting to senior management;
- continued implementation of a web-based tool to ensure gifts, travel and hospitality events are granted in accordance with anti-corruption policies; and

- enhanced risk management of sales and other third parties through the application of new third-party screening and selection processes, and globally implementing a third-party registry and online screening tool.

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

Consolidated risk assessment results are shared regularly with all interested stakeholders including senior management. Compliance Committees composed of management from Sales, Finance, Legal, HR and Compliance have been established in the regions and business units to regularly review anti-corruption compliance. In addition, unit compliance leaders provide quarterly status reports to the Office of Business Integrity & Compliance detailing ongoing implementation of their action plans.

2015 highlights

Every part of our business (including regions, business groups and central functions) was analyzed for risks related to corruption. To ensure full alignment, each operating unit's compliance risk assessment report was reviewed, approved and documented by the Management Committee member responsible for that organization.

Alcatel-Lucent updated eight policy documents connected to Anti-Corruption, to align with the stricter policies and tool procedures introduced in 2014. Full deployment of the Gifts, Travel and Entertainment online tool, and related training occurred in early 2015.

4.7 Protecting privacy

Alcatel-Lucent remained committed to respecting individual privacy rights and expectations, and to protecting personal data against unauthorized access, use, retention or disclosure in 2015. We set up a comprehensive organizational structure in charge of privacy and data protection (P&DP) compliance that includes the following:

- **Chief Privacy Officer (CPO)**

The CPO served as primary senior sponsor and leader responsible for ensuring Alcatel-Lucent had a consistent and effective P&DP strategy in line with the overall business strategy, as well as an associated P&DP compliance program.

- **P&DP Compliance Program Owner**

The Compliance Program Owner's primary responsibility was to establish and execute the P&DP Compliance Program (including chairing the P&DP Steering Committee).

- **P&DP Lead Counsel**

This person ensured the various P&DP players had all necessary legal advice and support throughout the year.

- **P&DP Steering Committee**

Established in 2010, this committee's role was to provide overall cross-functional oversight of the design and implementation of Alcatel-Lucent's privacy program. It met several times during the year and was composed of the CPO, the Lead Counsel and other senior leaders from CTO, Corporate Security, Corporate Sustainability, Human Resources and IS/IT.

- **Data Privacy Team (DPT)**

This multi-disciplinary team carried out daily operational tasks and activities in support of the various business units and their project teams assessing and mitigating P&DP risks. It also worked to ensure members of the **Data Privacy Network (DPN)**, which represented Alcatel-Lucent affiliates, had the necessary information to conduct their own compliance assessments with local laws, and to implement necessary local actions such as submitting filings to data protection authorities or preparing needed communications to works councils and users.

As part of its annual activities, the P&DP Compliance Program last year:

- conducted an assessment and developed a related enhancement plan;
- developed policies, procedures and guidelines to meet regulatory and customer requirements;

- designed and deployed training modules for specific audiences (e.g., HR, IS/IT, Sales, R&D) to complement the Code of Conduct;
- made available various awareness and educational resources including FAQs and "what if?" scenarios, some of which were produced for specific occasions such as the annual international data privacy day; and
- continuously monitored data privacy regulatory developments as well as changes in regulations pertaining to areas such as the Internet of Things, cloud and Big Data.

Specific to 2015, the P&DP Compliance Program also:

- conducted an internal review to identify how this corporate team could further support to Alcatel-Lucent entities in complying with applicable local data privacy laws;
- analyzed data privacy-related requirements from a sample of customers' Request for Information (RFI), Request for Proposal (RFP) and Request for Quotation (RFQ) documents to better understand customer expectations and prepare standardized responses on behalf of our pre-sales and sales teams; and
- introduced the Alcatel-Lucent approach on P&DP to the Sustainability Advisory Panel during a session focused on Ethics & Compliance (a representative from Orange reciprocally presented how that company handles similar issues with end users and consumers).

As Alcatel-Lucent operates in a business-to-business model, its privacy activities continued to focus on its own employees. Nonetheless Alcatel-Lucent has a public Global Privacy and Data Protection Policy, which can be viewed at the bottom of every page of our website. This policy applies to all business activities of Alcatel-Lucent S.A., Alcatel-Lucent International and all of their subsidiaries, and to all Alcatel-Lucent websites that are operated by or on behalf of Alcatel-Lucent and/or link to the Global Privacy and Data Protection Policy. This policy does not apply to consumer activities as Alcatel-Lucent does not have direct business relations with consumers.

In April 2015, Nokia announced the intention to acquire Alcatel-Lucent to create a global leader in connectivity. Working sessions about Data Privacy compliance took place throughout the second half of the year between Nokia and Alcatel-Lucent as a specific sub-stream under the overall Legal & Compliance integration stream, for the two companies to understand the values, policies, governance model and other aspects in order to prepare a successful integration of Alcatel-Lucent into Nokia upon Closing of the Offer.

4.8 Telecoms Industry Dialogue on freedom of expression and privacy

The United Nations Guiding Principles on Business and Human Rights — the so-called "Ruggie Principles" that led to the establishment of the UN Protect, Respect and Remedy

Framework — were endorsed in June 2011. They clarify the responsibility of governments to protect human rights and the responsibility of the business community to respect human

rights in its global operations and ecosystems. In 2012, Alcatel-Lucent updated its Global Human Rights Policy to align with the UN Guiding Principles on Business and Human Rights, and designated the Chief Compliance Officer as the company's representative on human rights at the executive level.

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

The Group continued to broaden its security geographic screening processes and compliance screening of third parties, and to engage in ongoing monitoring of its supply chain to assess key aspects of human rights.

Externally, we deepened our collaboration with the Telecommunications Industry Dialogue (ID) — a group of nine

global telecommunications operators and vendors that has been meeting since 2011 to discuss freedom of expression and privacy rights in the telecommunication sector. In 2013, ID members jointly launched the 10 Guiding Principles on Telecommunications and Freedom of Expression and Privacy of which Alcatel-Lucent's implementation measures can be found in the table below. In 2015, Alcatel-Lucent chaired the ID from April to October, bringing greater visibility to vendor issues relating to freedom of expression and privacy such as encryption, and furthering collaboration with the Global Network Initiative (GNI) to create a united multi-stakeholder ICT approach to human rights. We also chaired the publication of ID's Annual Report (available at <http://www.telecomindustrydialogue.org/wp-content/uploads/Telco-Industry-Dialogue-Annual-Report-2015.pdf>) and hosted a major stakeholder event in April 2015 presenting ID's achievements and milestones to more than 30 organizations — from investors and multilateral bodies such as OECD and UNESCO to individual rating agencies and peers from the telecoms sector.

Implementing the Industry Dialogue Guiding Principles

GUIDING PRINCIPLE	ALCATEL-LUCENT 2015 ACTIVITIES:
<p>1. Create and revise relevant policies with Board oversight or equivalent, outlining our commitment to prevent, assess and mitigate to the best of our ability the risks to freedom of expression and privacy associated with designing, selling and operating telecommunications technology and services.</p>	<p>Alcatel-Lucent published a revised version of its Human Rights policy in line with UN Guiding Principles. The Chief Compliance Officer (CCO) served as the designated company executive for human rights, freedom of expression and privacy activities.</p> <p>In 2015, the CCO, Corporate Investigation Services and legal counsel, with the assistance of the Head of Sustainability and involvement from the Anti-Corruption Program Office, progressively deployed company-wide implementation measures focused on commercial due diligence. These measures were reviewed by senior management and our Sustainability Advisory Panel, and included:</p> <ul style="list-style-type: none"> • screening for commercial due diligence; • creating legal clauses for resellers; • designing employee-wide training; • ensuring implementation across our supply chain; and • continuing advocacy and stakeholder engagement via the Industry Dialogue and in one-on-one sessions with investors, members of civil society and public institution representatives.
<p>2. Conduct regular human rights impact assessments and use due diligence processes (as appropriate to the company) to identify, mitigate and manage risks to freedom of expression and privacy — in relation to particular technologies, products, services or countries — according to the Guiding Principles for the Implementation of the UN Protect, Respect and Remedy Framework.</p>	<p>With the help of Compliance legal counsel, we broadened our company-wide export control and compliance processes to identify freedom of expression and privacy risks. Two major cases were identified and reviewed. We also monitored potential technology, commercial and geographical risks via our Compliance Hotline and enterprise risk management processes.</p>
<p>3. Create operational processes and routines to evaluate and handle government requests that may have an impact on freedom of expression and privacy.</p>	<p>As a vendor of telecommunications equipment, we usually receive government requests at the operator service level (i.e., from our customers). Our compliance and export control processes offer mechanisms to report and evaluate requests that affect our business.</p>

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<p>4. Adopt, where feasible, strategies to anticipate, respond to and minimize the potential impact on freedom of expression and privacy in the event that a government demand or request is unlawful, or where governments are believed to be misusing products or technology for illegitimate purposes.</p>	<p>The Alcatel-Lucent Code of Conduct encourages reporting of suspected or observed violations of law or company policy, including unlawful use or misuse of products, through the Compliance Issues Reporting Methods Initiative. During 2015, we implemented further screening at the regional level to anticipate, respond to and minimize the potential impact on freedom of expression and privacy related to a government demand or request. We also continued to work with key stakeholders (i.e., investors, NGOs and multilateral organizations) to provide awareness of unlawful or misuse of telecommunications products and technology via the Telecommunications Industry Dialogue.</p>
<p>5. Always seek to ensure the safety and liberty of company personnel who may be placed at risk.</p>	<p>The Alcatel-Lucent Code of Conduct includes a zero-tolerance commitment to protect the health, safety and security of employees during their operational activities.</p>
<p>6. Raise awareness of and train employees in relevant policies and processes.</p>	<p>Dedicated material on human rights, freedom of expression and privacy was included in the company's mandatory employee training on business integrity. This was extended to non-employee contract workers. A dedicated module was also included in Alcatel-Lucent University in English, French and simplified Chinese.</p>
<p>7. Share knowledge and insights with all relevant and interested stakeholders to improve understanding of the applicable legal framework and the effectiveness of these principles in practice, and provide support for the implementation and further development of the principles.</p>	<p>As an individual company and member of the Industry Dialogue, we participated in regular meetings with key stakeholders and met with investors, government and civil society representatives to share our progress and challenges relating to human rights. Where possible, we actively participated in key global forums via the Industry Dialogue, exchanged ideas at bilateral meetings and leveraged social media platforms such as Twitter. Alcatel-Lucent also chaired the Industry Dialogue from April-October 2015 with a particular focus on advancing collaboration between ID and the Global Network Initiative (GNI). We also spoke in the November 2015 Ethical Corporation conference to share best practices relating to human rights.</p>
<p>8. Report externally — on an annual basis, and whenever circumstances make it relevant — on progress implementing the principles, and as appropriate on major events occurring in this regard.</p>	<p>Through our Sustainability Report and associated website, we transparently reported on our implementation of the Industry Dialogue's Guiding Principles.</p>
<p>9. Inform the development of policy and regulations that support freedom of expression and privacy including, alone or in cooperation with other entities, using our leverage to mitigate potential negative impacts from policies or regulations.</p>	<p>Through the Industry Dialogue and its GNI collaboration, we spoke with members of the ICT industry last year to inform the development of policies and regulations supporting freedom of expression and privacy. We also engaged in conversations with multilateral organizations including UNESCO, investors, rating agencies and individual members of the telecoms industry to share challenges and best practices relating to freedom of expression and privacy.</p>
<p>10. Collectively examine options for implementing relevant grievance mechanisms as outlined in Principle 31 of the UN Guiding Principles for Business and Human Rights.</p>	<p>In 2015, the Industry Dialogue exchanged best practices and tools on grievance mechanisms. Alcatel-Lucent continued to provide a comprehensive grievance mechanism to all employees via its Compliance Hotline.</p>

5 Environment

5.1 Overall environmental policy

Our approach to eco-sustainability

The information and communications technology (ICT) sector has the potential to play a critical role in addressing challenges related to climate change. In 2015, Alcatel-Lucent continued to leverage its technological innovations to help customers respond to their environmental challenges, while reducing its own direct environmental impact following a three-part approach:

- **Developing eco-sustainable networks:** Creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks.
- **Leading the telecoms industry:** Finding new responses to today's climate change challenges through open, collaborative research partnerships and forums (such as the GreenTouch™ consortium) as well as our own Bell Labs research on energy efficiency.
- **Reducing our carbon footprint:** Decreasing our absolute carbon footprint from operations by 50% by 2020 compared to our 2008 baseline. By the end of 2015, our carbon footprint had decreased by 46% compared to the 2008 baseline.

Eco-sustainability governance

Environmental activities at Alcatel-Lucent fell under the responsibility of three bodies in 2015:

- **The Green Operations Sustainability Team**, which managed operational initiatives linked to the environment and climate change, and leveraged a network of local Green team leaders to ensure reliable, on-time carbon footprint reporting and proper implementation of local action plans.
- **The Environment, Health & Safety (EHS) Office**, which developed compliance assurance programs and policies to meet legal, customer and company requirements. It also

provided technical support to local EHS representatives for the implementation of EHS programs, and used the EHS Management System (EHSMS) to ensure compliance, continual improvement and performance in line with industry best practices.

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

Employee eco-awareness

To inspire all employees to be aware of EHS issues, we:

- shared updates on sustainability progress through blog posts, podcasts and Twitter sessions;
- offered web-based EHS training;
- held an Earth Day awareness campaign through the Alcatel-Lucent intranet and on-site events;
- distributed EHS employee news via email, our internal Engage social media platform and our EHSMS intranet website; and
- renovated our facilities to ensure all new offices implemented cost-effective, eco-efficient standards for heating, cooling and recycling.

In 2015, a survey was sent to 20,317 employees around the world to learn more about the commuting habits of Alcatel-Lucent employees. With a response rate of 24%, the survey allowed us to estimate the carbon emissions associated with employee commuting. In addition, our efforts related to environmental protection were rated as "good" or "excellent" by 57% of employees.

5.2 Developing networks with sustainable use of resources

Managing materials: Measures to improve efficiency of raw materials use

We use a life cycle assessment (LCA) approach to evaluate the consumption of raw materials throughout the life cycles of our

products. Data and results from LCA assessments inform continual improvements to achieve more efficient use of raw materials and energy at every stage of product life: raw material extraction, pre-processing, intermediate material and component manufacturing, final manufacturing and assembly, packaging, distribution and installation, use, and end-of-life

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reuse and recycling. These improvements are then incorporated into our best practices for environmentally conscious product design.

Examples of Alcatel-Lucent processes for improving the efficiency of raw materials use are as follows:

- **Designing for standardization** reduces parts inventories by increasing the use of “golden catalogs” and reuse of “golden parts.” The use of golden catalogs ensured adherence to our list of preferred/allowed suppliers and compliance with our policies on restricted substances and other factors. Golden parts were selected after comprehensive analysis, confirmed by preferred suppliers and approved by a forum of technical, business and quality experts. The primary purpose of a golden catalog for a family of materials, components or products is to minimize the variety of parts across business lines and product divisions, which in turn reduces costs, improves quality and flexibility, and accelerates time-to-market. At Alcatel-Lucent, golden catalogs were refreshed on either a 12- or 18-month cycle (depending on how fast the technology changes) to ensure accuracy and relevance in our very dynamic environment. At year-end 2015, Alcatel-Lucent was using approximately 4,030 golden parts in its product components. For new product development in 2015, golden parts comprised 61% of all items used in a bill of materials — a significant achievement from a standardization and complexity reduction perspective.
- **Eco-efficient product designs** provide increased functionality (e.g., capacity, service, performance) per unit of energy consumed while occupying less physical space, weighing less and using fewer types of raw materials. As an example, the latest release of the 7950 Extensible Routing System (XRS) offered efficiency gains through its drastically reduced resource footprint as well as its energy and thermally efficient design. Despite its minimal footprint, the 7950 XRS-30 with 400 G slots can scale up to 16 terabits in a standard rack. As network traffic continues to grow, this type of scalability will be essential to providing extended longevity in the network.
- **Improved materials selection guidance** supports optimal materials selection during the design phase. For example, we developed a database and search tool to help designers know about and avoid using substances of concern in their component and materials selection. This tool allowed designers to quickly look up information on thousands of

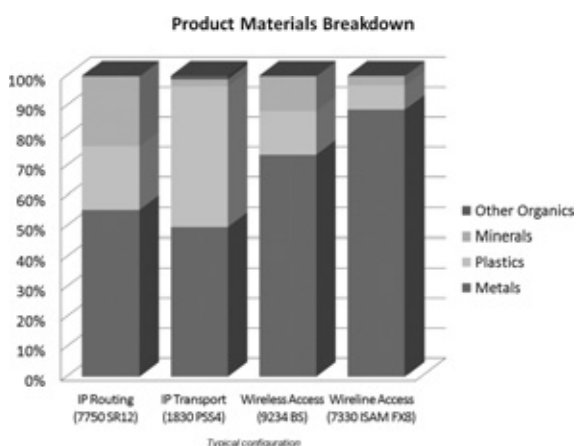
substances, providing key details on current and pending restrictions, hazards and issues of concern. Designers could then take appropriate steps to avoid using those substances in the components and materials being selected for a product under development. Other stakeholders such as researchers also used the database to learn about any concerns related to the potential use of a particular substance. The tool was updated on a regular basis as new information emerged regarding a substance’s environmental, health and safety impacts.

- **Accelerated innovation** delivers technological and environmental innovations to market more quickly, increasing access to resource-efficient equipment that uses less energy and material resources. For example, network functions virtualization (NFV) enables both network automation and the rapid scaling up and down of services, allowing service providers to innovate more quickly and make more efficient use of their resources for a better return on their investments. NFV can optimize the delivery of services such as voice over LTE, web real-time communications and machine-to-machine communications — and can cut the time and costs of bringing other new services to market. Shifting from dedicated hardware to virtualized or shared hardware also helped us reduce the use of material resources.
- **Product packaging** has a direct impact on the raw materials consumed and waste generated from our manufacturing processes. It also affects the amount of transport space required to deliver our products and, as a result, the energy efficiency of product transportation. Alcatel-Lucent worked with a leading North American customer to optimize the packaging and delivery of remote radio head (RRH) kits to the customers’ locations. Pallet containers that used a simple tray-tube configuration allow easier packing and unpacking, a higher stacking strength that minimizes the need for protective materials, and more efficient loading into a standard trailer along with minimal shifting during transit.

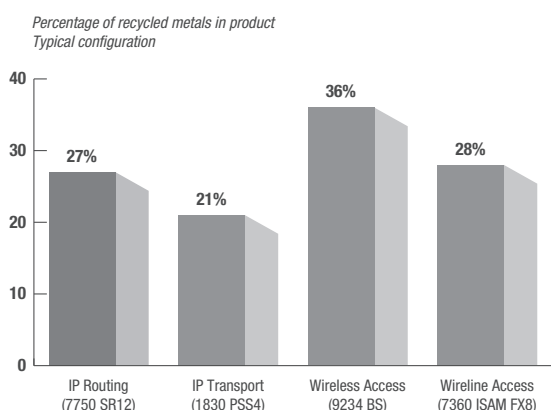
Product materials content

In 2015, Alcatel-Lucent delivered 135,425 metric tons of equipment to market. We were committed to analyzing the composition of our products’ component materials and recycled content to ensure our design process made the most efficient use of materials.

The following chart breaks down the materials content of some of our finished products:



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



Restricted substances

Our EHS design policies outlines our global mandates, requirements and standards related to the use of hazardous substances. We also maintain similar standards for our suppliers: our contracts included clauses mandating specific requirements for substances that are banned, restricted, to be avoided or reportable to us (See Section 8.2).

We make eco-declarations for all new product introductions available to our customers. These include information on hazardous substances affected by regulations such as the Restriction of Certain Hazardous Substances (RoHS) Directive and the Restriction, Evaluation and Authorization of Chemicals (REACH) Regulation. Each eco-declaration also states the availability of relevant information on the treatment of pertinent parts at recycling facilities.

We regularly update our hazardous substances requirements to include new requirements and voluntary targets. For example:

- Polyvinyl chloride (PVC):** We voluntarily reduced our use of PVC over the past several years in recognition of its associated environmental and human health risks. In 2015, we achieved our goal to eliminate PVC from our products where it was technically, economically and environmentally feasible.
- Heavy metals:** Our products are fully compliant with the requirements for heavy metals as specified in RoHS and REACH. We adopted this EU-focused compliance globally — with all new network infrastructure products implemented since 2010 being lead-free soldered by design, well in advance of the expiration of the RoHS lead-in-solder exemption for network infrastructure equipment.
- Halogen:** Our products were free of hexabromocyclododecane (HBCD), a brominated flame retardant, ahead of the ban by the Stockholm Convention that came into force in late 2014. We continued to investigate halogen-free printed wiring board materials for lead-free assembly in 2015, leading to the approval of several halogen-free materials for use in our designs. Our radio frequency systems (RFS) product group continued its development and deployment of the recently introduced HybriFlex and RadiaFlex RF cabling, with the end result being a low-smoke, zero-halogen cable product family that can meet customers’ technical needs as well as the harsh environment of the sites where the cables are installed.

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

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

Product energy efficiency

The rapid increase of broadband traffic, along with the skyrocketing number of connected consumers, end-user devices and services, is putting pressure on the ICT sector to introduce more power-efficient technologies. At Alcatel-Lucent, increased energy efficiency is an ongoing objective that covers our entire product portfolio.

Some recent examples of energy efficiency initiatives and achievements across our business lines include:

- Fixed networks:** Over the past few years we were able to improve the energy efficiency of our gigabit passive optical

network (GPON) line cards by more than 40% through the development and deployment of our in-house application-specific integrated circuits (ASICs). In addition, passive optical LANs (POL) using GPON technology provide better network performance than traditional copper-based LANs while reducing deployment and operational costs. Specifically, POL with GPON consumes less energy by using equipment that requires less power and cooling, cutting energy consumption by more than 50% compared to legacy networks — making it the most cost-effective and eco-sustainable option for deploying a LAN infrastructure.

- IP routing:** Environmental concerns were front of mind when we designed the 7950 XRS core router, with numerous aspects of its cooling and power systems being industry firsts. In addition to exceptional power efficiency resulting from its FP3 silicon building blocks, the 7950 XRS system design incorporates intelligent power-management capabilities. This allows operators to monitor the power consumption of individual components to assure power safety thresholds and manage power-up/down priorities in the event of degraded power availability. Other key enhancements included clock-gating techniques that dynamically reduce power to system components not in use as well as modular fans that adjust to provide appropriate cooling as needed. With these kinds of innovations, the 7950 XRS helps network operators to reduce their environmental impact while saving on total cost of ownership: a fully loaded 7950 XRS-20, for example, consumes only one watt per gigabit of traffic switched and occupies only 39 RU in a standard 19-inch rack.
- IP transport:** Combining state-of-the-art routing and optical transport technologies delivers significant cost and performance synergies for a more agile, dynamic and integrated network. Alcatel-Lucent expanded its 1830 Photonic Service Switch (PSS) portfolio with cloud-optimized metro platforms — the next-generation 1830 PSS-4 and PSS-16 along with the new 1830 PSS-8 — to meet escalating video, cloud and data center traffic demands. These high-capacity transport platforms double the capacity of optical metro solutions available today, reducing their size by up to 50% and power consumption by up to 40%. The re-design of our 10 Gb/s and 40 Gb/s line cards with new ASICs resulted in energy efficiency improvements of up to 58% for some 1830 PSS platform configurations.

Significant improvements were also achieved in our microwave transport solutions. The Alcatel-Lucent 9500 Microwave Packet Radio (MPR) was designed with packet technology at its foundation to provide the lowest total cost of ownership along with the smallest footprint — and can be, for some long-haul configurations, up to 109% more energy efficient than the previous 9600 Long-Haul System (LSY).

- IP platforms:** Our IP platforms leveraged the new generation of ENERGY STAR® certified IT servers to deliver increased processing capacity without an equivalent increase in power consumption. With the 8620 SurePay, for example, the target with these new servers is to improve energy efficiency by more than 50% compared to the previous server generation.

- Wireless networks:** We developed a holistic approach to increasing the energy efficiency of our radio access portfolio. At the site and system architecture levels, we promoted the implementation of distributed site architectures based on remote radio head and the deployment of heterogeneous networks, leveraging features that can switch macro cell carriers or small cells on or off depending on traffic load. At the product design level, our macro base station radio modules can adjust power consumption based on traffic load. Energy efficiency also drove our small cell product designs. We focused on identifying energy efficient hardware architectures, selecting components with low power consumption and providing increased functionality for similar power-consumption level. Our internal evaluation found that the functional energy efficiency of our WCDMA radio access technology in 2015 had improved by 190% compared to a 2008 baseline, significantly exceeding our target of 75%.

Impacts of our products on health and safety

Alcatel-Lucent remained committed to meeting the needs of its customers and ensuring the safety of its employees and the general public throughout 2015, continuing its program of assessing the health and safety impacts of all products at all stages of their life cycles. During the design phase, we worked with suppliers to avoid the use of hazardous materials. We also ensured that all materials were prepared for transportation according to nationally or internationally accepted regulations. Our technical documentation provided specific guidance for the safe use of our products, and mandatory training for Alcatel-Lucent Services personnel covered a range of topics to ensure a safe workplace.

All Alcatel-Lucent products that emit radio frequency (RF) energy were required to comply with country-specific regulations for human exposure to RF emissions during manufacturing and product use. Compliance was determined either by analytical assessment or measurement of propagated RF energy.

Electronic waste was shipped only to processing facilities that had passed our EHS liability assessment. Unless otherwise specified, all electronic waste was processed to recover as much recyclable material as possible.

Safety within the electromagnetic environment

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

Our position regarding human exposure to RF transmissions was based on the opinion of more than 150 expert committees mandated by national and international authorities to assess the

advancement of scientific knowledge. All have concluded consistently that there is no established health effect from exposure to RF fields below the limits set by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), the international commissions recognized by the World Health Organization (WHO) or similar recommendations from the Institute of Electrical and Electronics Engineers (IEEE).

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

Harmonizing RF exposure limits

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

Contributing to international standardization initiatives

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

Pollution and waste management

Monitoring and reduction

Waste

We have reduced the amount of waste generated by 42% (i.e., 7,167 metric tons) between 2013 and 2015. In 2012, we established an objective to reduce the amount of landfilled waste to 15% by 2015 (down from 36% in 2009). ("Waste" refers to all hazardous and non-hazardous waste from our operations, excluding electronic waste.)

Total estimated amount of landfilled hazardous and non-hazardous waste

2013	24%
2014	14%
2015	20%

Note: Waste data based on total extrapolated hazardous and non-hazardous waste production, recycling and landfilling weights.

All Alcatel-Lucent and joint-venture facilities and operations that generated or managed waste and waste byproducts —

including hazardous waste and electronic scrap — were required to evaluate the possibility of reusing Alcatel-Lucent-branded equipment for maintenance or resale purposes, and to reduce waste and scrap generation by applying pollution-prevention and waste-minimization principles and mechanisms at both the process and facility levels.

Discharges, emissions and releases

In compliance with local laws and regulations, we maintained reporting processes for air emissions and water and soil discharges that seriously harm the environment in the countries in which we operate. No air emissions or water and soil discharges above any legal reportable quantities took place in 2015.

Noise

We monitored our operations and activities with regard to occupational noise and community noise regulations. In 2015, no noise-related issues were reported or regulatory citations written regarding either community or occupational noise.

Takeback, remanufacturing and recycling

Alcatel-Lucent offered global product takeback, remanufacturing and recycling services for any type of telecom products regardless of vendor. Members of our global network of approved recycling vendors collected and recycled products that have reached their end of life. Customers were provided with an online request form to arrange equipment pick-up. Where possible, we participated in public recovery systems.

In 2015, Alcatel-Lucent managed 4,579 metric tons of electronic waste. Of this, 95.4% was recycled or resold, 1.3% was treated by incineration and 3.3% was disposed of via secure landfill. Of the recycled or resold electronics, 294 metric tons of equipment and components were remanufactured and/or resold, of which 84,721 circuit packs and 514 configured pieces of equipment were remanufactured internally at Alcatel-Lucent. Approved recycling partners recycled 4,077 metric tons.

We also avoided producing more than 7,189 metric tons of CO₂e by remanufacturing new equipment and components. In 2015, 6 new product families were added to our remanufacturing and resale operations. The overall number of Alcatel-Lucent product families under this remanufacturing/resale process grew from 45 in 2008 to 103 in 2015.

Telecommunication networks operated by our customers require significant amounts of batteries to maintain the backup power to run a stable network. Alcatel-Lucent operated a battery maintenance, installation, removal, transportation and recycling program across the United States to ensure the batteries in its equipment were properly managed and recycled. The goal was to prevent the potentially harmful chemicals in lead-acid batteries from entering the waste stream and instead make available for use in new batteries. Alcatel-Lucent recycled 417.9 metric tons of lead-acid batteries from customers' networks in 2015, resulting in the recovery of 292.5 metric tons of lead for use in the manufacture of new batteries.

5.3 Green innovation

Bell Labs

Network energy consumption is one of the major industrial challenges facing customers and the Information and Communication Technology (ICT) industry at large. With exponential traffic growth predicted for communication networks — accompanied by increased energy costs — service providers' operational expenses will increase significantly without the development of more energy efficient technologies. A further concern is access to stable, reliable power, which cannot be taken for granted in the case of off-grid or poor-grid deployments in developing countries and rural areas, or where massive deployments of network equipment like small cells present significant operational challenges and expenses.

The Network Energy Research program of Bell Labs, Alcatel-Lucent's research arm, focused on optimizing network energy utilization and on developing innovative solutions for Alcatel-Lucent products. The program's research efforts spanned all major areas of the network, including wireless and fixed access, metro and core networks, and optical transmission. It investigated technologies, architectures and solutions aiming at:

- reducing required energy per bit (that is, increase energy efficiency) for data transmission, processing or storage;
- reducing power wastage from inefficiencies and overhead (for example, through more efficient thermal management and cooling); and
- enabling off-grid deployments through new energy harvesting solutions and high-density energy storage technologies.

This program also investigated innovative applications of ICT technologies such as connected and smart city applications (e.g., smart grids, electric mobility, etc.).

In January 2015, Bell Labs launched the second version of the GWATT (Global "What if" Analyzer of NeTwork Energy ConsumpTion) application, which forecasts the impact future network traffic volume will have on ICT networks' energy consumption. GWATT aims to drive intelligent dialogue about the sustainability potential of new technologies and the relative importance of different architectures and technologies on end-to-end energy consumption. It is based on forecasts and network modeling from:

- Bell Labs;
- GreenTouch consortium;
- Cisco Visual Networking Index (VNI); and
- Global e-Sustainability Initiative (GeSI).

More than 28,000 users have accessed the second version of GWATT since its launch. It offers several new features

compared with the original GWATT, including the modeling of applications' traffic flows and network transformations (such as software-defined networking and network functions virtualization).

GreenTouch™ consortium

Given that network energy consumption and carbon emissions affect the entire ICT industry, the Bell Labs vision of zero-power networking is based on extensive collaboration with service providers, equipment manufacturers, research institutes and universities. This kind of collaboration was at the core of the GreenTouch consortium founded under Bell Labs' leadership in 2010 as a pre-competitive research initiative to improve network energy efficiency by a factor 1,000 compared to a state-of-the-art 2010 reference network.

GreenTouch's five-year mission concluded at a public meeting in June 2015 with the presentation of final results for all of its research projects and a comprehensive roadmap of technologies that will dramatically improve the energy efficiency of mobile access, fixed access and core networks. The proposed architectures, technologies, algorithms and protocols — along with the underlying modeling and evaluation methods developed by GreenTouch — will set the stage for a more sustainable ICT infrastructure that can support future applications, services and traffic growth while consuming less overall energy than conventional networks today. Two interactive applications were also publicly launched to help industry stakeholders better understand and build on the GreenTouch technologies.

The results presented by GreenTouch show it is possible to improve network energy efficiency by: a factor of 254 in fixed access networks, a factor of 316 in core networks and a factor of 10,000 in mobile networks (compared to the 2010 reference networks). In practical terms, this means the net energy consumption of communication networks can be cut by 98% — equivalent to the greenhouse gas (GHG) emissions from 5.8 million passenger vehicles, even accounting for the tremendous network traffic growth since 2010.

The findings from the GreenTouch research projects are publicly available at www.greentouch.org.

They include:

- the GWATT interactive application for modeling ICT network energy consumption;
- a power model tool for wireless base stations (www.imec.be/powermodel);
- a series of white papers and scientific papers;
- a series of project videos.

5.4 Reducing our carbon footprint and the environmental impact of our operations

Tracking and reporting on carbon emissions

Reporting on Scope 1, 2 and 3 sources

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

In 2015, we consolidated facilities to utilize resources more efficiently — this action along with our efforts to implement energy efficiency projects and conduct energy efficiency awareness programs for employees resulted in obtaining over a 9% reduction in CO₂e emission levels from our facilities compared to 2014.

Alcatel-Lucent followed the Greenhouse Gas Protocol (GHGP) to determine which elements to measure, reporting on 10 of the 15 GHGP categories (four categories were not applicable to our business activities and with respect to Scope 3 category 2 “Capital Goods” is currently being evaluated for future addition). We committed to reduce our absolute carbon footprint (CO₂e) from Scope 1 and Scope 2 operations by 50% by 2020 (compared to our 2008 baseline of 827 tCO₂e). According to the 2015 operational data available at the time of filing this report, the carbon footprint associated with our operations showed an approximate 46% reduction from 2008 levels.

Carbon Disclosure Project

In 2015, Alcatel-Lucent participated in the Carbon Disclosure Project (CDP) supply chain and investor questionnaires, scoring 100 out of a possible 100 points on “disclosure” and being assigned to the ‘A’ band on “performance.” Alcatel-Lucent was also classified in the CDP Supplier Climate A-List.

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

Reducing the environmental impact of our operations

Energy consumption

Electricity accounted for 81% of our worldwide operational carbon footprint. In 2015, we decreased our worldwide total electricity consumption by 7%, with an associated 11% reduction in CO₂e from the previous year. Despite these noticeable reductions, our energy usage by building area increased by 6% (from 0.38 MWh/m² to 0.41 MWh/m²).

We will continue to implement projects and invest in our facilities to achieve further energy reductions.

- *Energy optimization projects:* We made several major capital investments in recent years to reduce energy consumption and related emissions in our buildings. In 2015, a number of energy optimization projects were underway or completed in our largest facilities, including projects related to efficient illumination, occupancy sensors, time-of-day adjustments and alternative energy use.
- *Use of alternative energy:* Approximately 22% of our utility provided electrical power came from renewable sources in 2015. In Belgium, Austria and Switzerland, 92% of the electricity purchased (based on total building area) came from hydroelectric sources. As availability and financial conditions warrant, we will expand our direct purchases of renewable energy. Electric utility sources that include increases in renewable and nuclear resources resulted in a worldwide average reduction of 4% tCO₂e/MWh from 2014 emission factors.
- *Electricity usage for laboratory equipment:* Based on recent energy studies at facilities that contain laboratory operations, we have determined that over 80% of electricity usage is attributable directly to laboratory equipment. We are working with laboratory personnel in developing energy usage policies that will minimize this impact. This activity will result in a significant reduction of energy usage per building area once more laboratories start reducing the operating period of equipments which do not have to be operating constantly throughout the year.

Water consumption

We have reduced our water consumption by 47% since 2007. On a worldwide basis, consumed water has been reduced by 5% since 2014.

Based on the determination that a more robust water-monitoring program was needed within our facilities, we continued throughout 2015 to revise our internal guidelines and establish specific timelines for:

- installing sub-meters within targeted facilities; and
- tracking water consumption by usage category (domestic, irrigation, process) and facility type (office, laboratory, warehouse, manufacturing).

Biodiversity protection

On the ground

Alcatel-Lucent continued to assess its real estate portfolio, creating natural habitat enhancements at its locations and for remediation/cleanup projects.

Under the sea

Anytime we laid submarine cable on the ocean floor, we complied with specific environmental standards (including eliminating hazardous constituents in our cable) and obtained all

necessary permits from authorities (including specific eco-certifications). Our cables are small — between 17 and 40 mm in diameter — and have a 25-year design life.

6 Our people

6.1 Employment

Employees

Our total worldwide employee headcount at the end of 2015 was 50,047 in more than 100 countries worldwide. The figures take into account all employees who worked for fully consolidated companies (including long-term absences/notice period) as well as for companies in which we own 50% or more of the equity.

The numbers were restated for the last two years due to the sale of our Enterprise activities on September 30, 2014. Enterprise headcount was 2,795 in 2013, and 463 in 2014.

Contractors and temporary workers

In 2015, the average number of contractors and temporary workers was 2,607 in the aggregate. The number of

contractors is composed of employees of third parties performing work subcontracted by Alcatel-Lucent.

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

Pursuing our commitment to create a diverse and highly skilled global workforce, in 2015 we provided a stimulating work environment and continuous learning opportunities, fostering diversity and open dialogue by sharing knowledge and celebrating differences. Our goals last year were to continue to drive the transformation of human resources and the expansion of Alcatel-Lucent University, enhance the effectiveness of our leadership programs and further diversify our workforce to foster future growth.

6.2 Employee health and safety

Our commitment to employee health and safety

We honored the commitments under our Environment, Health and Safety (EHS) policy to operate in a way that protects the environment and the health and safety of employees, contractors, customers and the communities where we did business in 2015 by:

- identifying EHS hazards and assessing the related risks;
- putting appropriate controls in place;
- assigning competent, experienced and, if required, appropriately certified employees to perform specific work activities; and
- harmonizing EHS requirements globally and establishing key performance indicators (KPIs) across the company.

To ensure a healthy and safe work environment for employees, we placed high priority on training and guidance. In 2015, Alcatel-Lucent University delivered about 8764 training hours on EHS issues. (It should be noted that these training hours do not take into account other EHS awareness channels such as workplace ergonomic guidelines or the EHS topics covered by mandatory Code of Conduct training).

In 2015, we introduced a new EHS awareness course for our top 200 leaders. This course was designed to help them better understand the hazards and risks associated with our business, their own personal liability and the correct steps to avoid injuries and fatalities.

We also continued to focus on high-risk operations such as work performed at elevated heights or that involving electrical safety. Given that the majority of this work was performed by outsourced personnel, in 2014 we turned the spotlight onto our subcontractor community, launching a global initiative to qualify and mentor subcontractors involved in this type of high-risk work. With a message of zero tolerance for non-compliance, the qualification process reinforces the fact that all subcontractors are held accountable to the same standards we apply internally. Our team then mentored those who needed guidance to raise their level of safety awareness. To date, more than 500 subcontractors have been evaluated by the Global Procurement and local EHS teams to ensure they are qualified to meet our business needs.

Absenteeism

Employee absenteeism was managed and tracked at the country level in accordance with all relevant local legal

requirements and regulations. This ensured the fastest, most appropriate actions could be taken to respond to fluctuations outside the norm for each respective country. At a global level, we continued to publish the number of days of absence due to work-related accidents (including occupational diseases) per employee.

Occupational accidents

An occupational accident is any unexpected occurrence in the course of or in relation to work that results in:

- injury (e.g., cuts, fractures, sprains or amputations resulting from a single exposure to the work environment); or

- illness, meaning any work-related health condition whether acute (e.g., contact dermatitis) or chronic (e.g., chronic obstructive pulmonary disease) that develops through single or multiple exposures (e.g., poison ivy, lead poisoning, asbestosis) or repetitive stress (e.g., carpal tunnel syndrome).

Our reporting requirements for serious incidents and occupational accidents ensured all business groups provided the information to support effective trend analysis and root-cause identification and continuously improve our safety performance — in pursuit of zero lost workdays due to injury or illness.

	Frequency rate for work-related accidents (including occupational diseases)	Number of days of absence due to work-related accidents (including occupational diseases) per employee
2012	1.21	0.07
2013	1.19	0.06
2014	1.14	0.04
2015	0.85	0.04

Evolution since 2012

The frequency rate for work-related accidents has decreased since 2012 due to our EHS programs as well as to the fact that contractors and/or subcontractors are increasingly performing high-risk operations. In 2015, the subcontracting of high risk activities in USA helped to further decrease the frequency rate.

Notes:

Employees, students, trainees, apprentices and directly supervised contractors make up the “workforce” considered for work-related accidents (including occupational diseases such as work-related stress).

Due to local regulatory frameworks and other specificities, not all establishments use the same methodology to calculate days of absence due to work-related accidents, including occupational diseases per employee. Our figures have been adjusted by each consolidating entity for countries reporting in calendar days instead of working days to ensure disclosed data are homogeneous.

While occupational accidents are typically connected to high-risk field activities, we also continued to promote proactive safe work procedures for office employees. For example, we revised our ergonomics guidelines to better suit today’s work environment (such as the increasing use of laptop versus desktop computers).

Because we did not use any heavy industrial manufacturing processes, we were not required to calculate or follow an indicator on the severity of these kinds of occupational accidents. Global occupational accident trends focus on an employee’s professional activity and the corresponding risks

associated with it. Improvements are made at the program level based on trends identified, irrespective of the number of lost workdays. It has always been our approach to view the potential of the occurred accident and what we can learn to prevent its further occurrence.

Fatalities and injuries

The only acceptable number of work-related fatalities is zero. We reinforced our zero-tolerance policy with all subcontractors to foster a safety culture in 2015. This included collecting subcontractor data on lost workday cases and near misses, and using that information to continuously improve our safety programs.

In 2015, we recorded zero subcontractor fatalities. In 2011, a strategic Health and Safety Improvement Program was put into place and as a result there has been a consistent decrease in fatalities each year and finally in 2015, we reached our ZERO fatalities goal.

Integrating SA8000 assessments

Building on several year of strengthening our social accountability, in 2015 we introduced an SA8000 maturity level self-assessment in 11 locations in Brazil, Egypt, India, Romania, Russia, Saudi Arabia and Turkey. Consisting of a set of questions based on the SA8000 standard as well as our own EHS requirements, this assessment allowed for the rapid analysis of our social accountability programs in three key areas: human resources, EHS and purchasing.

6.3 Work organization and management

Strategic workforce planning

In 2015, we continued to execute The Shift Plan, our three-year strategic plan launched in 2013. For workforce evolution this meant strengthening our capacity for short- and long-term workforce planning across different business segments. With respect to our product portfolio and financial performance, it was strategically essential that we align our workforce by:

- translating the strategy behind The Shift Plan into an executable workforce plan;
- adopting a bottom-up approach that took into account country-specific legal and social constraints as well as business needs, leading to a realistic and feasible implementation plan in the countries in which we operate;
- controlling and monitoring the evolution of each country's net headcount (through recruitment, attrition, transfer, mobility etc.); and
- planning our future geographic distribution in a consistent way (and in line with our real estate plan) at the global, country and sites levels.

For further information on our strategic plan, please refer to Section 6.1 "Overview of 2015" of the 2015 Annual Report on Form 20-F.

Internal mobility and recruitment

We executed a new global approach to recruitment in 2015. Our internal processes were standardized on a global scale and our support structure was changed to a team concept with multiple recruiters available to assist as needed. These changes were focused on establishing more consistent ways of working across all our locations worldwide, improving the level of responsiveness with the recruiting team and ensuring overall stronger customer satisfaction.

We also rebranded the Internal Job Opportunity Market (IJOM) to Build Your Future. Distributed across our internal social media platform and throughout various recruitment materials, the new brand was designed to have our employees reflect on their own personal growth and development. In addition, our internal job market newsletter expanded into additional regions for broader visibility.

Leadership Pipeline

Alcatel-Lucent continued to invest in the identification and development of leadership potential to support succession management. This included conducting business talent reviews to identify future leaders and refresh our existing pipeline of high-potential talent (e.g., emerging leaders, high potentials and future top leaders). In 2015, a total of 1,080 future leaders and

3,203 critical talents were identified to support our talent needs moving forward.

Focused on preparing future leaders and bringing diversity to our top 200 leadership roles, the Leadership Pipeline relied on three pillars:

- consistent identification of leadership talent;
- movement of talent across geographical, functional or business boundaries; and
- development of leaders using a broad variety of methods.

Human resources professionals, in partnership with their business leaders, ensured the execution of this strategy by supporting managers and talent through each phase.

In 2015, 128 future leaders attended customized and dedicated development tracks focusing on the company's business needs as well as the individual's leadership-development needs, preparing them to take on bigger leadership roles. In addition, emerging leaders in more than 10 countries were invited to attend the newly developed Talent Awakening workshops, which were designed to build self-awareness through a detailed personality profile combined with one-on-one debriefings from certified human resources practitioners. More than 900 individual debriefings were completed by the end of 2015.

Performance management

The Alcatel-Lucent performance-management process, OurTalent Dialogue, focused on the importance of continuous, person-to-person dialogue between managers and employees to support direction setting, goal clarity and performance feedback. This allowed employees to drive their own performance and manage their career development in alignment with the company's business strategy. This approach also let employees have continuing conversations with their managers on developmental areas to ensure continued growth and to manage their career development.

In 2015 we continued to implement a targeted learning approach for managers to develop their skills in setting direction, coaching, motivating, managing performance and leading change. More than 120 workshops were held globally, involving some 3,500 managers

Compensation

Alcatel-Lucent continued its policy to pay all employees fairly regardless of gender, ethnic origin or disability. We remain committed to provide a competitive compensation package in line with other major companies in the technology sector and place particular emphasis on ensuring employee development, rewarding the skills that drive innovation and ensuring long-term employee engagement through appropriate policies, processes and recognition tools.

A new variable incentive plan (excluding the sales population) was implemented in 2014. It included corporate, business unit and individual key performance indicators to enable employees to have greater visibility into and influence over their achievement and rewards. In 2015, our compensation strategy was aligned with The Shift Plan to strike a balance among the following elements: speed, simplicity, trust and accountability. This included the implementation of common bonus plans, sales incentives and equity grants to ensure a consistent, global approach to compensation; the clear communication of performance achievement levels and policies; and having employees set and review yearly performance targets with their managers.

The grants of long-term incentives (e.g., stock options and performance shares) are decided by our Board of Directors upon recommendation of the Compensation Committee. The implementation of long-term incentives serves several purposes, including:

- involving employees in Alcatel-Lucent's results and in the achievement of The Shift Plan;
- encouraging and rewarding performance; and
- attracting and retaining talent in a highly competitive industry where quality and employee motivation are key factors for success.

Long-term incentives were typically subject to presence and/or performance conditions. In the context of our combination with Nokia, the Board of Directors decided, in April 2015, to waive the presence and performance criteria under certain conditions. This was subject to the success of Nokia's public exchange offer. For further information, please refer to Section 8.1.8 "Mechanisms put in place with respect to long-term compensation instruments in the context of Nokia's public exchange offer" of the 2015 Annual Report on Form 20-F.

Employee compensation evolution (that is, wages and salaries) over the past three years is set forth in Note 23 to our consolidated financial statements.

Training: Alcatel-Lucent University

The mission of Alcatel-Lucent University is to improve the performance of our employees, partners and customers and build the skills required for business success through:

- learning and development initiatives aligned with Alcatel-Lucent's strategic priorities;
- state-of-the-art learning facilities and e-learning components;
- technical certifications for customers, partners and employees that offer professional standing in key technologies;
- programs targeting key Alcatel-Lucent jobs;
- a learner-centric approach that enables individuals to achieve proficiency in areas relevant to their particular organization, job role and career interests.

All learning hours are tracked through a formal learning management system that provides auditable learning volume reports. Alcatel-Lucent University leverages a personal, community-based learning application called My Personal Learning Experience (or My PLE), which allows students to better drive and manage their own learning programs. Designed around learning communities and the sharing of best practices, My PLE makes it easier for students to learn from their peers and from content experts — which, in turn, makes learning more relevant to the job.

Achievements

In 2015, Alcatel-Lucent University delivered a total of 1.2 million hours of training to approximately 80,000 students from 136 countries. Of these hours, 43% were delivered to external learners (that is, customers and partners) and 57% were delivered to internal learners (that is, employees and contractors).

In 2015, the University delivered an average of 11 hours of training per internal learner. About 74.3% of internal learning was delivered online in 2015, an increase of 1.3% compared with the previous year. In addition, 373 employees received IP/service routing certification and 399 received LTE certification.

In June 2015, the University launched the Learning Store, making it easier for employees to find and access relevant training to foster their development. By the end of the year, the Learning Store had received 25,000 visitors.

Teleworking

Teleworking reduces commuting time and costs, real estate costs, operating expenses and our overall environmental impact.

To demonstrate our support for an agile workforce and a better work/life balance for our employees, teleworking policies remained in place across all regions in Alcatel-Lucent. We had worked with our main trade unions in Europe since 2008 to define collective agreements on teleworking. As a result, employees in France, Belgium, Spain, Italy and Germany, for example, could telework if an organizational analysis of the employee's job activities was positive and there was mutual agreement between the employee, his/her manager and the HR function.

Since 2013, we extended the number of countries with teleworking policies by defining agreements across the Middle East, Africa and Asia-Pacific, including in China and India. Building on our expanded teleworking deployments, a global teleworking policy was developed in 2013, respecting all local laws in this matter.

In 2015, a survey was sent to 20,317 employees around the world to learn more about the commuting habits of Alcatel-Lucent employees. With a response rate of 24%, the survey allowed us to estimate the carbon emissions associated with employee commuting. Based on this survey, 47% of our

Our people

employees teleworked at least one day per week — and some countries had even higher rates, such as the Netherlands (79%), the United States (75%), Belgium (67%), Argentina (66%), France (64%), Spain (63%), Australia (60%), the United Kingdom (60%) and Mexico (58%).

Restructuring: The Shift Plan

The three-year aim of The Shift Plan was to refocus Alcatel-Lucent industrially, operationally and financially as a specialist in IP and cloud networking and ultra-broadband access — and to deliver innovations that would shape the future of the industry and ensure profitable growth as follows:

Industrial

The Shift Plan reflected fast-changing trends in the telecommunications industry, where service providers and large-scale Internet companies are handling ever-expanding volumes of data. Under The Shift Plan, Alcatel-Lucent adapted to the evolving market by placing its IP networking, cloud and ultra-broadband portfolio at the center of its operations. R&D became concentrated on IP networking and ultra-broadband access, while our customer focus shifted to new products and platforms for our most profitable market segments (including Tier 2 to Tier 4 service providers) along with web-scale and extra-large enterprise customers.

Financial

Aiming to restore the Group's profitability and competitiveness in the marketplace, The Shift Plan included a reduction of Alcatel-Lucent's fixed-cost base by €1 billion between 2013 and 2015 through the adoption of direct-channel operations, a refocusing of R&D capacity, and the additional consolidation of

sales, general and administration (SG&A) functions. Other actions were undertaken to reduce the company's real estate footprint and drive efficiencies in project delivery, back-office IT systems, supply chain management, manufacturing and procurement.

These actions led to a reduction of 13,626 jobs by the end of 2015 (compared to a year-end 2013 baseline), with 2,618 stemming from the sale of our Enterprise activity.

The Shift Plan also included a €2 billion reprofiling of the company's debt between 2013 and 2015 by actively capitalizing on attractive international debt market opportunities. The Group's debt was reduced by €2.2 billion (from €0.8 billion net debt by end of Q2 2013, to €1.4 billion net cash by end of 2015).

Operational

A new operating model was put in place with full profit-and-loss (P&L) and cash accountability for businesses.

At the end of 2015, Alcatel-Lucent had achieved the following targets as part of The Shift Plan:

- a workforce of 50,047 people, a decrease of 2,626 compared to the previous year;
- repositioning as a specialist in IP and cloud networking and ultra-broadband fixed and mobile access, with key wins and market share gains in these areas;
- fixed costs savings of €356 million in 2015 and cumulatively of €1,031 million since 2013;
- a stronger balance sheet closing on a net cash position of €1.4 billion; and
- completion of debt reprofiling.

6.4 Social relationships

Union discussions

Organizations for social dialogue

We worked to foster an open dialogue with employees on any decisions that directly affected them. Discussions with employee representatives concerning organizational changes and workforce reductions were managed on a regional and/or country basis. During the launch of the Alcatel-Lucent Performance Program in 2012 and The Shift Plan in 2013, we regularly engaged with our social partners on the impact of these initiatives in full compliance with local rules and regulations. These discussions continued throughout 2014 and 2015 in conjunction with the ongoing implementation of The Shift Plan and the announcement of the merger of Alcatel-Lucent and Nokia.

- *Dialogue with trade unions:* We informed or consulted with union representatives before making any major change in the organization. Matters affecting individuals, particularly those

involving relocation or the transfer of work to a new location, often required up to six months of discussions.

- *European Committee:* The European Committee for Information and Dialogue (ECID) is a dialogue body where senior management and European employee representatives can share their views. Composed of 30 members as well as a Coordinating Committee led by the ECID Secretary (France) and four other representatives (Germany, Italy, Belgium and Romania), the European Committee meets at least twice a year. In 2015, it met on April 16 to discuss sustainable development, on April 17 to discuss the announcement of the Alcatel-Lucent/Nokia merger and The Shift Plan, and on October 14 for its final plenary meeting of the year dedicated to questions on The Shift Plan and the Alcatel-Lucent/Nokia transaction. In addition to these meetings with ECID, Alcatel-Lucent management and the Coordinating Committee met twice (March 10 and

September 14) to prepare the plenary meetings and by audioconference (November 12 and December 15) in advance of the Nokia integration announcements.

- *French Committee*: In France, a group-level committee representing unionized employees has been operating since 1981. Composed of 30 trade union representatives, the French Committee (*Comité de Groupe France*) meets at least twice a year; in 2015, it met four times.

Review of collective agreements

Some of the major collective agreements signed in 2015 include the following.

France

- *Accord Handicap* is a three-year collective agreement (2014–2016) covering not only the employment of people with disabilities but also their day-to-day life inside Alcatel-Lucent. This agreement was signed on December 18, 2014 by all unions (CFDT, CFE-CGC, CGT).
- *Accord Egalité Professionnelle* is a two-year collective agreement (2014–2015) on gender diversity, helping women break through the ‘glass ceiling’ while balancing their personal and professional lives. It was signed on July 3, 2014 by CFDT.

Netherlands

- Two collective bargaining agreements were signed in 2015: Collective Bargaining Agreement on Employment Conditions (focusing on salary increases, salary ranges, vacation days, retirement, and illness and disability) and the Social Plan (redundancy plan).

Belgium

- Two collective bargaining agreements were signed in Belgium: one on April 17, 2015, regarding the collective bonuses in application of the National Collective Bargaining Agreement N°90, and another on April 27, 2015, regarding measurement for older (45+) employees.

Italy

- Two agreements were signed to deliver employee training along with one agreement to deliver management training. An additional agreement was then signed to fund leadership training for women.
- An agreement was signed in Milan for the outsourcing of 29 employees to SESAnv (Madagascar Project).
- An agreement signed in Rome with union and government representatives for restructuring procedures related to The Shift Plan (Mobilità, CIG in Deroga).
- An agreement was signed in Rome with union and government representatives for the outsourcing to Flextronics of manufacturing activities in Trieste.

Romania

- An agreement was signed to reflect changes to benefits package and holidays.

United States

- In February 2015, Alcatel-Lucent USA Inc. entered into the 2014 Installation Effects Agreement with the Communications Workers of America (CWA). This agreement covers the handling of local union board members who were affected by the closing of their location of employment.

Brazil

- In November 2015, Alcatel-Lucent Brazil entered into a new collective bargaining agreement with the Sao Paulo Metalworkers’ Union for the period November 1, 2015 to October 31, 2017. This agreement covers salaries, benefits and other conditions of employment for employees represented by the union and includes an amendment for salary increase each year. A similar agreement was also signed with the Rio de Janeiro Metalworkers’ Union for the period of November 1, 2015 to October 31, 2016.

Percentage of employees covered by collective bargaining agreements in 2015

Sample of main countries where we operate	Percentage of employees covered
France	100%
Italy	100%
China	100%
Belgium	100%
Netherlands	100%
Norway	100%
Sweden	100%
Finland	100%
Spain	100%
Germany	100%
Romania	100%
Poland	100%
Slovakia	100%
Czech Republic	100%

Our people

Review of workplace health and safety agreements

Alcatel-Lucent in Germany implemented a stress-management plan in 2015 based on a 20-month pilot project completed the previous year. The plan included stress measurement and evaluation based on biofeedback analysis and heart rate variability, workshops with external partners on stress measurement and reduction strategies, and the installation of on-site equipment for stress relief and proactive health check-ups.

Internal communication and dialogue

Motivated, committed employees are critical to the success of any business. Our high-performance, high-speed culture required us to provide regular, up-to-date information to our workforce. We provided a variety of tools and programs to foster active, ongoing and targeted dialogue between management and employees to ensure everyone understood the company's objectives and their role in achieving them.

This past year was especially intense for employee communications. On April 15, Nokia announced its intention to acquire Alcatel-Lucent. This news (and the integration work that began almost immediately) changed much of the content of our internal communications and made communicating with employees more important than ever before.

Communicating about Nokia

Within a few days of the Offer announcement, we created a mini-site on our corporate intranet homepage (EyeOn Alcatel-Lucent and Nokia) to publish and store documents (e.g., press releases, internal announcements, PowerPoint presentations) related to the deal and integration work. Starting in June, the newly formed Integration Management Office (IMO) began publishing a monthly progress report on different aspects of the deal and the combined work with Nokia (e.g., legal, organizational, administrative, human resources). The newsletter was sent to all Alcatel-Lucent employees by push-mail and is also published on the intranet mini-site.

Our executives also communicated with employees about the Nokia Offer and integration progress in person. Between April 15 and December 4, different members of our leadership team made nearly 30 stops to our major sites around the world. At these different locations — whether in Argentina, Russia, Canada, China, India or France — our leaders, sometimes in pairs, held "all hands" meetings to give employees the latest news and answer questions.

Supporting strong leadership

In view of the Nokia Offer, we held our annual end-of-year top 200 leadership meeting in September in Paris — a little earlier than usual. The theme was "Proud of our Past, Inspired by our Future". It included a highly informative keynote address and Q&A session from Nokia CEO, Rajeev Suri. In addition to the annual top 200 meeting, our CEO holds monthly one-hour conference calls with our top 200 leaders. The first half of each call is devoted to hot topics and the second half to Q&A. We also continued our *Leaders Portraits* video series; published to

our intranet homepage, it features interviews with top 200 leaders to hear about their priorities and how things are going in his or her part of the business. We have now published nearly 50 videos since the series launched, all of them visible through the Alcatel-Lucent video-sharing service.

Developing our managers

The implementation of The Shift Plan required line managers to play a larger role in supporting their teams through change, cultivating employee engagement and developing a culture of high performance. In 2014, we started a company-wide People Managers Essentials Program; this program was further developed throughout 2015, with the existing People Manager Essentials workshops complemented by new People Manager Advanced workshops designed specifically for senior leaders. Approximately 2,500 managers have participated in one of the 120 workshops that have been delivered in 26 countries since Fall 2014. A People Manager Index (PMI) was also created to provide workshop participants with feedback on their leadership effectiveness. The PMI shows how the manager's team members see him or her living by the five essential roles: direction setter, change leader, motivator, performance manager and coach.

The communication platform launched in 2014 also continued to grow in 2015: the monthly information bulletin is now read by 65% of all managers, the digital 'playbook' describing managers' roles and responsibilities reached more than 12,000 page views and the dedicated online community for managers now numbers some 800 members.

Communicating about The Shift Plan

Although news about the Alcatel-Lucent/Nokia combination dominated 2015, it was also the final year of The Shift Plan implementation. We continued to inform employees of progress through quarterly updates sent by push-mail and published on the corporate intranet homepage. The Shift Plan was also regularly addressed by the CEO and CFO in their employee conference calls following each quarterly results announcement.

Innovative communication platforms

We continued to offer our Text-Me SMS service to push timely information to subscribing employees on their mobile phones. In 2015, we sent roughly 25 SMS messages to 2,200 subscribers. We also continued our *On the Air* radio program. Now at its 40th episode — averaging roughly 1,700 listeners per installment — the program highlights the latest company news, innovations, leadership interviews and questions from employees. *On the Air* is available via Engage, our social networking platform, and as a downloadable MP3 for mobile listening. We also launched a new innovation-focused webTV program called *InnoZap* in 2015. Episodes covered topics like real-time analytics, motion sensors and other Bell Labs inventions.

A new addition to our intranet homepage this year was the Tip of the Month series, where employees were asked to submit tips through the Engage platform on how to save time, reduce costs, improve the quality of our work and generally make work

life easier. Six tips were spotlighted on our intranet homepage on topics such as printing confidential documents with a password, recovering a deleted item in Outlook and how to display a virtual keyboard on your computer screen. This new initiative received positive feedback from readers who found the practical tips to be very useful.

While the Engage social networking platform is often used to support internal communication initiatives, it is available to all employees for worldwide dialogue and information sharing. Engage's membership now numbers more than 47,000 registered users and 2015 saw a 6.8% increase in interaction per piece of content.

In 2015, the Digital Workplace Infocenter, accessible from our intranet homepage, continued to be a resource to help employees select and optimize the way they use the many communication tools at their disposal. It helps employees collaborate, communicate and share information to better accomplish their business activities.

As part of our global employee recognition program, a new digital initiative called You Made My Day was launched mid-2015 on our intranet homepage. This easy-to-use email template provides a quick and fun way to say thank you to a colleague who offered a much-appreciated helping hand. Promoting this initiative was also an opportunity to highlight the full-range of recognition tools available to managers and employees.

Face-to-face communications

While much of our internal communications and dialogue takes place through digital tools, we never lose sight of the fact that

the most effective and personal communication channel remains face-to-face meetings. These can range from large-scale events like the annual meeting for our top 200 leaders to multi-stop worldwide roadshows (like the one carried out by our executive team in 2015). They also include smaller local events like the Coffee & Connect sessions held at our Murray Hill, New Jersey campus (with three sessions in 2015 attended by an average of 150 employees) or our monthly *Rendez-vous de Boulogne* (nine sessions in 2015) held at our corporate headquarters in Boulogne-Billancourt (near Paris), France.

Employee engagement

To increase employee engagement and shape our leadership culture, a Leadership Index (measuring leadership effectiveness based on 12 "dimensions") was launched in 2014 and two measurement cycles were completed in 2014 and 2015. More than 170 senior level leaders were measured during this period and were given the opportunity to be debriefed and coached by their HR business partner.

Since launch, the positive perception score (i.e., the percentage of direct reports and one layer below who strongly agree or agree with the effectiveness of the top 200 leaders) increased from 77% to 80% on average, with an average participation rate of 67%. Building on this success, a People Manager Index (PMI) was launched in 2014 with 1,485 managers being measured on similar leadership dimensions. The PMI had an average positive perception score of 83% and an average response rate of 76%.

6.5 Promotion and enforcement of ILO core conventions

Alcatel-Lucent Global Human Rights Policy

Our Global Human Rights Policy addresses the four primary roles we play in our business operations and ecosystem: employer, supplier of telecommunications infrastructure, business partner and corporate citizen.

Following the 2012 update to this policy to ensure alignment with the UN Guiding Principles on Business and Human Rights (the so-called "Ruggie Principles"), in 2015 we dedicated our efforts to implementing company measures according to the 10 Guiding Principles of the Telecommunications Industry Dialogue on Human Rights, Freedom of Expression and Privacy. These principles are designed to ensure proper treatment of our workforce and external stakeholders around the world, and to address our corporate role as a supplier of telecommunications infrastructure which supports transparency on freedom of expression and privacy. In parallel, we continued to dialogue with key industry stakeholders, including our customers as well as civil society, on our common responsibilities to human rights around the world.

Excerpt of the Alcatel-Lucent Global Human Rights Policy

It is the policy of Alcatel-Lucent to protect and enhance the human dignity of everyone who works for the company and anyone who has dealings with it. We conduct business in many countries and believe that our products, services and jobs improve the quality of life in each of these countries.

Alcatel-Lucent supports and respects, within its sphere of influence, the principles of human rights as embodied in internationally recognized principles and guidelines, including: the UN Declaration of Human Rights; the Ten Principles of the UN Global Compact; the UN Guiding Principles on Business and Human Rights; the International Labor Organizations (ILO) Declaration of Fundamental Principles and Rights at Work; and the OECD Guidelines for Multinational Enterprises (which refer to the UN Principles). We also respect and comply with all human rights legislations, regulations or standards in the countries in which we operate.

Our people

As an *employer*, Alcatel-Lucent:

- prohibits discrimination against any employee or job applicant on the basis of age; disability; race; sex; color; religion; creed; national origin; citizenship; sexual orientation; gender identity, characteristics or expression; marital status; covered veteran status; or any other protected class and will treat everyone with dignity and with full respect for their private lives;
- helps ensure that employment with Alcatel-Lucent is by freedom of choice;
- upholds freedom of association and the right of any individual to be fairly represented by a labor organization of their choosing, pursuant to local laws;
- offers employees remuneration packages that meet or exceed the legally required minimum;
- complies with maximum hours of daily labor set by local laws and complies with overtime pay legal requirements;
- supports the effective elimination of all forms of compulsory labor and child labor and will make this a criterion in the selection and management of our suppliers and contractors; and
- prohibits:
 - actions that create an intimidating, hostile work environment, including corporal punishment, harassment, verbal, written, physical or psychological abuse, threats or intimidation, as these are inconsistent with a respect for human dignity;
 - actions that threaten or insinuate that an employee's or applicant's submission to or rejection of sexual advances will influence any personnel decision regarding that employee's or applicant's employment, wages, advancement, job assignment or any other condition of employment or career development; and

- retaliation or other adverse actions against those who report, in good faith, suspected violation of the law or policy.

Violations of this policy by employees may be reported using the appropriate compliance issue reporting mechanism, as described on the Office of Business Integrity & Compliance website.

As a *supplier of telecommunications infrastructure*, we offer products and services in compliance with international standards, and support transparency in the way telecommunications technology is used by sovereign countries.

As a *business partner* we maintain the highest levels of business ethics, personal integrity and compliance with suppliers, subcontractors and business partners — and expect them to adhere to these in their practices as well. We ask suppliers and subcontractors to respect human rights by complying with the Alcatel-Lucent Suppliers Code of Conduct (Electronic Industry Citizenship Coalition Code of Conduct Revision 3) and all applicable human rights laws and regulations, and ensure these are respected throughout the supply chain.

As a *corporate citizen*, we respect and comply with all human rights legislation, regulations and standards in the countries where we operate, and conduct business and sales activities in strict compliance with international conventions regarding human rights. We respect indigenous rights and civil society in the countries where we operate, and act in full recognition of our social and environmental responsibilities. We also play an active role, via the Alcatel-Lucent Foundation, in charitable activities and support our commitment to social responsibility.

(The full version of the Alcatel-Lucent Global Human Rights Policy is available on the company's website)

6.6 Diversity and equal opportunity

As a global enterprise, we actively seek to ensure our employees reflect the diversity of our business environment. Our Global Human Rights Policy confirms our responsibility to provide equal opportunities for all employees and to recognize and respect the diversity of people and ideas. Our commitment to advancing equality and non-discrimination is also reflected in specific initiatives against harassment and discrimination.

Global strategy for gender diversity

Although women comprised 24% of our workforce in 2015 (+3% points since 2013), they did not have comparable representation on our management teams. We make it a business imperative to nurture the skills and talents of women — and to build management teams that reflect the diversity of our Company.

In 2015, we continued to implement a global strategy and action plan put in place in 2014 that assigned responsibility for gender diversity at the organizational, corporate and country levels, and identified actions to be carried out in two main focus areas:

- Awareness building:
 - **For managers:** In 2015 we continued our series of interactive sessions on gender diversity, addressing around 250 managers and leaders to help them understand why diversity is a business imperative for Alcatel-Lucent and to build their awareness of workplace gender dynamics — all with the aim to better tap our existing talent and improve organizational performance.
 - **For employees:** We continued to support the worldwide StrongHer employee network in 2015. In addition, our employees could attend events organized at Alcatel-Lucent

and in collaboration with partner networks and institutions such as UNESCO, the European Professional Women Network in Madrid, Areva's WE Network, HPE's WoMen@Work, Women@HP, *Printemps des Femmes* BP Petrochemicals' Women's Network, and Sodexo : Diverse and Unis-vers networks.

- Leadership:
 - **Supporting female leaders:** In 2015, we renewed the TOP10 Women Program, which supports women's career development by offering to 10 participants in each region a mix of business sponsorship, executive coaching, mentoring and networking over a one-year period. Participants were mentored in finance, strategy and business practices as well as personal branding, executive communications, leadership styles and organizational savviness. As a result of this coaching and mentoring, 40% of our 2014-2015 TOP10 Women Program participants have already grown in their professional careers.

- **Leadership Pipeline:** As of December 2015, women accounted for 23% of our Leadership Pipeline.

Gender diversity initiatives

Women's Empowerment Principles

Alcatel-Lucent was a signatory to the United Nations CEO Statement of Support for the Women's Empowerment Principles (WEP): a worldwide initiative launched by the United Nations, UNIFEM (now UN Women) and the UN Global Compact. Our gender initiatives were also included in the UN's *Companies Leading the Way: Putting the Principles into Practice*, a publication that lists examples of actions and initiatives that companies are undertaking to empower and advance women. We were also an active participant in the WEP Leadership Group, including participation in the 2015 WEP CEO Award Committee.

PRINCIPLE	OUR ACTION
Leadership promotes gender equality	At the beginning of 2014, under the leadership of our CFO and Diversity Sponsor, we renewed our global commitment to, strategy and action plan for assigning gender diversity responsibility at the corporate and regional levels. We established a comprehensive global strategy focused on women's leadership development and increased awareness of gender dynamics. In 2015, as we celebrated five years as a founding member and signatory of the WEP, our CEO Michel Combes renewed our commitment to gender diversity by signing the WEP CEO statement of support on June 11, 2015.
Equal opportunity, inclusion and non-discrimination	As a global enterprise, we actively sought to ensure our employees reflect the diversity of our business environment. Our Global Human Rights Policy confirmed our responsibility to ensure equal opportunities for employees and to recognize and respect the diversity of people and ideas.
Health, safety and freedom from violence	As stated in our Environment, Health and Safety (EHS) Policy, we were committed to operating in a way that protects the environment as well as the health and safety of our employees, contractors, customers and communities in which we conduct business.
Education and training	As part of our global strategy and action plan, in 2015 we continued our TOP10 Women Program. We also continued to provide dedicated training for managers and employees through our Global Day of Learning and promote employee-driven initiatives such as StrongHer.
Enterprise development, supply chain and marketing practices	Alcatel-Lucent worked to maintain a diverse supply chain and always had high expectations for performance in this area. For the eighth year in a row we were named among the Top Corporations by the Women's Business Enterprise National Council (WBENC).
Community leadership and engagement	The Alcatel-Lucent Foundation contributed to digital inclusion through philanthropy in the communities where our employees and customers work and live. It developed and promoted programs and activities that prepare youth (with a focus on young women) to participate and innovate in the connected world. In 2015, the Foundation supported two global signature programs and 22 multi-year programs in 18 countries, with some 2,260 youth (48% girls) benefiting from our ConnectED training in Indonesia. Through our Campus in the Cloud program, the videos developed on the topic of women in the workplace received approximately 1,500 views.
Transparency, measuring and reporting	Our Annual Financial Report on Form 20-F reports the percentage of women on the Board of Directors and in our overall headcount, recruitment figures and Leadership Pipeline. These data are reproduced in the "Social indicators" section of this report. Each of these indicators is externally verified on an annual basis.

StrongHer

A gender empowerment program launched in 2011, StrongHer helps female employees unleash their potential and amplify their contribution to business. StrongHer advocates for more balanced representation between women and men across all organizational levels and job functions within the company. Led

by employees and dedicated to employees, StrongHer offers networking, personal development and gender awareness support.

Starting from just six women working for Alcatel-Lucent in France, StrongHer has grown to include some 1,300 members in 51 countries. In 2015, the program launched the StrongHer

Our people

Manager Charter, which helps managers choose and commit to actions that enable gender balance within their own teams.

Commitment to non-discrimination

Our commitment to advancing equality and non-discrimination was reflected in specific initiatives against harassment and discrimination in several countries (in particular, France and the United States).

In 2015, we continued to offer to our employees and managers resources and best practices to support lesbian, gay, bisexual and transgender (LGBT) people in the workplace. For the fourteenth consecutive year, Alcatel-Lucent was recognized by the Human Rights Campaign Foundation with a perfect score on the Corporate Equality Index, which rates American workplaces on LGBT equality.

Integration of disabled people into our workforce

We are committed to fostering the integration of people with disabilities into our workforce and creating access solutions for them.

Mission Handicap

Designed in 2006 to better integrate disabled employees into the workplace, the primary purpose of Mission Handicap is to ensure Alcatel-Lucent meets the legal quota requiring disabled people to make up at least 6% of a French company's employment ratio (direct and indirect). If a company does not

comply with this requirement, it is forced to make a contribution to AGEFIPH, an organization that promotes the employment of disabled workers. The amount of this contribution depends on the gap between the actual number of disabled employees and the 6% target. Mission Handicap includes several action plans focused on areas such as hiring activities, equipment adaptations, tool or facility accessibility, training of employees (including managers and colleagues), and communications and awareness sessions for all employees. According to the 2015 operational data available at the time of filing this report, disabled employees made up 3.5% of the Alcatel-Lucent direct and indirect workforce in France at year-end 2015.

@talentEgal

A non-profit association created by Alcatel-Lucent in France, @talentEgal helps post-graduate students with disabilities find employment by providing them with training, internships, mentoring and other supports. In 2015, @talentEgal helped 29 disabled students. The program celebrated its fifth anniversary in 2015, an occasion that saw us bring together most of the partners involved to share with them all the success of the past five years.

Support for disabled employees in Spain

In 2015, Alcatel-Lucent continued its collaboration with Spain's AMÁS group, which creates and promotes centers and institutions that work toward the recovery and rehabilitation of those with mental illness.

7 Society and philanthropy

7.1 Our approach to digital inclusion

We are committed to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide. We address digital inclusion through innovative products and solutions in ultra-broadband access, IP networking and cloud — enabling global connectivity.

Digital inclusion is about giving people everywhere access to information, education and economic opportunities while encouraging environmental sustainability and innovation. It remained a key pillar of our product and solution portfolio in 2015, reinforcing our commitment to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide. Digital inclusion was also a primary focus of the Alcatel-Lucent Foundation, dedicated to helping youth innovate in a digital world.

Our approach to digital inclusion focused on four key areas:

- **Technology and innovation:** Our focus on IP networking, cloud and ultra-broadband access under The Shift Plan, along with the innovation assets of Bell Labs and other

partners (including our customers and industry peers), will help shape the future of the ICT industry by making communications more innovative, sustainable and accessible. Specific technology areas of advancement include ultra-broadband wireless and fixed access (e.g., VDSL vectoring, small cells), IP routing, and transport and IP platforms.

- **Ultra-broadband access:** In 2015, Alcatel-Lucent worked with governments, public authorities and regulators worldwide — particularly in emerging countries — to promote the benefits of ultra-broadband access plans and to support digital inclusion. We also worked with a number of international organizations and institutions.
- **Education and promotion:** In 2015, Alcatel-Lucent maintained a very active role in the United Nations Broadband Commission, the International Telecommunications Union (ITU) and the Affordable Internet Alliance to dialogue with public authorities and regulators in developing and emerging economies.

- **Philanthropy:** The Alcatel-Lucent Foundation continued to execute on its mission to prepare youth from disadvantaged communities (with a focus on young women) to participate

and innovate in a connected world. In 2015, it launched a major innovation program to help youth innovate in key regions around the world.

7.2 Impact on communities

A robust telecommunications infrastructure fosters equality by democratizing information and enabling the promotion of fundamental human rights. Alcatel-Lucent had a positive effect in the communities in which it operates by following policies and procedures that emphasized hiring local personnel, evaluating local suppliers, minimizing environmental impact and, through our digital inclusion strategy, developing actions that enhance people's lives.

We continued to measure the impact of our actions according to a range of social, environmental and economic indicators —

for example, assessing philanthropic initiatives based on the numbers of beneficiaries and volunteers, volunteer hours, improvements to quality of life, improvements in people's technology-related skills and more. In 2015, on top of our partnerships with non-profit organizations in key regions around the world, we continued to promote Campus in the Cloud (which helps youth learn about the world of work directly from ICT professionals) and extended the reach of our We Care portal to encourage more Alcatel-Lucent employees to volunteer in their communities.

7.3 Philanthropy

Building a generation of digital innovators

The Alcatel-Lucent Foundation contributed to digital inclusion through philanthropic efforts in our employees' and customers' communities. It developed programs that prepare youth (especially young women) to participate and innovate in the connected world. Pursuing two strategic priorities — digital literacy and fostering innovative thinking among youth — the Foundation sought to ensure the next generation benefits from the opportunities of the digital economy. Leveraging Alcatel-Lucent's technology, global presence and employee expertise and skills, the Foundation's contributions included employee volunteerism, partnerships with non-profit organizations and in-kind donations to communities around the world.

Governance

The Alcatel-Lucent Foundation was organized under the laws of the U.S. State of Delaware as a non-governmental, non-profit, private organization. As of December 31, 2015, the Alcatel-Lucent Foundation Board of Trustees included a chairperson, 11 company executives, an executive director and an external trustee:

- **Chair:** Philippe Keryer
- **External trustee:** William Reese (CEO of the International Youth Foundation)
- **Alcatel-Lucent trustees:** Barbara Landmann (Vice Chair), Richard Campbell (Treasurer), Alex Yip (Secretary and Legal Counsel), Sandy Motley, Theodore Sizer, Radwa Hafez, Christine Diamente (ex officio), Frederic Chapelard, Marco Malfavon, Jeanmarie Grisi and Guiyang Lin
- **Director:** Elisabeth Eude

2015 highlights

In 2015, the Alcatel-Lucent Foundation:

- provided USD \$0.9 million to carefully selected charitable programs around the world, touching the lives of 47,000 beneficiaries;
- provided in-kind donations (such as refurbished computers, school supplies, clothing and food donations) to selected charities;
- launched a new program with UNESCO to help youth learn to innovate with technology and create their own solutions for improving education in key regions around the world;
- funded 34 grassroots programs (in line with The Shift Plan's strategy for guiding philanthropic activities), benefiting 40,700 children and young adults from disadvantaged communities in 18 countries worldwide;
- facilitated the engagement of 2,500 employee volunteers, who gave 10,400 hours volunteering; and
- continued the worldwide deployment of the We Care volunteering management web tool to better monitor and structure our reporting on volunteer activities company-wide.

The Foundation also continued to support two global signature programs:

- **ConnectEd** was a digital education partnership between World Education and the Alcatel-Lucent Foundation to provide educational and digital skills training opportunities for youth in disadvantaged communities worldwide. Launched in April 2011, this program put a special focus on the use of technology to transform youth education, work and life. The program arrived to completion as planned in June 2015, providing training to 22,575 youth (58% of them girls) during its lifespan.

- **Campus in the Cloud** was an Alcatel-Lucent employee in-kind initiative that aimed to bridge the knowledge gap for those who have no or little access to education by leveraging our in-house skills, talent and communications technology. Launched in 2013, this program encouraged employees to share their knowledge by creating short educational videos on their work, giving advice on career advancement and how to prepare for the world of work. These videos were then

shared with the beneficiaries of Alcatel-Lucent Foundation programs. A new version of the Campus in the Cloud website was launched in April 2015 and generated close to 16,000 video views by the end of the year.

The Alcatel-Lucent Foundation measures results using the London Benchmarking Group (LBG) standards to assess the overall impact of its philanthropic activities.

8 Supply chain

8.1 About our supply chain

Supply chain organization

Comprising three global internal organizations — procurement, manufacturing and logistics — in 2015, our global supply chain operation continued to:

- develop the global demand and build plan for hardware equipment;
- manage all internal and contracted manufacturing platforms;
- support product industrialization; and
- develop associated testing strategies.

Procurement

Throughout 2015, Alcatel-Lucent continued to develop and update strategies to identify primary technologies and supply sources for purchased components, finished goods, services and solutions. To the greatest extent possible, we multisourced a large number of industry-standard components and materials, and used multiple predefined sources for a number of components and finished goods families — allowing us to access additional inventories in case of a disruptive event or increased end-customer demand.

We further sought to mitigate disruptions by concentrating mostly on “preferred” suppliers for new products and volume production. These suppliers were deemed to meet our requirements and were subject to quality and performance monitoring as well as periodic business reviews and executive management meetings. Our goal is to source components in a way that optimizes the total cost of ownership and delivers high quality to our customers. Our procurement organization leveraged a global network of approximately 2,000 suppliers to source the goods and services necessary to manufacture our products and meet customer demand.

With our finished products requiring a wide range of electronic, electromechanical and radio-frequency components including notably semiconductors, printed circuit boards, connectors,

racks, cables and batteries, We also purchased finished IT and telecommunications equipment (including servers, middleware and software) from original equipment manufacturers (OEMs) to complement our own products when delivering complete solutions to our customers. Last year we worked with roughly 1,300 OEMs around the world.

To deploy our products and solutions in the field, we relied on a network of 4,500 local engineering and installation services suppliers.

Manufacturing

Our manufacturing strategy involved both external and internal production sources. When external manufacturing was required, the external manufacturer was the primary owner of inventory, standard manufacturing equipment and common test equipment. In the vast majority of cases, however, we used our own custom-made test equipment at internal manufacturing locations, allowing us to change manufacturing locations more easily if necessary. The Alcatel-Lucent facilities used for product introduction, surface mount assembly, module assembly and system integration were located in China (Shanghai, Qingdao), France (Eu), Italy (Trieste) and Poland (Bydgoszcz).

Key contract manufacturer sites were located in:

- Guadalajara, Mexico (Flextronics; Sanmina SCI)
- Timisoara, Romania (Flextronics)
- Wuzhong, China (Flextronics)

Logistics

Our logistics organization managed the delivery of our products as time- and cost-efficiently as possible while reducing carbon emissions. Using direct order fulfillment, we shipped products directly to customers from our manufacturing locations. We also appointed a lead logistics provider to move our products in a consolidated way.

8.2 Responsible purchasing

Our commitment

We were committed to promoting sustainability throughout our supply chain and among the third-party suppliers providing us with components, products, software, support or services. The three pillars of our comprehensive approach to responsible purchasing were:

- Communicate clear sustainability requirements to suppliers through contractual purchasing requirements and product or service specifications;
- Evaluate suppliers' sustainability performance through ratings and on-site audits;
- Push and support the improvement efforts of suppliers whose performance is not at the expected level.

Requirements for suppliers and subcontractors

As a mandatory element of all agreements, Alcatel-Lucent requires suppliers to comply with clearly defined principles based on international and sector standards. Our key references are the United Nations Global Compact's Ten Principles and the Electronics Industry Citizenship Coalition (EICC) Code of Conduct. Specifically, all suppliers have to commit to the EICC Code of Conduct and to ensure that their supply chains meet the associated requirements. All new suppliers are required to adhere to the Ten Principles of the UNGC.

We encourage suppliers to meet international standards for environment, safety and sustainability including ISO 14001 and OHSAS 18001. As part of our risk analysis and assessment processes, we track supplier compliance with these standards.

Enforcing anti-corruption among suppliers

In 2013 and 2014, we established the following supplier-related anticorruption procedures:

- all requests to use new suppliers are channeled through a screening process;
- there are two levels of screening depending on business level and the corruption risk associated with the supplier location and activity; and
- suppliers can be accepted, accepted with conditions, or rejected for reasons of corruption risk.

In April 2015, we embarked on a program to screen our entire existing supplier base. By the end of 2015 approximately 20,000 suppliers had been screened to the extent of identifying potential issues.

Assessment of supplier sustainability performance

Supplier risk assessments

We performed risk assessments when evaluating new suppliers in 2015 and continued our annual reassessment of risk levels for our major suppliers on an annual basis. These assessments

measured levels of risk according to a supplier's type of activity, location and other factors. If the overall risk level was excessive, either the supplier was rejected or actions such as a formal sustainability rating process were taken to ensure the supplier's practices met our requirements.

EcoVadis sustainability ratings

Supplier assessments were performed by EcoVadis, a company specializing in sustainable supply chain management solutions. Based on internationally recognized standards such as the Global Reporting Initiative, the UN Global Compact and ISO 26000, the EcoVadis rating system focuses on suppliers' social, ethical, environmental, health and safety, and human rights practices, and on how they manage their own supply chains. Ratings are determined by EcoVadis experts based on supplier questionnaire responses, supporting documentation, third-party information and risk factors mapped according to industrial sector and country. EcoVadis ratings gave Alcatel-Lucent a clear, external and objective point of reference for assessing suppliers. Suppliers can decide to share their assessment results with any EcoVadis platform member and thereby capitalize on their sustainability rating.

Health and safety qualification screening and audits

In 2015, we consolidated the health and safety qualification process for the services of suppliers performing high-risk activities (e.g., work at heights or on high-voltage devices) and improved the process with governance, sustainability and consequence management provisions.

In 2015, we screened 551 additional suppliers. To ensure requirements were implemented on the field, we also performed 59 on-site EHS audits. No fatalities were reported among our subcontractors or Alcatel-Lucent staff in 2015.

Alcatel-Lucent sustainability audits

We continued to conduct two types of supplier audits: quality audits (which include sustainability criteria) and more comprehensive sustainability-dedicated audits covering environment, labor, human rights, fair business practices and sustainable procurement.

On-site sustainability audits were typically done for suppliers with unsatisfactory EcoVadis ratings and high sustainability risk

Supply chain

profiles. Quality audits were a supplier selection element performed by our Supplier Quality team.

Improving suppliers' sustainability performance

We continued to require suppliers with unsatisfactory EcoVadis ratings or audit results to draft and implement remedial plans addressing the identified weaknesses. In support, we provided recommendations and determined if the overall improvement plans were sufficient.

Both high-spend and high-risk suppliers were covered by assessments and pushed to improve. In 2015, we maintained our 2014 figure of 80% of active suppliers rated "satisfactory" or above on their assessment of sustainability by EcoVadis. This number was up from 53% at the end of 2010. ("Active suppliers" refers to key, preferred and other suppliers who may require assessments because of their risk level.)

Establishing conflict minerals traceability

In 2015, we surveyed more than 360 suppliers on conflict minerals to determine the origin of the tin, tantalum, tungsten and gold included in their components. By having our suppliers trace and report on where they source their minerals, this program aimed to push our supply chain to use legitimate minerals sources and to address the human rights and environmental violations occurring in the mining and trading activities of Africa's Great Lakes region. In 2015, we recommended that our suppliers be conflict-free for Tantalum, strive to become "conflict free" for Tin, Tungsten and Gold, and improve their own supply chain's conflict minerals due diligence practices and requirements. We combined mineral smelters' conflict-free audit status (provided by the Conflict-Free Sourcing Initiative industry associations) with traceability information from our suppliers to determine mineral origin status. We reported this program's progress on our website.

9 Sustainability data

9.1 Environmental indicators

Definitions and methodology

Our 2015 energy and water consumption, carbon footprint assessment and waste-generation reporting perimeter included all sites owned or leased by Alcatel-Lucent as of December 2015.

For the 2015 assessment, 196 facilities were directly responsible for managing energy and water consumption along with the carbon footprint assessment at their particular site. Sites with direct facility data input responsibility accounted for 87% of the total average annual real estate building area and 80% of the total average annual Alcatel-Lucent headcount. In order to have environmental indicators accounting for 100% of our employees, extrapolation procedures were applied based on calculated ratios per area. We continued to attempt to obtain utility information from landlords in leased situations where the utility usage can be allocated accurately to our leased space (for example, via a separate electric meter). If such information cannot be obtained, electricity and/or natural gas usage is estimated utilizing “energy intensity” factors as stipulated within our EHS Program Reporting Plan.

For the 2015 assessment, 173 facilities were directly responsible for managing waste-generation reporting at their particular site. Sites with direct facility waste data input responsibility accounted for 83% of the total Alcatel-Lucent headcount.

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

- Energy consumption and CO₂e emissions:** 196 sites (accounting for 80% of our employees) provided actual facility-specific energy consumption and CO₂e emissions information. This included inputting utility billings, fuel purchases and emitted GHG chemical emissions data directly entered into a web-based tool by facility personnel. To account for 100% of our employees, facility energy consumption usage and CO₂e emissions estimation algorithms were employed for sites that could not obtain such information. In addition, fuel usage data for marine vessels, along with fuel and mileage data for leased automobiles were obtained to account for 100% of worldwide Alcatel-Lucent mobile source operations.
- Water consumption:** 101 sites (accounting for 63% of our employees) provided water usage information. To account
- Hazardous waste production:** 96 sites (accounting for 71% of our employees) provided information on hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.
- Non-hazardous waste production:** 71 sites (accounting for 67% of our employees) provided information on non-hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.
- Waste electrical and electronic equipment production:** 177 sites (accounting for 79% of our employees) provided information on waste electrical and electronic equipment. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

The EHS Reporting Protocol is available upon request at: Larry.Bernson@nokia.com.

Evolution in 2015

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

Energy efficiency: In 2015, we consolidated facilities to utilize resources more efficiently — this action along with our efforts to implement energy efficiency projects and conduct energy efficiency awareness programs for employees resulted in obtaining over a 9% reduction in CO₂e emission levels from our facilities compared to 2014.

Waste management: In 2015, we increased the number of facilities providing waste data which resulted in greater accuracy in the data reported and less estimation in our assessment. The decrease reported for non-hazardous waste production was the result of several factors: most notably corporate restructuring and facility consolidation which resulted in reductions in headcount and facility surface areas as well as increase in virtual office headcount.

2015 environmental indicators

	Units	2013	2014	2015	2015 Perimeter
Carbon footprint assessment: Worldwide operations ⁽¹⁾					
Scope 1 ⁽¹⁸⁾					
Stationary source fuel combustion	t CO ₂ e ⁽⁴⁾	44,816	34,948	34,846	100%
Mobile source fuel combustion	t CO ₂ e ⁽⁴⁾	63,036	47,116	44,080	100%
Facility and mobile source refrigerant losses	t CO ₂ e ⁽⁴⁾	4,041	732	1,348	100%
Direct emissions of GHGs from manufacturing, R&D and product development	t CO ₂ e ⁽⁴⁾	76	111	530	100%
Fire suppression system losses	t CO ₂ e ⁽⁴⁾	1,190	1	42	100%
Total		113,159	82,908	80,847	100%
Scope 2 ⁽¹⁸⁾					
Electricity usage	t CO ₂ e ⁽⁴⁾	439,175	403,857	360,771	100%
Purchased hot water/steam	t CO ₂ e ⁽⁴⁾	7,356	6,079	5,996	100%
Purchased chilled water	t CO ₂ e ⁽⁴⁾	47	36	0	100%
Total		446,578	409,973	366,767	100%
Scope 3 ⁽²⁾					
Contracted manufacturing services ^(15, 16)	t CO ₂ e ^(4,15)	2,937,000	2,831,000	2,916,055	100%
Contracted marine services	t CO ₂ e ⁽⁴⁾	76,765	61,881	68,943	100%
Purchased paper ⁽⁷⁾	t CO ₂ e ⁽⁴⁾	854	575	422	100%
Fuel- and energy-related activities not included in Scope 1 and 2	t CO ₂ e ⁽⁴⁾	29,208	30,637	27,596	100%
Upstream transportation and distribution ⁽⁸⁾	t CO ₂ e ⁽⁴⁾	145,191	111,565	87,831	100%
Waste generated in operations ⁽⁹⁾	t CO ₂ e ⁽⁴⁾	792	817	922	100%
Business travel	t CO ₂ e ⁽⁴⁾	68,378	73,574	62,118	100%
Employee commuting	t CO ₂ e ⁽⁴⁾	130,173	115,741	75,519	100%
Downstream transportation and distribution ⁽⁸⁾	t CO ₂ e ⁽⁴⁾	3,966	3,106	2,542	100%
Use of sold products ⁽¹⁶⁾	t CO ₂ e ⁽⁴⁾	26,436,000	25,483,000	25,103,473	100%
End-of-life treatment of sold products ^(10, 16)	t CO ₂ e ⁽⁴⁾	(294,000)	(283,000)	(291,606)	100%
Total		29,534,328	28,428,896	28,053,817	100%
TOTAL (Scope 1 + 2 + 3)	t CO₂e⁽⁴⁾	30,094,065	28,921,777	28,501,431	100%

	Units	2013	2014	2015	2015 Perimeter
Carbon footprint assessment: Facility operations only ^(1,5,18)					
Indirect emissions of CO ₂ e, linked to consumed electricity	kt CO ₂ e ⁽³⁾	439	404	361	100%
Indirect emissions of CO ₂ e per employee	t CO ₂ e ⁽⁴⁾	7	6	6	100%
Direct emissions of CO ₂ e, linked to consumed fossil energy	kt CO ₂ e ⁽³⁾	50	38	37	100%
Direct emissions of CO ₂ e per employee	t CO ₂ e ⁽⁴⁾	1	1	1	100%
Total emissions of CO₂e	kt CO₂e⁽³⁾	496	448	404	100%
Total emissions of CO₂e per employee	t CO₂e⁽⁴⁾	7	7	7	100%
Consumed energy: Facility operations only ^(1,5,18)					
Consumed electricity	GWh	915	856	796	100%
Consumed electricity by employee	MWh	14	13	14	100%
Consumed fossil energy	GWh	261	201	198	100%
Consumed fossil energy by employee	MWh	4	3	3	100%
Total consumed energy	GWh	1,209	1,083	1,020	100%
Total consumed energy by employee	MWh	18	17	18	100%
Carbon footprint assessment: Worldwide Scope 1 and Scope 2 ^(1,6,18)					
Indirect emissions of CO ₂ e, worldwide Scope 2 operations	kt CO ₂ e ⁽³⁾	447	410	367	100%
Indirect emissions of CO ₂ e per employee	t CO ₂ e ⁽⁴⁾	7	6	6	100%
Direct emissions of CO ₂ e, worldwide Scope 1 operations	kt CO ₂ e ⁽³⁾	113	83	81	100%
Direct emissions of CO ₂ e per employee	t CO ₂ e ⁽⁴⁾	2	1	1	100%
Total emissions of CO₂e	kt CO₂e⁽³⁾	560	493	448	100%
Total emissions of CO₂e per employee	t CO₂e⁽⁴⁾	8	8	8	100%
Consumed energy: Worldwide Scope 1 and Scope 2 ^(1,6,18)					
Purchased electricity, worldwide Scope 2 operations	GWh	915	856	796	100%
Purchased electricity by employee	MWh	14	13	14	100%
Total purchased, worldwide Scope 2 operations	GWh	948	883	823	100%
Total consumed Scope 2 energy by employee	MWh	14	14	14	100%
Consumed fossil energy, worldwide Scope 1 operations	GWh	427	369	357	100%
Total consumed Scope 1 energy by employee	MWh	6	6	6	100%
Total consumed energy, worldwide Scope 1 and 2 operations	GWh	1,375	1252	1,179	100%
Total consumed energy by employee	MWh	21	20	21	100%

Sustainability data

	Units	2013	2014	2015	2015 Perimeter
Water and wastes ^(17,19)					
Consumed water	m ³	2,123,851	1,923,667	1,836,149	100%
Consumed water per employee	m ³	32	30	31	100%
Production of hazardous waste	t	1,024	677	465	100%
Production of hazardous waste per employee	kg	15	11	9	100%
Percentage of hazardous waste recycled ⁽¹¹⁾	%	74	74	74	100%
Production of non-hazardous waste	t	15,896	16,600	9,288	100%
Production of non-hazardous waste per employee	kg	239	260	177	100%
Percentage of non-hazardous waste recycled ⁽¹¹⁾	%	62	77	72	100%
Production of Waste Electrical & Electronic Equipment (WEEE) ⁽¹²⁾	t	7,463	5,825	4,579	100%
Percentage of WEEE recycled/reused	%	97	96	95	100%
Other emissions					
Solvents				No significant quantities, indicator not relevant and not consolidated	
Halogenated hydrocarbon				No significant quantities, indicator not relevant and not consolidated	
Discharge into water (heavy metals)				No significant quantities, indicator not relevant and not consolidated	
Ozone-depleting substances				No significant quantities, indicator not relevant and not consolidated	
NOx, SOx and other criteria air contaminants ⁽¹³⁾	tonnes	80	61	62	100%
Miscellaneous					
Alcatel-Lucent headcount, ISO 14001 certified	%	48.36	43.88	43.50	100%
New products covered by ecodeclarations ⁽¹⁴⁾	%	100	100	100	100%

- (1) Emission factors based on initial values issued by the Intergovernmental Panel on Climate Change (IPCC) and kept constant for data consistency.
- (2) The presentation of our Scope 3 indicators follows the categories and guidance provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard, published in November 2011.
- (3) kt CO₂e: Metric kilotons of CO₂ equivalency (includes the following GHGs: CO₂, CH₄, N₂O, SF₆, HFCs and PFCs).
- (4) t CO₂e: Metric tons of CO₂ equivalency (includes the following GHGs: CO₂, CH₄, N₂O, SF₆, HFCs and PFCs).
- (5) CO₂e values include Scope 1 and Scope 2 emissions for facility operations only (includes facility mobile combustion).
- (6) Complete Scope 1 and 2 activities worldwide.
- (7) Purchased paper includes 100% of paper used in operations and purchased under corporate contract; does not include externally printed marketing collateral.
- (8) Product transport includes 100% of emissions from air and marine transport worldwide, as well as truck transport from available areas.
- (9) Energy usage at environmental remediation sites.
- (10) Recycled electronic equipment.
- (11) Recycled: not released in a landfill or not burned without energy recovery.
- (12) WEEE data includes electronic waste generated by Alcatel-Lucent operations and WEEE takeback. Not reported as production per employee since production includes takeback.
- (13) Products of combustion from facility stationary operations.
- (14) Associated with new products released during the cited year.
- (15) Contracted manufacturing services calculation procedure was revised in 2013 to include all production activities.
- (16) 2013 data are restated for the disposal of our Enterprise activities and for corrected equipment delivery to market.
- (17) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied using a site-specific monthly headcount assessment. This calculation procedure results in a different overall headcount than the total headcount as of December 31 (disclosed in the Social indicators section of the present chapter).
- (18) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied. Sites with direct input responsibility account for 87% of the total average annual real estate building area and 80% of the total average annual Alcatel-Lucent headcount.
- (19) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied as follows:
- Water consumption: Sites with direct input responsibility account for 63% of our employees.
 - Hazardous waste production: Sites with direct input responsibility account for 71% of our employees.
 - Non-hazardous waste production: Sites with direct input responsibility account for 67% of our employees.
 - Waste electrical and electronic equipment production: Sites with direct input responsibility account for 79% of our employees.

Direct energy consumption by primary energy source

<i>Total direct energy consumption</i>	Amount	Units	tCO2e	MWh
By non-renewable primary energy sources				
Facility operations: Coal gas	77	MWh	12	77
Facility operations: Distillate fuel oil (#1, 2, 4 and diesel)	811,627	l	2,196	8,071
Facility operations: Natural Gas	179,553	MWh	32,592	179,553
Facility operations: Propane	30,361	l	46	198
Facility mobile sources: Diesel	470,166	l	1,280	4,676
Facility mobile sources: Gasoline	544,957	l	1,275	4,898
Facility mobile sources: Propane	50,278	l	77	328
TOTAL non-renewable primary energy sources			37,478	197,801
By renewable primary source	0		0	0
GRAND TOTAL			37,478	197,801

Indirect energy consumption by primary source

<i>Total indirect energy consumption</i>	Total MWh	Renewable MWh	Non-renewable MWh
Purchased Electricity	796,072	184,680	611,393
Purchased Hot Water/Steam	26,464	6,131	20,333
TOTAL	822,536	190,811	631,725

9.2 Social indicators

Global headcount

The tables below show the breakdown by business segment, geographic area, age and gender of our employees for 2013 to 2015.

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

The numbers below were restated for 2013 and 2014 due to the sale of our Enterprise activities on September 30, 2014. Enterprise headcount was 2,795 in 2013 and 463 in 2014.

With the convergence of our HR information systems, data on all social indicators were collected and consolidated at the corporate level. The only exception is health and safety data, which were issued from our sustainability reporting tool. The 2015 health and safety survey covered 68 countries.

	2013	2014	2015	2015 Perimeter
1. Headcount				
Excluding Enterprise, including non-operational headcount (long term absences/notice period)				
<i>Headcount total, recruitments and reduction</i>				
Total headcount as of December 31	59,516	52,673	50,047	100%
Number of recruits	2,860	6,599	4,355	100%
Headcount increase due to the full consolidation of previously non-fully consolidated companies	0	0	0	100%
Headcount increase due to acquisitions and insourcing	2,943	37	159	100%
Headcount reduction	(15,759)	(13,479)	(7,140)	100%
Headcount reduction due to businesses transferred or sold	(7,913)	(4,614)	0	100%
Headcount reduction due to outsourcing and transfers	(118)	(2,195)	(833)	100%
Headcount reduction due to redundancies	(3,542)	(2,242)	(2,845)	100%
Headcount reduction due to normal departures (retirements, end of temporary work contracts, resignations, deaths)	(4,186)	(4,428)	(3,462)	100%
<i>Breakdown of employees by business segment</i>				
Data are restated for the disposal of our Enterprise activities				
Core	24,128	23,367	23,209	100%
Access	33,156	28,048	25,575	100%
Enterprise & LGS	684	0	0	100%
Other (PNA included)	1,548	1,258	1,263	100%
Total group	59,516	52,673	50,047	100%
<i>Breakdown of employees by geographic area</i>				
Restated for the disposal of our Enterprise activities				
France	7,613	7,098	6,265	100%
Other Western Europe	9,940	8,300	7,633	100%
Rest of Europe	2,772	2,703	2,778	100%
Asia-Pacific	19,306	16,967	16,694	100%
North America	14,820	13,128	12,292	100%
Rest of world	5,065	4,477	4,385	100%
Total group	59,516	52,673	50,047	100%

		2013	2014	2015	2015 PERIMETER
Breakdown of employees by age					
Restated for the disposal of our Enterprise activities					
Europe, Middle East and Africa	Below 30	6.6%	6.9%	6.8%	100%
	30–50	68.8%	66.4%	64.3%	100%
	Above 50	24.7%	26.7%	28.8%	100%
Americas	Below 30	4.9%	4.9%	5.2%	100%
	30–50	55%	53.3%	50.3%	100%
	Above 50	40%	41.8%	44.5%	100%
Asia-Pacific	Below 30	19.2%	18.9%	18.3%	100%
	30–50	76.4%	76.8%	77.2%	100%
	Above 50	4.3%	4.3%	4.5%	100%
Total group	Below 30	10.2%	10.3%	10.3%	100%
	30–50	67.3%	66.1%	64.7%	100%
	Above 50	22.5%	23.6%	25.0%	100%
Breakdown of employees by gender					
Restated for the disposal of our Enterprise activities					
Europe, Middle East and Africa	Female	19%	19%	19%	100%
	Male	81%	81%	81%	100%
Americas	Female	23%	23%	23%	100%
	Male	77%	77%	77%	100%
Asia-Pacific	Female	23%	31%	31%	100%
	Male	77%	69%	69%	100%
Total group	Female	21%	24%	24%	100%
	Male	79%	76%	76%	100%

Sustainability data

	2013	2014	2015	2015 Perimeter
2. Diversity				
Percentage of women/headcount	21%	24%	24%	100%
Percentage of men/headcount	79%	76%	76%	100%
Percentage of women (Leadership Pipeline)	23%	22%	23%	100%
Number of disabled employees	183	190	168	France ⁽¹⁾
3. Training				
Training budget (as a percentage of payroll)	1.00%	1.00%	1.03%	100%
Average hours of training provided per internal learner (i.e. employees and contractors)	10	9.3	10.8	100%
Total hours of training per employee	NA	11	12	100%
Percentage of training time via e-learning technologies	70%	73%	74.3%	100%
4. Mobility				
Number of expatriates worldwide	171	166	112	100%
Expatriates by host region (Europe)	93	16	57	100%
Expatriates by host region (North America)	13	7	12	100%
Expatriates by host region (South America)	1	5	1	100%
Expatriates by host region (Middle East, Africa and India)	29	86	20	100%
Expatriates by host region (Asia-Pacific)	35	52	22	100%
5. Health and safety				
Number of days of absence due to work-related accidents (including occupational diseases) per employee	0.06	0.04	0.04	98% ⁽²⁾
Frequency rate for work-related accidents (including occupational diseases) (number of accidents per year, per one million hours worked)	1.19	1.14	0.85	98%

⁽¹⁾ For Alcatel-Lucent International in France.

⁽²⁾ Based on country legislations.

Additional notes

In 2015, the number of days' absence due to work-related accidents (including occupational diseases) per employee by region was 0.04 in Asia-Pacific, 0.05 in Europe, the Middle East and Africa, and 0.05 in the Americas.

- In 2015, the distribution of frequency rate for work-related accidents (including occupational diseases) for total employee headcount by region was 0.43 in Asia-Pacific, 1.59 in Europe, the Middle East and Africa, and 0.54 in the Americas.

- The workforce considered for work-related accidents (including occupational diseases such as work-related stress) are employees, students, trainees and apprentices. The numbers of days of absence due to work-related accidents (including occupational diseases) per employee are not all calculated with the same methodology because of specificities or local regulatory frameworks. Adjustments have been made by the consolidating entity for countries reporting in calendar days instead of working days to ensure homogeneity of the disclosed data.

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

(ARTICLE R. 225-105 OF THE CODE DE COMMERCE)

Grenelle II requires France-based companies to include information in their annual report on the environmental, social and societal impacts of their business activities, and on their commitments to sustainable development. It also requires an independent third party to verify that information.

The data presented here summarize the social, environmental and societal aspects of Alcatel-Lucent's business activities in accordance with French decree No. 2012-557 of April 24, 2012, which requires companies to report on the social and environmental impacts of their businesses. (That decree

implements article 225 of law No. 2010-788 of July 12, 2010, known as "Grenelle II," which requires companies to publish social, environmental and governance information in the annual report of their Board of Governors or Management Board pursuant to law No. 2001-420 of May 15, 2001 relating to France's so-called "NRE" (New Economic Regulations Act) and article 12 of law No. 2012-387 of 22 March 2012 relating to the simplification and easing of legal and administrative procedures, which modified article L. 225-102-1 of the French Commercial Code.)

Grenelle II correspondence table

AREA	TOPIC	REQUIRED INFORMATION	REFERENCE
Environment	Overall environmental policy	Company organization to take into account environmental issues (including policy, assessment approach or certification)	2.6 Environment, health and safety (EHS) management
Environment	Overall environmental policy	Employee awareness training and communication activities on environmental protection	5.1 Overall environmental policy / Employee eco-awareness
Environment	Overall environmental policy	Allocation of resources to prevent environmental risks and pollution	2.7 Environmental risks
Environment	Overall environmental policy	Amount of provisions and guarantees to address environmental risks, provided such information is not likely to cause serious harm to society in an ongoing dispute	2.7 Environmental risks / Provisions and guarantees for environmental risks
Environment	Pollution and waste management	Prevention, reduction or compensation measures for air emissions or water and soil discharges that seriously affect the environment	2.7 Environmental risks / Provisions and guarantees for environmental risks 4.5.2 Developing networks with sustainable use of resources / Pollution and waste management
Environment	Pollution and waste management	Actions taken to support prevention, recycling and waste disposal	5.2 Developing networks with sustainable use of resources / Pollution and waste management 9.1 Environmental indicators
Environment	Pollution and waste management	Inclusion of noise pollution and any other form of pollution specific to the activity in question	5.2 Developing networks with sustainable use of resources / Pollution and waste management
Environment	Sustainable use of resources	Water consumption and water supply based on local conditions	5.4 Reducing our carbon footprint and the environmental impact of our operations / Water consumption 9.1 Environmental indicators
Environment	Sustainable use of resources	Consumption of raw materials and measures taken to improve the efficiency of their use	5.2 Developing networks with sustainable use of resources / Measures to improve efficiency of raw materials use 5.2 Developing networks with sustainable use of resources / Product materials content

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

AREA	TOPIC	REQUIRED INFORMATION	REFERENCE
Environment	Sustainable use of resources	Energy consumption, measures taken to improve energy efficiency and renewable energy use	5.2 Developing networks with sustainable use of resources / Product energy efficiency 5.4 Reducing our carbon footprint and the environmental impact of our operations / Energy consumption 9.1 Environmental indicators
Environment	Sustainable use of resources	Soil use	5.4 Reducing our carbon footprint and the environmental impact of our operations / Biodiversity protection
Environment	Climate change	Greenhouse gas emissions	5.4 Reducing our carbon footprint and the environmental impact of our operations / Tracking and reporting on carbon emissions 9.1 Environmental indicators
Environment	Climate change	Adaptation to the impact of climate change	5.1 Overall environmental policy 5.3 Green innovation
Environment	Biodiversity protection	Measures taken to protect or develop biodiversity	5.4 Reducing our carbon footprint and the environmental impact of our operations / Biodiversity protection
Social	Employment	Total number and breakdown of employees by gender, age and geography	9.2 Social indicators
Social	Employment	Hirings and dismissals	9.2 Social indicators
Social	Employment	Compensation and evolution	6.3 Work organization and management / Compensation
Social	Work organization	Work time organization	6.3 Work organization and management
Social	Work organization	Absenteeism	6.2 Employee health and safety / Absenteeism 9.2 Social indicators
Social	Social relationships	Organization of social dialogue, including procedures for consultation and negotiation with staff	6.4 Social relationships / Union discussions
Social	Social relationships	Review of collective agreements	6.4 Social relationships / Review of collective agreements
Social	Health and safety	Health and safety work conditions	6.2 Employee health and safety
Social	Health and safety	Review of agreements signed with trade unions or staff representatives on workplace health and safety	6.4 Social relationships / Review of workplace health and safety agreements
Social	Health and safety	Occupational accidents (including frequency and severity rates) and occupational diseases	6.2 Employee health and safety / Occupational accidents 9.2 Social indicators
Social	Training	Training policies	6.3 Work organization and management / Training
Social	Training	Total number of hours trained	6.3 Work organization and management / Training 9.2 Social indicators
Social	Equal opportunity	Measures in favor of equality between women and men	6.6 Diversity and equal opportunity
Social	Equal opportunity	Measures for employment and integration of disabled people	6.6 Diversity and equal opportunity
Social	Equal opportunity	Policies against discrimination	6.6 Diversity and equal opportunity

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

AREA	TOPIC	REQUIRED INFORMATION	REFERENCE
Social	Promotion and enforcement of ILO core conventions	Freedom of association and collective bargaining rights	6.5 Promotion and enforcement of ILO core conventions
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of discriminatory treatment in employment and occupation	6.5 Promotion and enforcement of ILO core conventions
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of forced or compulsory work	6.5 Promotion and enforcement of ILO core conventions 8.2 Responsible purchasing
Social	Promotion and enforcement of ILO core conventions	Measures toward the effective abolition of child labor	6.5 Promotion and enforcement of ILO core conventions
Societal	Territorial, economic and social impact of the company:	On employment and regional development	7 Society and philanthropy
Societal	Territorial, economic and social impact of the company:	On local population	7.2 Impact on communities
Societal	Relationships with persons or organizations interested in the company's business, including:	Dialogue conditions with those persons or organizations	3 Our engagement with stakeholders
Societal	Relationships with persons or organizations interested in the company's business, including:	Actions of partnership or philanthropy	7.3 Philanthropy
Societal	Subcontractors and suppliers	Consideration of social and environmental issues in the company's procurement policy	8.2 Responsible purchasing
Societal	Subcontractors and suppliers	Importance of subcontracting and the social and environmental responsibility of suppliers and subcontractors	8.2 Responsible purchasing
Societal	Fair practices	Actions taken to prevent corruption	4.6 Actions taken to prevent corruption
Societal	Fair practices	Measures taken for consumer health and safety	5.2 Developing networks with sustainable use of resources / Impacts of our products on health and safety
Societal	Human rights	Actions taken to support human rights	4.8 Telecoms Industry Dialogue on freedom of expression and privacy 6.5 Promotion and enforcement of ILO core conventions

11 United Nations Global Compact

A longstanding signatory to the United Nations Global Compact (UNGC), Alcatel-Lucent remained committed to integrating the UNGC's 10 principles into its activities in 2015.

UNGC correspondence table

PRINCIPLE	#	DESCRIPTION	REFERENCE
Human rights	1	To support and respect the protection of internationally proclaimed human rights.	6.5 Promotion and enforcement of ILO core conventions 4.8 Telecoms Industry Dialogue on freedom of expression and privacy
Human rights	2	To make sure that we are not complicit in human rights abuses.	6.5 Promotion and enforcement of ILO core conventions 4.8 Telecoms Industry Dialogue on freedom of expression and privacy
Labor	3	To uphold the freedom of association and the effective recognition of the right to collective bargaining.	6.4 Social relationships
Labor	4	To support the elimination of all forms of forced and compulsory labor.	6.5 Promotion and enforcement of ILO core conventions 8.2 Responsible purchasing
Labor	5	To support the effective abolition of child labor.	6.5 Promotion and enforcement of ILO core conventions 8.2 Responsible purchasing
Labor	6	To support the elimination of discrimination in respect to employment and occupation.	6.6 Diversity and equal opportunity
Environment	7	To support a precautionary approach to environmental challenges.	5 Environment
Environment	8	To undertake initiatives to promote greater environmental responsibility.	5 Environment
Environment	9	To encourage the development and diffusion of environmentally friendly technologies.	5 Environment
Anti-corruption	10	To work against corruption in all its forms, including extortion and bribery.	4 Ethical Business 4.6 Actions taken to prevent corruption 8.2 Responsible purchasing

12 Independent verification

Alcatel-Lucent S.A.

Year ended the 31st December 2015

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

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

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC¹, under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Alcatel-Lucent S.A., we present our report on the consolidated social, environmental and societal information established for the year ended on the 31st December 2015, presented in chapter 9 of the 2015 annual report of the 20-F and chapter 4 of the 2015 20-F additional information, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Managing Director to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the company including protocols for Environment, Health and Safety (EHS) and Human Resources (HR) in their versions dated respectively on February 2016 and August 2009 (hereafter referred to as the "Criteria"), available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria;
- To express, at the request of the company, a limited assurance conclusion that the information selected by the company and identified in chapter 9 of the 2015 annual report on form 20-F and chapter 4 of the 2015 20-F additional information, has been established, in all material aspects, in accordance with the Criteria.

Our verification work was undertaken by a team of five people between October 2015 and February 2016 for an estimated duration of seventeen weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000².

¹ Scope available at www.cofrac.fr

² ISAE 3000 – Assurance engagements other than audits or reviews of historical information

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the heads of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).

Based on this work, we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook about twelve interviews with the people responsible for the preparation of the CSR Information in the different departments including Responsible purchasing, Human Resources, Foundation, EHS, Privacy and data protection, Global compliance, CTO & Bell Labs, Green Research, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

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

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

For the CSR Information we considered the most important³:

- At the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative sample of entities we selected⁴, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 28% of the total workforce and 20% of the carbon footprint (scope 1 and scope 2).

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

³ **Environmental and societal information:** sustainable use of resources and climate change (energy consumption, measures undertaken to improve energy efficiency and to promote the use of renewable energy, raw material consumption and measures undertaken to enhance resource efficiency) ; relation with stakeholders (conditions for dialogue, partnership or sponsorship), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, business ethics (actions undertaken to prevent bribery and corruption), actions undertaken to promote and guarantee Human Rights.

Social information: employment (total headcount and breakdown, hiring and terminations), work accidents, notably their frequency and their severity, as well as occupational diseases, training policies, number of days of training, diversity and equality of treatment and opportunities (measures undertaken for gender equality), promotion and respect of the ILO core conventions.

⁴ Tokyo (Japan), Ning Quiao Rd (China), Villarceaux (France), Timisoara (Romania), Mountain View (USA), Ottawa (Canada)

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken as a whole, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, April 4th, 2016

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Partner, Sustainable Development

Eric Mugnier

Partner

Bruno Perrin

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