RESPONSIBLE BUSINESS INNOVATION

2013
SUSTAINABILITY REPORT

Alcatel·Lucent

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Message of Alcatel-Lucent CEO

The information and communications technology (ICT) industry is at an important turning point.

The continued dramatic expansion of smart personal devices, combined with the expansion of enterprise and institutional data networks, and growth in ultra-broadband wireless and fixed access services are transforming the entire dynamics of our industry. This is also having a profound impact on human experience in today's digital economy.

Alcatel-Lucent has responded to this industry transformation with *The Shift Plan*. Our confirmed, combined specialist focus on IP networking, cloud and ultra-broadband access — backed by the recognized innovation assets of our Bell Labs — is powering today's digital world.

Since my arrival as CEO in 2013, and with our new company focus on *The Shift Plan*, we have worked to maintain sustainability as an award-winning and recognized competitive differentiator in the way we do business, across our business activities, as well as in our innovation.

My ambition is for Alcatel-Lucent to be the recognized leader in sustainability and responsible business innovation for the technology industry. We will do so through differentiated commercial partnerships with our top customers on key issues such as green innovation, human rights, sustainable supply chain and leading compliance business practices. We will further develop focused interaction with key sustainability stakeholders within and beyond our industry ecosystem such as civil society, non-governmental organizations, industry associations as well as the investor community. Finally, we will continue to embed it in our company's internal transformation with employees to inspire their innovation and pride.

I would like to thank Alcatel-Lucent's employees for our leading sustainability performance in 2013. It is proof of the talent, innovation and drive to excellence in everything we do.

Michel Combes
CEO Alcatel-Lucent

2013 Sustainability Highlights

The Shift Plan in Action

- For the second year in a row, Alcatel-Lucent was named Technology Hardware & Equipment Industry Group Leader in the Dow Jones Sustainability Indices with industry leadership in the economic, environmental and social dimensions of sustainability.
- Recognized as top 2% of companies assessed by EcoVadis with Gold Recognition.
- Given the Industry Leader and Gold Class Sustainability Award for the Communications Equipment industry by RobecoSAM.

Eco-innovation

- Approximately 10% of Bell Labs patents involved energy-related and green innovations.
- Bell Labs-led GreenTouch consortium continued research activities to improve network energy efficiency by a factor of 1,000 compared to 2010 levels by 2015. In 2013, it released its Green Meter Research Study proving the potential to reduce net energy consumption in communication networks by 90% by 2020.
- 32% carbon footprint reduction in operations since 2008; on track to meet 50% reduction goal by 2020.

Our People

- Alcatel-Lucent University provided 1.4 million hours of training to employees and customers with 70% of learning online.
- Two employee surveys launched in August and October 2013 to measure the extent to which employees understood and embraced *The Shift Plan*.
- 100% score on the 2014 Corporate Equality Index.

Digital Inclusion

- 65,600 beneficiaries of Alcatel-Lucent Foundation activities focused on digital literacy of youth in disadvantaged communities worldwide.
- 1 of 49 signatories to the UN Broadband Commission Manifesto and member of Alliance for Affordable Internet, championing affordable broadband for all.
- 65 small cell customers in 45 countries – leading the market in extending affordable and accessible connectivity around the world.

Ethics

- 96% of employees participated in Code of Conduct review and acknowledgement process.
- Compliance Hotline remained active in 114 countries worldwide.
- Implemented Guiding Principles on Human Rights Freedom of Expression and Privacy through the Telecoms Industry Dialogue initiative.

Supply Chain

- Screened 1,515 suppliers in our anti-corruption program.
- Surveyed nearly 350 suppliers on conflict minerals and filed first Conflict Minerals Report.
- 77% of our active suppliers rated "satisfactory" or above for their sustainability performance following our sustainability assessment methodology.

Sustainability Management

Top 2%
of companies assessed by EcoVadis, earning Gold Recognition

2x
DJSI Industry Group Leader, with score up from 87 to 91

24
principles implemented to meet UNGC Advanced Level assessment criteria

1. Our approach to sustainability

1.1 The Alcatel-Lucent sustainability vision

Our vision is to make communications more sustainable, more affordable and more accessible in line with our company's industrial focus on *The Shift Plan*.

This means using our innovation to embed the concepts of eco-sustainability and digital inclusion in our ultra-broadband access, IP networking and cloud solutions. The goal is to increase the capacity and reach of communications technology, making it more accessible and affordable for users worldwide.

Our mission also requires being a trusted and responsible corporate actor in the telecoms industry by reinforcing a zero-tolerance policy on compliance breaches for our employees, contractors and subcontractors, and embedding sustainability throughout our supply chain.

We continuously work with key stakeholders — customers, investors, public authorities and members of civil society — to improve our sustainability performance and maintain our industry leadership by co-creating new approaches and forming partnerships that make sustainability a leading part of our business and our reputation.

"At Alcatel-Lucent, our purpose is to make communications more sustainable, affordable and accessible in line with our company focus on The Shift Plan. *Sustainability is both an industry imperative as well as a key component of our brand as a leading innovator and trusted partner for our customers."*

CHRISTINE DIAMENTE
HEAD OF BRAND AND CORPORATE SUSTAINABILITY, ALCATEL-LUCENT

1.2 Priorities and values

In 2013, our sustainability activities focus on three core priorities:

• The environment

• Our people

• Digital inclusion

These priorities are underpinned by three key values:

• Zero-tolerance for compliance violations

• Collaboration only with partners who support our values

• Active engagement as citizens in the communities where we do business around the globe

1.2.1 Our priorities

Environment

Lead in eco-innovation to provide energy efficient, environmentally sustainable networks and innovative solutions that meet growing bandwidth demands. Working in collaboration with the GreenTouch™ Consortium initiated by Bell Labs, we seek to make communications networks 1,000 times more energy efficient than they were in 2010.

Our people

Create a diverse and highly skilled global workforce able to meet customer demands for reliable, quality service. To this end, Alcatel-Lucent University provided 1.4 million hours of training to our employees in 2013. Our award-winning internal social networking platform Engage allows employees to continuously share, collaborate and exchange best practices, leveraging each other's expertise and talents.

Digital inclusion

Realize the potential of a connected world and digital inclusion by developing and deploying affordable communication solutions for citizens, and by expanding their social and economic opportunities. We will address digital inclusion through our innovative products and solutions in ultra-broadband access, IP and cloud, enabling global connectivity. This will change the way billions of people live and work, and connect economies to new opportunities.

1.2.2 Our values

A core element of sustainability is putting our values at the heart of our day-to-day business:

1. We have a zero-tolerance policy for compliance violations and reinforce full integrity in every business action from every employee, treating each other with respect and empathy.

2. We collaborate only with partners, suppliers, contractors and subcontractors who share and support our values. We commit to regularly and thoroughly assessing their performance and partnering to ensure improvement.

3. We engage with pride and passion as citizens of the communities where we do business around the globe.

1.3 Foundations of our sustainability strategy and reporting framework

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

- **Article 225 of France's Grenelle II law (July 10, 2010):** Grenelle II requires companies to include information in their annual report on the environmental, social and societal impacts of their business activities and on their commitments to sustainable development — and to have independent, third-party verification of the published information.

- **Global Reporting Initiative (GRI):** Our Sustainability Report is prepared according to the GRI sustainability reporting guidelines. The 2010 report earned a GRI Application Level of B+. The 2011 and 2012 reports each earned an A+ Application Level. The 2013 report is being prepared at the time of this publication.

- **United Nations Global Compact (UNGC) Advanced Level:** Our Sustainability Report and company strategy conform to the United Nations Global Compact by:

  - Incorporating information on our sustainability activities according to the 24 UNGC Advanced Level assessment criteria

  - Incorporating the principles of the UN "Caring for Climate" eco-sustainability initiative in all our activities

  - In 2013, Alcatel-Lucent was included in the United Nations Global Compact 100: a new global stock index that includes top 100 companies based on their sustainability performance. We were, for the second year in a row, among the top quadrant of companies reporting according to the UNGC Advanced Level criteria.

- **EcoVadis:** Our sustainability strategy also 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 standard. In 2013, we were granted Gold Recognition with a score of 71/100, placing us in the top 2% of suppliers assessed in all industrial categories.

- **Dow Jones Sustainability Initiative (DJSI)**: Our sustainability strategy is closely based on the RobecoSAM DJSI framework. In 2013, for the second year in a row, we were named Industry Group Leader for the Technology Hardware & Equipment Sector* with a score of 91/100. This follows being named Leader of the Technology Supersector's CMT Communications Technology Sector in 2011 and 2012 with scores of 86/100 and 87/100, respectively.

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* The Technology Hardware & Equipment Sector includes Communications Equipment, Electronic Equipment, Instruments & Components, Computers & Peripherals, and Office Electronics.

1.4 Acting on our priorities, living our values

2013 Achievements

Our sustainability performance was recognized by many key stakeholders in 2013. Last year, Alcatel-Lucent was:

- Named Technology Hardware & Equipment Industry Group Leader of the Dow Jones Sustainability Indices (DJSI) for the second consecutive year

- Given the Industry Leader and Gold Class Sustainability Award 2014 for the Communications Equipment industry by RobecoSAM

- Included in the United Nations Global Compact 100 – a new global stock index that includes top 100 companies based on their sustainability performance

- Met UNGC Advanced Level criteria

- Assigned A+ Transparency Level by the Global Reporting Initiative (GRI)

- Granted Gold Recognition by EcoVadis with a score of 71/100, placing us in the top 2% of suppliers assessed in all industrial categories

Highlights

As 2013 was a year of leadership transition for Alcatel-Lucent, we focused on our 15 ongoing targets in line with the DJSI, UNGC Advanced Level and GRI A+ Level principles.

In 2013, Alcatel-Lucent was developing 12 new sustainability targets for 2014–2015 in line with the company's *The Shift Plan* as well as the DJSI, UNGC Advanced Level, EcoVadis and GRI A+ Level requirements.

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

1.5 Materiality assessment

Highlight

Recap of the 2011-2012 Materiality Assessment

Our first-ever materiality assessment involved the internal analysis of 42 sustainability issues relevant to our industry, spanning areas such as customer expectations, risk management, the environment (operational and product-related), employees, ethics and governance, products, services, customers, supply chain, community and philanthropy. Each issue was considered by more than 50 Alcatel-Lucent executives and sustainability experts involved in key company functions such as finance, R&D, operations, legal, HR, compliance, sales, marketing, procurement, communication, public affairs and philanthropy. Our top customers also participated in the assessment. In 2014, we are launching a new materiality assessment in line with the company's new industrial focus on *The Shift Plan*.

Material topics, 42 topics identified

Importance to stakeholders (y-axis)

Influence on business success (x-axis)
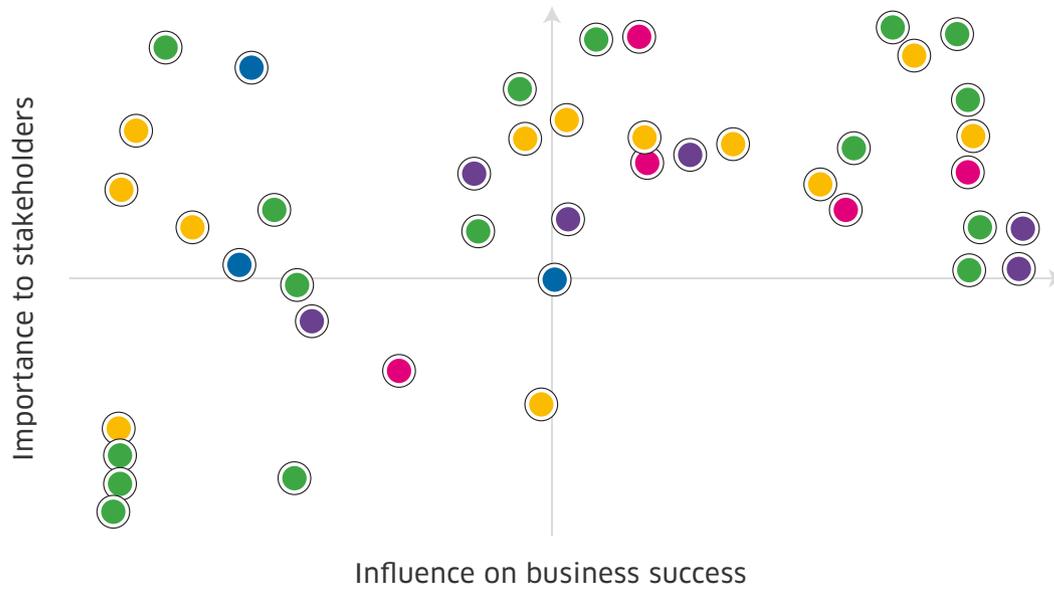
Legend:
- Product innovation and environment
- Ethics & compliance
- Our people
- Digital inclusion
- Supply chain

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

Alcatel-Lucent carefully monitors and evaluates sustainability issues and trends to identify opportunities for progress and improve our sustainability approach. In 2013, we continued to establish action plans and performance evaluations based on the results of our first formal materiality assessment, completed in late 2011. A new materiality assessment is being launched in 2014 in line with the company's industrial focus on *The Shift Plan*.

Through one-on-one interviews with key management team members over the course of a four-month period in mid-2012, we fully reviewed our materiality assessment results, identifying specific actions and embedding them into our business. We held additional meetings with customers to discuss our sustainability strategy and its effect on business performance. We also continued to have important dialogue with key external stakeholders and NGOs, continuously assessing our performance.

Along with areas of the greatest materiality, we continued to manage and monitor the full range of issues and expectations facing our company and industry, working to improve our performance and management systems over time according to business and customer needs.

1.6 Environment, health and safety management

1.6.1 Our EHS management system

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

While our EHS policy provides a framework for improving EHS performance, our Environment, Health & Safety Management System (EHSMS) facilitates the use of a common EHS management model.

The EHSMS is designed to identify risks, maintain compliance and promote EHS excellence. It provides an efficient and effective way to manage EHS issues associated with products, services and activities while cost-effectively pursuing continuous improvement in EHS performance. Our EHSMS continues to meet the needs of customers who increasingly insist on third-party-certified EHS systems. Decisions regarding third-party certification are made at the local level based on risk, the nature of hazards, customer requirements and competitive advantage. We continue to drive this same EHS management approach through our supply chain to minimize the overall impact of our operations.

In 2013, the EHSMS was expanded to Alcatel-Lucent Singapore and our facility in Murray Hill, New Jersey; and the management system in Barcelona, Spain, obtained certification to ISO 14001:2004 and Occupational Health and Safety Management Systems (OHSAS) 18001:2007 standards.

Employees are kept up to date on EHS news and issues through Engage — our collaborative social media platform — and through an internal EHSMS website and weekly summary emails.

2013 Achievement

In 2013, Alcatel-Lucent University delivered more than 16,600 training hours on EHS issues – an increase of more than 4,000 hours over 2012, complementing other EHS awareness channels such as workplace ergonomic guidelines, EHS topics covered in mandatory Code of Conduct training, and other communication vehicles.

1.6.2 Centralizing environmental information Q

Alcatel-Lucent continues to use an online tool for EHS reporting. We presently employ an online, web-based reporting tool for collecting, reporting and analyzing sustainability metrics and information. The use of this tool has improved both data accuracy and completeness for the annual sustainability reporting. Assigned contributors at Alcatel-Lucent facilities have used this tool to provide appropriate accounting of energy usage, water usage and direct greenhouse gas (GHG) emissions as authenticated by applicable invoices and bills. In addition, in 2013 we implemented a new web-based survey sent to a sample of assigned contributors at Alcatel-Lucent facilities for collecting, reporting and analyzing waste indicators data.

For the 2013 reporting:

- At the beginning of the year, 557 sites were contained within our real estate portfolio exhibiting a total area of 3,108,665 square meters. Throughout the year, 38 additional sites were added and 91 sites were removed. At year-end, 504 sites were contained within our real estate portfolio exhibiting a total area of 2,830,885 square meters. Thus, in 2013 we achieved a reduction of approximately 9% in our worldwide real estate area.

- 100% of facilities contained within our real estate portfolio were accounted for within the tool.

- Of the 595 sites that were contained within our real estate portfolio throughout the year, 240 were assigned the responsibility for managing complete data input within the online, web-based tool for applicable Scope 1, Scope 2 and Scope 3 categories. Those assigned sites encompassed 86% of our worldwide real estate area and 81% of headcount. The remaining sites, of which we have no operational control, had electricity usage, natural gas usage, electricity transmission/distribution loss and refrigerant loss estimated employing company specific algorithms.

- Of the 595 sites that were contained within our real estate portfolio throughout the year, 213 were assigned the responsibility for filling the web-based waste survey. The corresponding response rate of the survey is 55% of Alcatel-Lucent headcount (for further information, please refer to Section 4.2.8 "Environment indicators"). To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

2013 Achievements

- 100% of facilities in our real estate portfolio were accounted for within our tool.

- Of our 595 worldwide sites, 240 were assigned the responsibility of managing complete data input within the tool. The remainder used operational usage rate estimation algorithms.

1.6.3 ISO 14001 and OHSAS 18001

In 2013, the EHSMS was expanded to Alcatel-Lucent Singapore and our facility in Murray Hill, New Jersey; and the system in Barcelona, Spain, obtained certification to ISO 14001:2004 and Occupational Health and Safety Management Systems (OHSAS) 18001:2007 standards.

Highlight

Addressing the EHS impact of our products

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

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

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

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

1.6.4 EHS Compliance Audit Program

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

In 2013, service delivery/installation operations were audited in Colombia, Peru, Chile and India. EHS audits were also conducted at manufacturing facilities in the United States and Germany.

1.6.5 Customer/supplier-based EHS activities

Certain safety risks are inherent to the installation and operation of telecommunications networks. We work with our partners, customers and suppliers to ensure the safety of all individuals involved in such projects, with zero-tolerance for non-compliance with safety rules. EHS excellence is a fundamental requirement for Alcatel-Lucent, and a vision shared by all who partner with us.

We ensure proper management of health and safety by sharing best practices, conducting incident root-cause investigations and communicating lessons learned. For example, in 2013 our North America region EHS Manager collaborated with a Purchasing Manager at Alcatel-Lucent Puerto Rico to identify, evaluate and improve the performance of Alcatel-Lucent subcontractors performing high-risk services such as tower-climbing operations.

Later in 2013, we initiated implementation of the EHS Qualification Process in the Dominican Republic, working with a number of companies to strengthen their non-compliant EHS programs. After the intervention, all involved companies' programs met or exceeded Alcatel-Lucent standards. The mentoring project was so successful that it is now being implemented in Venezuela, Ecuador, Argentina, Uruguay, Paraguay, Mexico and Peru. Applicable documents have been translated to English and Chinese to share this mentoring approach with other regions.

1.6.6 Environmental risks

Risks related to climate change

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

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

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

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

Contingency planning and adaptation to environmental risks

In 2013, 78 real estate business continuity plans (BCPs) were in place to address environmental and other risks in terms of the potential loss of critical functions. The BCPs target locations with more than 500 employees (or with more than 200 employees in areas with elevated risks, such as proneness to earthquakes or political volatility). BCPs cover all critical real estate functions identified for a given location, allowing us to respond to diverse threats and systems that become material. Some plans — such as centrally managed plans within the corporate crisis management process and local emergency response plans — respond to particular hazards such as earthquakes and pandemics.

Provisions and guarantees for environmental risks

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

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

€58.2 million

As of December 31, 2013, our remaining outstanding balance related to our main provisions for environmental risks was €58.2 million.

Laws and regulations

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

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

Remedial and investigatory activities

Remedial and investigatory activities are underway at numerous current and former facilities owned or operated by historical Alcatel and Lucent. In addition, Lucent Technologies Inc. (now Alcatel-Lucent USA Inc.) was named a successor to AT&T as a potentially responsible party at numerous Superfund sites pursuant to the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) or comparable state statutes in the United States. Under a Separation and Distribution Agreement with AT&T and NCR Corporation (a former subsidiary of AT&T), Alcatel-Lucent USA Inc. agreed to assume responsibility for certain liabilities primarily resulting from or relating to its assets and the operation of its business as conducted at any time prior to or after the separation from AT&T, including related businesses discontinued or disposed of prior to its separation from AT&T. Furthermore, under the Separation and Distribution Agreement, Alcatel-Lucent USA Inc. is required to pay a portion of contingent liabilities in excess of certain amounts paid out by AT&T and NCR, including environmental liabilities. For more information, including our anticipated costs associated with the clean up of the Fox River Superfund Site in Wisconsin, please refer to section 6.7 "Contractual obligations and off-balance sheet contingent commitments", subtitle "Specific commitments — Alcatel-Lucent USA Inc." of the 2013 Annual Report on Form 20-F. In Alcatel-Lucent USA Inc.'s separation agreements with Agere and Avaya, those companies have agreed, subject to certain exceptions, to assume all environmental liabilities related to their respective businesses.

1.7 Approach to marketing and communication

Alcatel-Lucent has put in place measures to ensure its marketing communications and advertising activities remain truthful, legally compliant and both socially and environmentally responsible. Our marketing communications are regulated by national and international laws, and are subject to voluntary codes and standards applied across the organization — including our own Code of Conduct. Alcatel-Lucent reviews these regulations, standards and codes on at least an annual basis.

We address questions or concerns regarding our products through contacts provided on the company website and in product support and documentation.

1.7.1 Data protection, privacy and retention

Alcatel-Lucent complies with the EU Privacy Directives — currently the most stringent in the world. Our marketing communications activities meet all existing data privacy and data protection laws. The EU Privacy Directives are fully reflected in our Global Privacy and Data Protection Policy and its nine principles, as well as our Global Privacy and Data Protection Web Site Policy Statement.

Our approach to marketing communications ensures that all collateral — white papers, brochures, data sheets and web pages — conforms to our Information and Record Management's Retention Schedule, which governs the secure storage and quick retrieval of relevant documents for legal, regulatory or operational reasons.

2. Managing our sustainability

2013 was a year of transition for Alcatel-Lucent due to leadership change at the CEO level. Prior to the launch of the company's *The Shift Plan* in June 2013, three main bodies were responsible for managing sustainability at Alcatel-Lucent:

- **Sustainability Council:** This was the highest-level sustainability governance body within Alcatel-Lucent. Chaired by the CEO and the Head of Sustainability, its members in early 2013 included executives from the Management Committee as well as one external advisor. The Council met quarterly to set priorities, track progress on commitments and review sustainability strategy issues. It also provided perspective on potential risks and opportunities, and made recommendations to the Management Committee and Board of Directors on emerging and critical sustainability issues for the company at large.

- **Sustainability Team:** This team defined and drove the implementation of our sustainability strategy and initiatives worldwide, consolidating all social, economic and environmental indicators used to monitor progress.

- **Sustainability Network:** This network handled sustainability operations throughout the company. Members were drawn from the various business groups, Bell Labs and departments such as Human Resources, the Office of Business Conduct, Governance, Purchasing, Risk & Crisis Management, Environment, Health & Safety, Operational Eco-efficiency & Sustainability, CTO Green Strategy and Eco-environmental Engineering.

With the company's new strategic and industrial focus on *The Shift Plan*, our sustainability strategy and governance were modified in late 2013 as follows:

- **Leadership Team:** The Head of Sustainability, who now leads a renewed Sustainability Council, will participate twice yearly in Alcatel-Lucent's highest corporate leadership governance body to set and validate the company's sustainability priorities, strategy and KPIs, and to track progress on commitments in collaboration with the CEO and Leadership Team executives. The Head of Sustainability will also review potential risks and opportunities, and provide oversight to the Board of Directors on emerging and critical sustainability issues for the company where appropriate.

- **Sustainability Council:** This renewed and reconfigured body will include dedicated experts from key functions throughout the company, including Human Resources, the Office of Business Conduct, Operations, Strategy, CTO, Bell Labs, CMO, Quality and Risk, as well as business line representatives. It will meet virtually on a quarterly basis and help define and execute on the company's sustainability strategy, KPIs and commitments.

- **Sustainability Stakeholder Panel:** This new corporate advisory panel engages Alcatel-Lucent stakeholders in the company's sustainability strategy and KPIs, and in addressing key risks and opportunities. It will include key customers, an investor, a key supplier, a government representative,

a representative from an NGO and a representative from a rating agency. It will be led by the Head of Sustainability with the support of executive members and moderated by an external advisor. Three meetings are planned per year. A materiality assessment will also be performed with the members of this panel.

- **The Sustainability Team** will continue to define and drive the implementation of our company sustainability strategy and initiatives worldwide as was done previously.

Sustainability within Alcatel-Lucent at end 2013

SUSTAINABILITY ADVISORY PANEL	BOARD OF DIRECTORS

CEO AND MANAGEMENT COMMITTEE

TRANSVERSIAL FUNCTIONS

CORPORATE FUNCTIONS
- FINANCIAL & LEGAL
- HUMAN RESOURCES

BUSINESS LINES
- IP ROUTING AND TRANSPORT
- IP PLATFORMS
- WIRELESS
- FIXED NETWORKS

CMO
- PORTFOLIO MARKETING
- STRATEGIC MARKETING
- MARKETING SERVICES
- COM. & PUBLIC RELATIONS
- SUSTAINABILITY TEAM

STRATEGY & INNOVATION
- BELL LABS
- CTO
- STRATEGY

OPERATIONS

SALES

- 🟠 TEAM / BODY DEDICATED TO SUSTAINABILITY
- 🔴 TEAM / BODY CONTRIBUTING TO SUSTAINABILITY
- ▬ ORGANIZATION INCLUDED IN SUSTAINABILITY COUNCIL

3. 2013 hall of fame

Alcatel-Lucent received numerous sustainability and innovation awards and distinctions in 2013. Many individual employees were singled out for their contributions, reflecting the high level of talent throughout the company.

3.1 Receiving worldwide recognition

3.1.1 Industry Group Leader in the Dow Jones Sustainability Indices

In 2013 for the second year in a row Alcatel-Lucent was named Technology Hardware & Equipment Industry Group Leader in the Dow Jones Sustainability Indices (DJSI), receiving a score of 91/100 from from the KJSI's rating agency, RobecoSAM.

The Technology Supersector includes all assessed companies in the following sectors: communications technology, semiconductors, software, computer hardware and electronic office equipment and computer services and Internet.

DJSI Global Score:

91/100

- ECONOMIC: 92/100
- ENVIRONMENTAL: 95/100
- SOCIAL: 85/100

3.1.2 RobecoSAM 2014 Sustainability Yearbook award-winner

Also for the second year in a row, Alcatel-Lucent was included in RobecoSAM's Sustainability Yearbook, which lists the top-scoring 15% of the world's largest 2,000 companies across 59 different sectors. RobecoSAM also awarded us the Industry Leader and Gold Class Sustainability Award 2014 for the Communications Equipment industry. A total of 70 companies were named to the 2014 Gold Class — putting Alcatel-Lucent among the top 3.5% of companies assessed.

The assessment recognizes Alcatel-Lucent's commitment to sustainability based on the following criteria:

- Economic – Including our compliance policy, zero-tolerance for corruption and bribery, corporate governance, privacy protection and risk and crisis management

- Environmental – Including our strategy to reduce our carbon footprint, management of hazardous substances, product stewardship and commitment to energy efficiency in products

- Social – Including our commitments to digital inclusion and human capital development, our labor practices and upholding of human rights, and our talent attraction and retention

Alcatel-Lucent was awarded the RobecoSAM Gold Class trophy in Paris on September 18, 2013.

3.1.3   EcoVadis Gold Recognition

In December 2013, EcoVadis awarded Alcatel-Lucent Gold Recognition in its CSR evaluation, placing us in the top 2 % of assessed suppliers in all industrial categories. The EcoVadis assessment is based on the GRI, UN Global Compact and ISO 26000 standard.

3.1.4   Corporate Knights Global 100

Alcatel-Lucent was included in Corporate Knights' 2014 Global 100 list of sustainable companies at the World Economic Forum in Davos, Switzerland.

3.1.5   Vigeo top performer

Vigeo assesses companies' practices and performance on a range of environmental, social and governance issues — for example, human resources development, respect for human rights in the workplace, environmental protection, business ethics, transparency and corporate governance, and economic and social development in the areas in which they operate. In 2013, Alcatel-Lucent was recognized among the top performers in the following Vigeo indices:

Alcatel-Lucent was also included in ETHIBEL Sustainability Index under ESI Excellence Europe.

3.1.6 UN Global Compact 100 Stock Index

In September 2013, Alcatel-Lucent was included in the United Nations Global Compact 100 — a new global stock index of the top 100 companies based on their sustainability performance.

3.1.7 One of the world's top 100 innovative companies

For the third year in a row, Alcatel-Lucent has been recognized by Thomson Reuters as a Top 100 Global Innovator, named by MIT Technology Review as among "World's Most Innovative Companies" in 2011, 2012 and 2013.

3.2 Environment, health and safety awards

In 2013, Alcatel-Lucent Shanghai Bell (ASB) was presented with the Environmental Credit Corporation award by the Shanghai Pudong municipal government for significant contributions on environmental protection.

ASB also successfully passed the Work Safety Standard assessment, which involved a joint project team that covered six campuses in Shanghai and more than 8,000 employees, and was honoured with a second successful Cleaner Production Assessment for reducing pollution and saving natural resources through new technology, material and equipment.

In July 2013, Alcatel-Lucent earned Hong Kong's Good Environment, Health and Safety Performance Award, which acknowledges employees' and contractors' EHS meeting attendance, safety performance and Hong Kong Electric Company (HEC) safety audits.

Alcatel-Lucent Taiwan received the 2013 Best Performing Company Award from the Railway Reconstruction Bureau in July 2013. The "A" grade award was based on EHS performance, project quality and on-time delivery.

The company received the Orange Espana (FT Spain) Network Deployment Health & Safety Award, which recognizes the Orange Business Partner with the Best Health & Safety Performance in Network Deployment. The award singled out our two years of best-in-class Build Quality Assurance (BQA) performance in 2011 and 2012, during an FTE network deployment that involved more than 1,400 people from 74 companies and more than 2,000 FTE cell tower sites.

3.3 Good in green: Rankings and recognitions

3.3.1 Our global standing

Alcatel-Lucent's green performance was assessed and acknowledged by a number of authoritative bodies in 2013, including the Massachusetts Institute of Technology (MIT). We were also ranked among the top 10 performers in Greenpeace's CoolIT Leaderboard, where we contributed examples of our green products and services, shared our efforts to reduce our emissions and impact, and helped position ICT's potential to reduce greenhouse gas (GHG) emissions.

Recognition of our product portfolio

• The award for Datacenter Innovation of the Year was presented to Manish Gulyani, VP Product Marketing, IP Routing and Transport, at the 6th annual Telecom Asia Reader's Choice & Innovation awards ceremony held in Singapore on December 5th.

• The Global Telecoms Business Innovation Award for Small Cells Network Densification — with AT&T (June 2013).

• GTI Award at Mobile World Congress for Most Innovative Solution — 9768 Metro Radio Outdoor TD LTE (February 2013).

• Guinness Book of World Records entry for data transmission per second — set by Turk Telecom, which used Alcatel-Lucent 100G optical technology to achieve a rate of 8 Terabits per second, equivalent to downloading 250 HD films per second.

• TMCnet 'SmartGrid Product of the Year' for the leading IP routing platform, the **7705 Service Aggregation Router** (7705 SAR-H).

- Best Broadband Award (Fixed) at the Broadband Infovision Awards, acknowledging companies leading the broadband marketplace around the world, with high commendation in the Best Broadband Cloud Award category.

- 2013 Global Award for Product Leadership in Customer Experience Management (CEM) from Stratecast|Frost & Sullivan.

- 2013 Best in Class Marketing in the Vendor category, and in the Partnership category with TDS Telecom and Kindsight™.

3.4 Diverse and talented: The people of Alcatel-Lucent

3.4.1 Standing with the LGBT community

Alcatel-Lucent was named to the Human Rights Campaign Foundation's Corporate Equality Index for the fourth year in a row. The Index rates businesses on their treatment of lesbian, gay, bisexual and transgender (LGBT) employees, consumers and investors. Alcatel-Lucent was one of 252 businesses to achieve a perfect score for its commitment to protect individuals from employment discrimination based on sexual orientation and gender identity/expression. In France, Alcatel-Lucent and eight other large companies and organizations signed an LGBT charter on January 7, 2013, in the presence of two French ministers.

3.4.2 Alcatel-Lucent earns a 100% on the 2014 Corporate Equality Index

For the 12th year running — including pre-merger years — Alcatel-Lucent scored 100% on the 2014 Corporate Equality Index, a national benchmarking tool on corporate policies and practices pertinent to lesbian, gay, bisexual and transgender employees. Alcatel-Lucent is dedicated to maintaining the highest standards in diversity, and we are very proud of our repeated ability to be recognized at the highest level in this equality index.

3.4.3 A top destination for minorities

Alcatel-Lucent was ranked among Minority Engineer's 2013 Top 50 Employers — the first time the company has been named to this list. Each year, the readers of Minority Engineer magazine are asked to select the employers for which they would most like to work or believe would provide a positive work environment for minorities.

3.4.4 Recognition of our employees

Several individuals within Alcatel-Lucent were also singled out for their accomplishments.

Bell Labs recognition

- Dr. Nicolas Fontaine, a researcher at Bell Labs, has been included in Popular Science magazine's 'Brilliant 10' list of top researchers under the age of 35. He was recognized for his revolutionary work developing novel techniques to enable fiber-optic networks to meet the world's insatiable demand for ultra-high speed data services and content.

- Andy Chraplyvy and Bob Tkach were honored with the 2013 IEEE Alexander Graham Bell Medal for contributions to science and technology for optical communications, enabling high-speed wavelength division multiplexing through the mitigation of the effects of fiber nonlinearity.

- Massimiliano Salsi has been recognized by TR35 France as one of France's top young innovators by MIT's Technology Review magazine.

- Volker Hilt, Lisa Zhang, Wei Wang and Keying Wu were selected to participate in the 2013 National Academy of Engineering's Chinese-American Frontiers of Engineering Symposium.

- Al Cho was presented the Asian American Engineer of the Year award, which recognizes American individuals of Asian descent who have made exceptional contributions to engineering and science, and/or as a Corporate Leader.
- Guy-Bertrand Kamga received the Best Short Paper Award at the conference IEEE CloudNet for "Privacy Control in the Cloud based on Multilevel Policy Enforcement."

The Bell Labs optical research team had five highly prestigious 'post-deadline' papers accepted (at the 2013 European Conference on Optical Communications (ECOC)), highlighting Bell Labs' role in driving major advancements in next generation, super-high-capacity IP optical transport networks. ECOC was the largest optical communication event in Europe for 2013 and provided a forum for new results and developments.

The **Charles Stark Draper Prize** has been awarded by the U.S. National Academy of Engineering since 1989 to recognize outstanding engineering achievements. In 2013, Richard Frenkiel and Joel Engel were recognized for their contributions to the world's first cellular telephone networks, systems and standards.

Marie Thérèse Royce, Alcatel-Lucent International Public Affairs, was recognized March 6th at Washington's National Press Club with the Internationalism Award from the American Women for International Understanding (AWIU) for her contribution to international business policy and initiatives in emerging markets. American Women for International Understanding (AWIU), a non-profit, non-governmental organization, was established in 1968 to create an international network of women to foster understanding and goodwill among nations.

On December 3 in Brussels, Nicole Hill, Alcatel-Lucent Enterprise Global Healthcare Sector director, was elected a member of the European Health Telematics Association (EHTEL) a focal point for eHealth in Europe, dedicated to supporting all eHealth stakeholders in transforming the delivery of health and social care.

3.5 Recognition around the world: Regional and local sustainability

3.5.1 Hong Kong

Junior Achievement Hong Kong named Alcatel-Lucent a Caring Company for the fourth consecutive year in 2014, recognizing our continuous support for Junior Achievement in developing Hong Kong young people.

3.5.2 Belgium

Alcatel-Lucent was awarded the Environmental Charter of the Province of Antwerp for the third year in a row in September 2013.

3.5.3 Poland

The Regional Association of Employers named Alcatel-Lucent Poland and its outdoor cabinet business partner Belma Accessories Systems (BAS) 2013 Cooperation Leaders for successfully shipping more than 1,500 outdoor cabinets to Alcatel-Lucent customers around the world last year.

3.5.4 China

Alcatel-Lucent received a number of honours and awards in China during 2013, including:

- Certificate of CSR-Certified Company (Pudong Government)
- A Trusted Environmental Company (Pudong Government)
- Top 20 of All China CSR Top 100 in State-Owned Sector (China Academy of Social Sciences)
- China Charity Award (China Charity Festival Organization)
- Best Public Image Award ("Beautiful China" Organization)
- Best Green Charity Program (Renewing PC Program), ("Beautiful China" Organization)

3.5.5 Mexico

Alcatel-Lucent Mexico was named a Socially Responsible Company (ESR) by the Mexican Center for Philanthropy (CEMEFI) for the fourth year in a row. The rigorous evaluation process for ESR certification considers companies' community connections, business ethics, quality of life, and care and preservation of the environment.

3.5.6 Africa

Alcatel-Lucent was awarded a prize at the Biovision Forum for an African anti-diabetes mHealth project developed in partnership with the Université numérique francophone mondiale (UNFM) and private-sector companies including Orange and Sanofi.

4. Our engagement with stakeholders

4.1 Dialogue and action

Stakeholder dialogue is a critical part of our approach to sustainability. We engage in proactive dialogue through various means and tools and with a broad range of stakeholders — including customers, partners, investors, public authorities, employees as well as our unions and civil society. For each group, a clear objective and prioritization is set in line with our business strategy, with clear outcomes and transparent processes including grievance mechanisms.

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

Throughout 2013, we dialogued with new and existing stakeholders in the public and private sectors — particularly customers, investors and members of civil society — as well as employees to collectively address global challenges of climate change, rural inclusion, human rights (e.g., freedom of expression and privacy), compliance and the evolution of digital economies. Our interactions with partners were similarly constructive, completely transparent and premised on meaningful action. These included direct discussions, joint initiatives, global forums and conferences in addition to online conversations through channels such as the Alcatel-Lucent Blog, Twitter, YouTube and our internal social media platform, Engage. In all such interactions, we apply relevant stakeholder governance structures and ethics and compliance policies.

Annual stakeholder engagements

In 2013, Alcatel-Lucent maintained a very active role in the United Nations Broadband Commission and the International Telecommunications Union (ITU), promoting important discussions with public authorities, regulators and countries with emerging economies. Topics included ultra-broadband access, energy efficiency, climate change, and the role of broadband in sustainable and digital inclusion post-2015. Discussions were held at events such as Mobile World Congress and the meetings of the UN Broadband Commission for Digital Development. Alcatel-Lucent also joined the ITU's mPowering Initiative, which assembles high-level actors from organizations in the ICT and development fields to accelerate mobile services for inclusion in developing and emerging countries.

Human rights and ethics

The attention paid to issues such as communications surveillance and unfortunate events like those that took place at Rana Plaza in Bangladesh is growing worldwide. We continue to work closely with customers via the Telecommunications Industry Dialogue to share our insight and experience related to corporate responsibility on human rights, freedom of expression and privacy with civil society and public authorities. We were also an invited speaker at the Organisation for Economic Co-operation and Development (OECD) global forum on corporate responsibility in June 2013, sharing our experience in establishing sector initiatives related to human rights and the transparency of corporate reporting. We also reached out to the OECD, UN Global Compact, Transparency International and key public stakeholders to discuss the importance of establishing a level playing field for the telecommunications sector on compliance and fair business practices.

mLearning, mHealth and eco-sustainability

By partnering with GSMA, UNESCO, USAID (via the mEducation Alliance), WHO and other organizations, we were able to continue our activities related to increasing mLearning and mHealth in developing countries. We have also championed a number of eco-sustainability initiatives, including leading the development of the GeSI report, Smarter 2020: The Role of ICT in Driving a Sustainable Future. Finally, we continued to reach out to new stakeholders such as the World Wildlife Fund, Greenpeace, the United Nations Global Compact's regional networks and Ethical Corporate to promote greater awareness of and exchange best practices for eco-sustainability and supply chain management.

In 2014, we will strengthen our engagement with customers and material stakeholders via the creation of a new Sustainability Stakeholder Panel, which will tackle strategic issues for the company and the telecommunications sector at large.

4.2 Highlights of our stakeholder engagement

STAKEHOLDER ENGAGEMENT ACTIVITIES		
New stakeholder	**Engagement mechanisms**	**Engagement results**
Employees	• Engage, our social networking platform • Talent Dialogue tool • Townhalls and Leadership Team Roadshow • Top 200 Leadership meetings • Employee questionnaires on *The Shift Plan* • Intranet communications, Text-Me, On the Air, podcasts, videos, The Blog, Twitter, YouTube channel	• Approximately 22,000 employees actively used Engage in 2013 to share and communicate with management regarding *The Shift Plan*, our company strategy and activities. • Our Talent Dialogue tool helped employees connect with managers bi-annually on objectives and track individual progress. • Following the announcement of *The Shift Plan*, the leadership team traveled to key facilities worldwide over a six-month period to discuss the new company direction in open townhall meetings with employees. • Two "Top 200" Leadership meetings were held in 2013 to introduce our new CEO, discuss company transformation and set the tone for successful execution of *The Shift Plan*. • Two all-employee questionnaires were launched in 2013 to measure understanding of *The Shift Plan*. • Approximately 50% responded that the company direction was clear and understood how to prioritize work. • The company maintained best–in-class open communications with employees, including social media and creation of the "Text-Me" and "On the Air" tools to keep employees informed on the latest company news. *Refer to "Our People" section of this report for more information.*
Customers	• *The Shift Plan*, providing a new customer focus • Customer Satisfaction Survey Program • Quality Management System (QMS)/ Right First Time • Dedicated meetings at major industry events such as MWC, BBWF and Alcatel-Lucent Technology Symposium • Dedicated operational reviews and audits on sustainability • Ad hoc initiatives such as Telecoms Industry Dialogue on Human Rights	• As part of *The Shift Plan* announcement in June 2013, Alcatel-Lucent committed to working with Tier 1 to Tier 4 service providers as well as webscale and extra-large customers to address their communications needs. • 192 customer accounts worldwide were surveyed in 2013. Alcatel-Lucent ranked 4th out of 17 competitors on our Customer Loyalty Index (CLI) and our Net Promoter Score (NPS) remained consistent in 2012-13 at 13%. • Our QMS includes TL 9000 standards quality certification in 108 locations, 49 countries and 35 different product categories. We renewed our certification 2013-16. • 496 customer meetings at Mobile World Congress 2013, the premier industry event, a 16% increase over 2012. • 855 customer events hosted at our global Executive Briefing Centers, a 17% increase over 2012. • We responded to over 50 customer questionnaires on sustainability, supported audits in facilities globally, and participated in dedicated operational reviews on our sustainability performance and activities. • We worked with 7 of our customers to exchange best practices on 10 Principles regarding human rights for the telecoms sector. *Refer to "Stakeholder Participation" section of this report for more information.*

STAKEHOLDER ENGAGEMENT ACTIVITIES		
New stakeholder	**Engagement mechanisms**	**Engagement results**
Suppliers	• Require, Assess, Improve approach • EICC and UN Global Compact Principles • Anti-corruption requirements • Conflict Minerals Traceability	• We continued to require clear sustainability requirements from suppliers through contractual purchasing requirements; Assess by evaluating sustainability performance through ratings and onsite audits; and Improve by pushing and supporting the improvement efforts of suppliers whose performance is not at expected level. • 77% 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 our suppliers. • We surveyed nearly 350 suppliers on conflict minerals to determine the origin of key components. *Refer to "Supply Chain" section of this report for more information.*
Governments and regulators	• Promotion of Ultra-Broadband Access Plans	• Alcatel-Lucent worked with approximately 40 governments and regulators, particularly in emerging countries, to promote the benefits of ultra-broadband action plans and digital inclusion. *Refer to "Our Stakeholders" section of this report for more information.*
Multilateral and industry organizations	• Promotion of Ultra-Broadband Access Plans • Energy Efficiency/Climate Change • mLearning, mHealth • Human Rights Freedom of Expression & Privacy • Compliance and Fair Business Practices for Telecoms Sector	• We worked within the UN Broadband Commission, ITU, on key topics including Ultra-Broadband Access, energy efficiency, climate change and sustainability. • Alcatel-Lucent partnered with GSMA, UNESCO, USAID, WHO to promote mLearning and mHealth in developing countries. • As a board member, we were actively engaged in GeSI work groups relating to climate change, communications on SMARTer 2020 Report, supply chain and conflict minerals and human rights. • We were an OECD guest speaker at their June 2013 Global Forum on Corporate Responsibility with world experts on human rights. • We engaged in dialogue with UN Global Compact, OECD and Transparency International on compliance and fair business practices for the telecoms sector. *Refer to "Our Stakeholders" section of this report for more information.*
NGOs and civil society	• ConnectEd and World Education • Human Rights Freedom of Expression & Privacy	• Alcatel-Lucent improved the digital literacy of 17, 866 youth in disadvantaged communities across Australia, Brazil, China, India and Indonesia since 2011. • The Alcatel-Lucent Foundation worked with 119 local organizations across 35 countries to support philanthropy with a focus on youth education and skills building. • We communicated with key NGOs such as Access Now, CDT, GNI, IHRB, CDT and Privacy International regarding Human Rights, connecting directly and through the Telecoms Industry Dialogue (ID). ID also signed a collaboration agreement with GNI in March 2013 with regular bi-monthly and face-to-face meetings with its board members to discuss freedom of expression and privacy. *Refer to "Society" and "Ethic" sections of this report for more information.*

STAKEHOLDER ENGAGEMENT ACTIVITIES		
New stakeholder	**Engagement mechanisms**	**Engagement results**
Investors	• Regular meetings • Quarterly earnings announcements • Annual Meeting of Shareholders • Annual Financial Report on Form 20-F • Sustainability Report	• Alcatel-Lucent regularly updated shareholders and prospective investors on our business strategy, activities and financial performance with a focus on *The Shift Plan*. • We held regular meetings with investors on specific aspects of our sustainability performance and activities, including sharing information relating to our DJSI, UN Global Compact and GRI ratings. *Refer to "Stakeholder Engagement" section of this report for more information.*
Local communities	• Philanthropy • Digital Literacy of Youth in disadvantaged communities	• The Alcatel-Lucent Foundation supported community philanthropy activities in local communities involving 4,900 employees for 34,500 hours. • We continued to support 119 local organizations and grassroots programs dedicated to education and digital literacy of youth. *Refer to "Society" section of this report for more information.*

4.3 Customer relationships

4.3.1 Our commitment to quality and customer satisfaction

We are committed to providing an unmatched Right First Time customer experience. Right First Time is an approach that enables teams across the value chain to collaboratively strengthen our end-to-end processes and results, so that we give our customers what they want, on time and with the quality they expect.

Our Quality Strategy defines our path to operational excellence, achieved through the consistent application of data and through evidence-based improvement. We consistently apply well-known quality concepts and methodologies to improve our processes and their outputs, removing waste and inefficiencies. We measure our process capabilities and outcomes, distill key findings and act to address them.

Our Quality Management System (QMS) — which includes the processes, measures and tools we use to meet our customers' quality expectations — is one of the most robust in our industry. An external certification body conducts a surveillance audit on our QMS annually, and an extensive recertification audit every three years. These audits verify continual improvement and ensure conformance to ISO 9001* and TL 9000** quality standards.

Our TL 9000 quality certification covers 108 company locations in 49 countries and 35 different product categories, including our portfolio of IP Routing & Transport, IP Platforms, Fixed and Wireless Access.

Alcatel-Lucent successfully renewed its quality certification for another three-year period from June 2, 2013 to June 1, 2016.

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

** The Quality Excellence for Suppliers of Telecommunications (QuEST) Forum established the TL 9000 quality management system as an extension of ISO 9001. Its focus is specifically on the needs of telecom service providers and suppliers.

4.3.2 Alcatel-Lucent Quality Policy

Our Alcatel-Lucent Quality Policy keeps customer care at the forefront of everything we do. It represents our commitment to customer satisfaction and continual improvement and is supported by our Quality Council.

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

To ensure that we are talking to our customers about our commitment to quality and customer satisfaction, we have appointed Customer Quality Managers (CQMs) across the business. CQMs advocate for and serve as the voice of our customers, proactively managing customer quality perceptions by handling complaints, issues and alerts. CQMs trigger and ensure quality improvement plans, provide feedback to customers on progress and validate the effectiveness of improvement plans with customers. We also rely on tools such as customer satisfaction surveys to ensure that we are committed to quality throughout our relationship with the customer.

4.3.3 Customer Satisfaction Survey Program

In 2013, we surveyed 192 customer accounts from across the globe to evaluate customer satisfaction. We continued our positive trend year-over-year in our Customer Satisfaction — Relationship Survey Results. Alcatel-Lucent ranked fourth out of 17 competitors on our Customer Loyalty Index (CLI)* results. The Net Promoter Score (NPS)** remained consistent from 2012 to 2013 at 13%, representing a 5% increase over our 2011 results.

The Product Survey results experienced a slight decline, however, with Alcatel-Lucent ranking seventh on our Customer Loyalty Index (CLI) score out of 17 competitors. Our Net Promoter Score (NPS) maintained a 3% improvement over our 2011 results.

The table below shows our results:

RELATIONSHIP SURVEY	2012	2013	2013 TARGET
Customer Loyalty Index*	7.51	7.63	7.74
Net Promoter Score**	13%	13%	25%
Response Rate	54.8%	50.5%	55% Best-in-Class
Product survey			
Customer Loyalty Index	7.83	7.71	n/a
Net Promoter Score	15%	12.7%	n/a
Response Rate	51.4%	48.6%	55% Best-in-Class

* Customer Loyalty Index is the average of the 'Overall Satisfaction' and 'Likelihood to Recommend' questions on the survey. Our survey uses a scale from 0 to 10 (10 being the highest score).

** Net Promoter Score is the % of Promoters (scores of 9 – 10) minus the % of Detractors (scores of 0 - 6) from the Likelihood to Recommend question on the survey.

In 2014, Alcatel-Lucent's Customer Satisfaction Survey Program will focus on increasing customer intimacy, using a face-to-face approach to gather the 'Voice of the Customer (VOC)' from our top accounts. This will give us the opportunity to gain valuable insight from our customers and build closer relationships.

4.4 United Nations Global Compact

Alcatel-Lucent is a longstanding signatory to the United Nations Global Compact (UNGC), an international initiative that brings companies together with UN agencies, labor and community groups to support universal environmental, ethical and social principles. A policy platform as well as a practical framework, the UNGC is the world's largest corporate citizenship initiative, with more than 6,000 companies as members.

We are committed to integrating the UNGC's 10 principles into everything we do. To strengthen our reporting and demonstrate our sustainability-related governance and management processes, this report includes information relevant to each of the 10 principles.

In 2013, we incorporated information on our sustainability activities in accordance with the UNGC Advanced Level criteria, particularly in the following areas:

• Strategy, governance and engagement

• UN goals and issues

• Implementation of UNGC principles

• Value chain implementation

• Verification and transparency

2013 Achievement

In 2013, Alcatel-Lucent once again maintained its reporting and transparency according to the UN Global Compact Advanced Level differentiation.

Since 2011, Alcatel-Lucent has served on the United Nations Global Contact Network steering committee to provide strategic input and lead international partnerships, including those with other local UNGC networks. These networks are important to our engagement with local communities and to bringing the UNGC principles to life.

In 2013, Alcatel-Lucent focused its participation in the UN Global Compact on specific aspects of the Principles. For example, on December 9–10, 2013, Alcatel-Lucent participated in the UN Global Compact Working Group on the 10th Principle against Corruption at the UN Headquarters in New York. We met with experts worldwide to explore implementing greater adoption of compliance principles and practices across the telecommunications sector. Alcatel-Lucent will continue to work with the UN Global Compact Network over 2014 to focus on creating a level playing field for fair business practices across the sector through regional meetings.

PRINCIPLES	NUMBER	DESCRIPTION	READ MORE (SEE SUSTAINABILITY REPORT)
Human Rights	1	To support and respect the protection of internationally proclaimed human rights	p. 19, pp. 22-24, pp. 96-99, pp. 156-158, p. 164
	2	To make sure that we are not complicit in human rights abuses	p. 19, pp. 22-24, p. 96-97, p. 164
Labor	3	To uphold the freedom of association and the effective recognition of the right to collective bargaining	p. 28. p. 51, p. 57, p. 59, p. 65, pp. 139-140, p. 147, p. 152, p. 181
	4	To support the elimination of all forms of forced and compulsory labor	p. 19, pp. 22-24, pp. 96-97, p. 164
	5	To support the effective abolition of child labor	p. 19, pp. 22-24, p. 51, pp. 59-60, p. 64 pp. 96-97, p. 158, p. 166
	6	To support the elimination of discrimination in respect to employment and occupation	p. 19, pp. 22-24, p. 70, pp. 143-147
Environment	7	To support a precautionary approach to environmental challenges	p. 29, pp. 35-45, pp. 100-132, pp. 177-187
	8	To undertake initiatives to promote greater environmental responsibility	p. 29, pp. 35-45, pp. 100-131, pp. 175-183
	9	To encourage the development and diffusion of environmentally friendly technologies	pp. 104-121
Anti-corruption	10	To work against corruption in all of its forms, including extortion and bribery	pp. 72-73, pp. 83-96, p. 177, p. 179

4.5 Global eSustainability Initiative

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

Highlight

Alcatel-Lucent provides leadership as a member of the GeSI Board and in several key areas, including climate change, energy efficiency, human rights and communications.

4.5.1 GeSI Climate Change Project Portfolio

GeSI received global recognition for its landmark 2008 report, *SMART 2020: Enabling a Low-carbon Economy*, which deals with the potential of the ICT sector to enable other sectors to reduce their carbon emissions and was disseminated last year. By applying ICT solutions to other sectors such as power, transportation and logistics, buildings, agriculture, land use, motor systems, services and consumer goods, global GHG emissions could be reduced by 16.5% by 2020 — an abatement potential of 9.1 $GtCO_2e$, or seven times the ICT sector's own emissions.

Alcatel-Lucent served on the SMARTer 2020 steering committee, contributing critical traffic data and analysis as well as playing a lead role in the further dissemination of the report. We shared the report with thought leaders in several industry sectors, including select policy makers, academics, NGOs and research institutions. We will continue to share the key findings of the report through focused events with local audiences.

4.5.2 GeSI Communications Project Portfolio

Alcatel-Lucent leads GeSI's Communications Project Portfolio, which disseminates key ICT sustainability messages about supply chain, energy efficiency, public policy, e-waste and climate change issues. GeSI members have steadily and successfully raised awareness of ICT's potential to mitigate the consequences of climate change. The release of SMARTer 2020 took place during the UNFCCC COP18 meeting in Doha, Qatar.

At the COP19 in Warsaw, Poland, GeSI announced a strategic partnership with the UNFCCC Momentum for Change Initiative, adding a new pillar of ICT solutions to the initiative's lighthouse activities. Alcatel-Lucent has contributed to the development of this cooperation and, over the next three years, we'll work with other GeSI members to evaluate how ICT solutions from the entire sector have made a concrete impact on mitigating the consequences of climate change. The group will also focus on how these actions can be replicated on a wider scale.

Citing GeSI's SMARTer 2020 report together with the United Nations Environmental Programme (UNEP) Emissions Gap Report, the Initiative recognizes that ICTs can play a significant role in decreasing the gap. This special UNFCCC initiative will expand its existing Advisory Panel to help showcase activities and organize high-visibility events, starting with COP20/CMP10.

During the EU Sustainable Energy Week in June 2013, GeSI launched its Cloud Computing Study at an event with the European Commission's Directorate General on Energy. Alcatel-Lucent represented GeSI by delivering messaging on the potential of the cloud to reduce the sector's direct carbon footprint, a timely complement to Alcatel-Lucent's work in CloudBand™ and Nuage Networks.

4.6 Public affairs

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

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

Policy & regulation topics for the industry

DATA EXPLOSION
Need for infastructure upgrade

Unleash network investment; regulatory reform, investment models, copper evolution

PUSH FOR INVESTMENTS

Support broadband public policies and initiatives

Widespread IP technologies to strategic industries
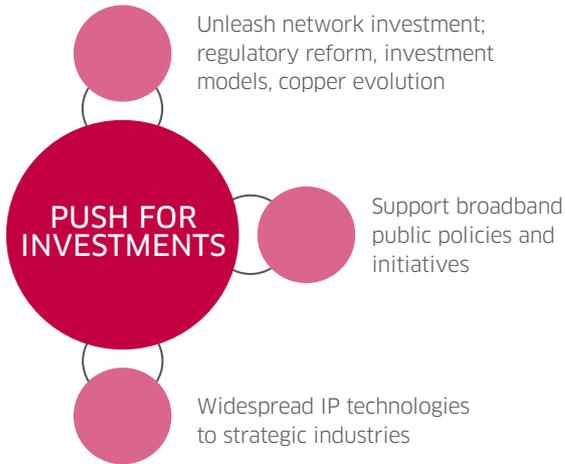
MOBILE USAGE REVOLUTION
Solving the capacity crunch

Spectrum allocation & harmonization

BOOST MOBILE BROADBAND

Small Cells acceleration and streamlining roll-out

Support for innovative scarce resource models (spectrum, infrastructure.) and new technologies
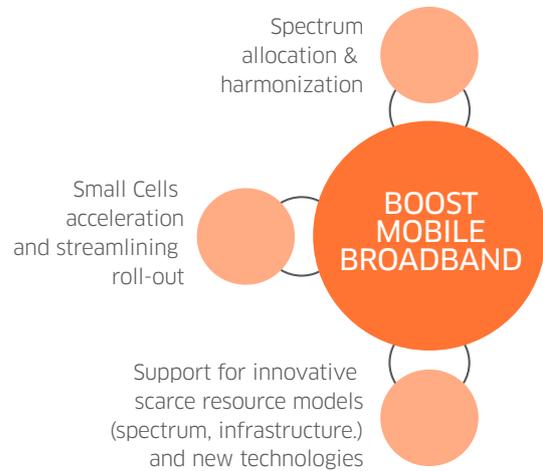
INTERNET SUSTAINABILITY
Setting the right industry policies

Improve internet ecosystem: net neutrality, value chain distribution, business models

LEVERAGE NETWORK POLICIES

Strengthen the network as a key cloud enabler

Set industry-friendly data protection and cyber-security
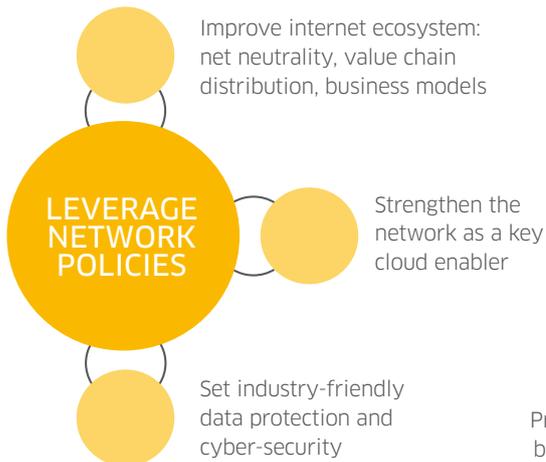
COMPETITIVE DISTORTION
Achieving a level playing field

Eliminate non-trade barriers (ntb) and extend WTP/ITA agreements

IMPROVE BUSINESS ENVIRONMENT

Promote Alcatel-Lucent best-in-class Corporate Responsibility as industry standard

Leverage R&D public funding to ICT and energy efficientcy
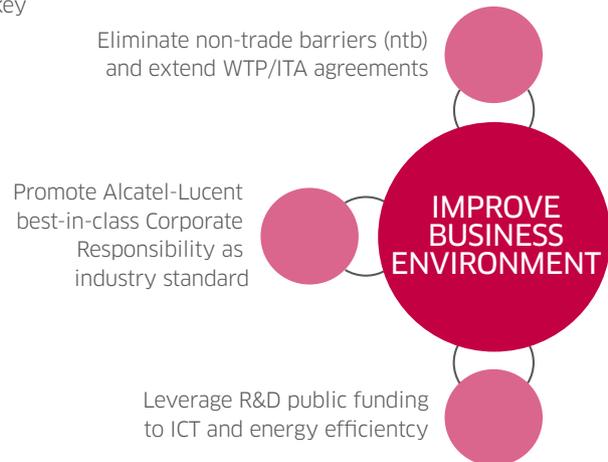
4.6.1 Corporate governance

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

2013 Achievements

In 2013 we successfully promoted:

- Best-in-class corporate responsibility policies (in particular, corporate governance) to enhance legislation and voluntary initiatives, working with public authorities

- Best-in-class practices to create a fair and level playing field among telecom equipment vendors, working with U.S., EU and French authorities

- A voluntary charter to be signed by stakeholders, working with professional associations

4.7 Responsibility to shareholders

Alcatel-Lucent regularly updates shareholders and prospective investors on the company's business strategy, activities and financial performance. As governance is a key item on the agendas of investor meetings, we communicated with shareholders ahead of our Annual General Meeting to discuss and explain the resolutions submitted to vote. We also provided stakeholders with information about our Dow Jones Sustainability Index ranking and our role in the ICT sector. In 2014, our Investor Relations team will focus on strengthening our relationships with the financial community.

Highlight

Main shareholders as of December 31, 2013:

- 9.9% Capital Group

- 5.8% BlackRock

- 3.6% CDC

2013 Reporting

A+
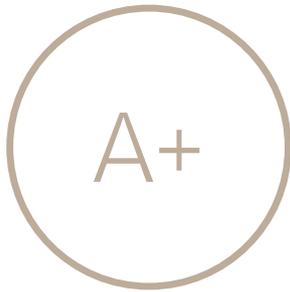
third consecutive time for GRI Application Level Check

2x

DJSI Industry Group Leader, with score up from 87 to 91

Top 100

UN GLobal Compact 100+ sustainability performance ranking

1. How we report on sustainability

For Alcatel-Lucent, sustainability is part of our business.

Through innovation in networking and communications technology, products and services, Alcatel-Lucent is making communications more sustainable, affordable and accessible. It's all part of our corporate vision: *realizing the potential of a connected world.*

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

Our 2013 Sustainability Report consolidates all Alcatel-Lucent sustainability activities worldwide for the year, focusing on key achievements and future objectives, and including facts and examples from local initiatives as well as early data from 2014. Unless otherwise stated, all performance data concern the company's global operations.

This year's edition presents the report in web form, enhancing its accessibility, searchability and navigability. In addition to the key metrics above, a summary of each area of sustainability activity is accessible via its own web page, and includes the full set of reporting information under the following headings:

- **Sustainability management**
- **Environment**
- **Our people**
- **Society**
- **Ethics and compliance**
- **Supply chain**
- **Governance**

The report is intended for all Alcatel-Lucent stakeholders: customers, investors, employees, analysts, media, suppliers, governmental and non-governmental organizations, and other members of the communities in which we are active.

Alcatel-Lucent published its first Sustainability Report in 2002. Our previous Sustainability Report was published in June 2013.

Since 2007, for environmental and accessibility reasons, our reports and all regularly updated sustainability information have been distributed exclusively online.

This section provides quick access to the complete set of sustainability metrics we tracked in 2013.

How to navigate the report

Q **Checkmark**
Shows an indicator or qualitative assertion has been reviewed by Ernst & Young as part of the independent assurance process for 2013.

> **Read more**
Links you to more detailed information.

1.1 Stay up to date with us and share your feedback

We hope this online report provides useful information about the sustainability challenges facing businesses and societies today. We will continue to engage in constructive discussions on these topics as we continue to work toward solutions for a thriving, sustainable world. Throughout the year, you can find dynamic, regularly updated content on:

- Our website
- Company blogs
- Social media channels
- Alcatel-Lucent YouTube channel

Your comments, suggestions and questions are important to us. Please direct any thoughts or inquiries to sustainability@alcatel-lucent.com.

2. 2013 Alcatel-Lucent Dashboard: Achievements, Progress and Commitments

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

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
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	🟡 **ON TRACK:** To meet the goal.
Eliminate PVC from all products.* ——— * Subject to the availability of technically, environmentally and economically sound alternatives.	BY 2015	🟡 **ON TRACK:** We continued implementing PVC substitutions for major cable purchases that represent 80% of our total cable spending. We worked with strategic suppliers to introduce technically and economically viable alternatives to PVC in cables.
Improve the Energy Efficiency of IP Transport 1830 PSS and IP 7750 SR platforms – on identified configurations – by at least 25% by end 2014, compared to 2012 product releases baseline	BY 2014	🟢 **NEW COMMITMENT ESTABLISHED IN 2013**
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	🟢 **NEW COMMITMENT ESTABLISHED IN 2013**

2.2 Challenge: Reduce our eco-footprint

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
Reduce our absolute carbon footprint from our operations by 50% compared to 2008	BY 2020	🟡 **ON TRACK:** On track to meet the goal. Since 2008, we reduced our carbon footprint by more than 32%.
Reduce water consumption by 20% from 2010 baseline.	BY 2013	🟢 **ACHIEVED:** We reduced our water consumption by 23% from the 2010 baseline.

2.3 Challenge: Our People

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
SA 8000 certification in Brazil and Mexico by year-end 2012; extend to other countries by 2014.	BY 2012 - 2014	🟡 **ONGOING:** An SA 8000 assessment was conducted in Brazil and Mexico during 2012. Rollout assessments done in 6 major countries in 2013 and further global deployment to be completed by year-end 2014 in line with Quality Business Management framework.
Built a company-wide learning architecture that combines existing enterprise support for formal training with the new interactive employee-centric knowledge and learning platforms.	BY 2013	🟢 **ACHIEVED:** Alcatel-Lucent University implemented a personal and social-networking learning model called My Personal Learning Environment (My PLE), which allows students to better drive and manage their own learning programs.
Increase representation of women in upper management positions by 20%.	BY 2014	🟡 **ON TRACK:** Over the course of 2012, the overall proportion of women in upper management positions rose to 16%.

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
Employee engagement: Engagement survey to be launched to drive clear understanding of our human capital actions for improvement.	BY 2013	● **NOT ACHIEVED:** In 2013 Alcatel-Lucent conducted two all- employee engagement surveys focused on *The Shift Plan* exclusively in line with the company's new industrial strategy.
Technical Ladder: Deployment of career development path for technical professionals as complementary focus on best-in-class versus Leadership Pipeline.	BY 2013	● **ON HOLD:** The Technical Ladder was put on hold until 2014 to realign it with new company focus and operating model on *The Shift Plan*.
Extend existing equal-pay agreements. By end of 2012, have a plan in place to address gender pay gaps.	BY 2014	● **ACHIEVED:** Plan is in place to address gender pay gaps.
Launch employee awareness and training to deliver on *The Shift Plan*.	BY 2015	● **NEW COMMITMENT ESTABLISHED IN 2013**
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	● **NEW COMMITMENT ESTABLISHED IN 2013**

2.4 Challenge: Stakeholders

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
Via the CMO, continue to promote public policies favoring Ultra-Broadband in key countries worldwide.	BY 2015	● **NEW COMMITMENT ESTABLISHED IN 2013**
Via the CMO, continue to promote with public authorities best-in-class CSR policies (in particular, corporate governance) to enhance legislation and voluntary initiatives.	BY 2015	● **NEW COMMITMENT ESTABLISHED IN 2013**

2.5 Challenge: Philanthropy – Alcatel-Lucent Foundation

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
Via our Alcatel-Lucent Foundation, provide digital training to 13,500 children in the 2010–2014 timeframe.	BY 2014	● **ON TRACK:** Via Foundation Global Signature Program ConnectEd. By September 30, 2013, it had provided digital training to 17,866 youth, 60% of them girls.
Via the Alcatel-Lucent Foundation, create a group-wide strategy to guide corporate philanthropic activities aligned with *The Shift Plan*.	BY 2015	● **NEW COMMITMENT ESTABLISHED IN 2013**

2.6 Challenge: Ethics and compliance

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
Deploy annual Code of Conduct Review & Acknowledgment Process to employees globally and target 90% and above completion.	BY 2015	● **NEW COMMITMENT ESTABLISHED IN 2013**
Develop Business Integrity Training for deployment to employees globally in 2014.	BY 2015	● **NEW COMMITMENT ESTABLISHED IN 2013**
Deploy Human Rights employees communications and education to enhance global awareness of human rights issues.	BY 2015	● **NEW COMMITMENT ESTABLISHED IN 2013**

2.7 Challenge: Supply Chain

COMMITMENTS FOR THE COMING YEARS	TIME FRAME	STATUS 2013
Establish a systematic improvement program with suppliers assessed as being below satisfactory, ensuring 80% of active suppliers assessed are satisfactory or above – and that action plans are in place for the remaining 20%.	BY 2014	🟡 **ON TRACK:** Objective for 2013 (76% of active suppliers rated "satisfactory" or above) was exceeded (77%) – a considerable achievement given that we performed 181 new assessments or reassessments.
Roll out our anticorruption screening program with suppliers.	BY 2015	🟢 **NEW COMMITMENT ESTABLISHED IN 2013**
Establish conflict minerals traceability from smelters to Alcatel-Lucent.	BY 2015	🟢 **NEW COMMITMENT ESTABLISHED IN 2013**

3. Environmental indicators

3.1 Definitions and methodology

Our 2013 energy and water consumption, carbon footprint assessment and waste-generation reporting perimeter includes all sites owned or leased by Alcatel-Lucent as of December 2013. **Q**

In setting organizational boundaries and for corporate reporting of consolidated GHG emissions, we employ the "operational control" approach when establishing organizational boundaries. Within this approach, we account for 100% of GHG emissions from operations over which we have operational control. We continue to attempt to obtain utility information from landlords in leased situations where the utility usage can be allocated accurately to our leased space — for example, via a separate electric meter. If such information cannot be obtained, electricity and/or natural gas usage is estimated utilizing "energy intensity" factors as stipulated within our EHS Program Reporting Plan. **Q**

For the 2013 assessment, 240 facilities were directly responsible for managing energy and water consumption, and carbon footprint assessment at their particular site. Sites with direct facility data input responsibility accounted for 86% of the total real estate building area and 81% of the total Alcatel-Lucent headcount. **Q**

For the 2013 assessment, 213 facilities were directly responsible for managing waste generation reporting at their particular site. Sites with direct facility waste data input responsibility accounted for 79% of the total Alcatel-Lucent headcount. **Q**

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

- Energy consumption and CO_2e emissions: 240 sites (accounting for 81% of our employees) provided actual facility-specific energy consumption and CO_2e emissions information. This included inputting utility billings, fuel purchases and emitted GHG chemical emission data directly entered into a web-based tool by facility personnel. To account for 100% of our employees, facility energy consumption usage and CO_2e 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. **Q**

- Water consumption: 122 sites (accounting for 69% of our employees) provided water usage information. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

- Hazardous waste production: 90 sites (accounting for 55% 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. **Q**

- Non-hazardous waste production: 83 sites (accounting for 55% 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. **Q**

- Waste electrical and electronic equipment production: 188 sites (accounting for 58% of our employees) provided information on waste electrical and electronic equipment. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

The EHS Reporting Protocol is available upon request at: sustainability@alcatel-lucent.com.

3.2 Evolution in 2013

The scope of our 2013 sustainability campaign grew from 2012: all facilities that were able to obtain energy usage information, regardless of building area or employee headcount, were required to participate using a web-based tool. As a result, more actual facility operational data were obtained, requiring less estimation to obtain 100% company-wide assessment.

Through a combination of consolidation of facilities to more efficiently utilize resources, as well as our efforts to implement energy-efficiency projects and conduct energy-efficiency awareness programs for employees, we have achieved a reduction of total CO_2e emissions from our facilities by over 4% from 2012 levels. This decrease is the direct result of a 10% reduction of energy per square meter of building space. **Q**

In 2013, we added new Scope 3 indicators even though they are not part of our goal to reduce our absolute carbon footprint by 50% by 2020. **Q**

3.3 2013 environmental indicators

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

	UNITS	2010	2011	2012	2013	2013 PERIMETER
Carbon Footprint Assessment: Worldwide Operations(1)						
Scope 1						
Stationary source fuel combustion	t $CO_2e^{(4)}$	63,403	54,541	56,540	44,816	100%
Mobile source fuel combustion	t $CO_2e^{(4)}$	82,419	81,153	66,292	63,036	100%
Facility and mobile source refrigerant losses	t $CO_2e^{(4)}$	5,333	4,381	4,070	4,041	100%
Direct emission of GHG from manufacturing/R&D/product development	t $CO_2e^{(4)}$	142	248	237	76	100%
Fire suppression system losses	t $CO_2e^{(4)}$	72	12	1	1,190	100%
Scope 2						
Electricity usage	t $CO_2e^{(4)}$	570,039	505,862	448,788	439,175	100%
Purchase of hot water/steam	t $CO_2e^{(4)}$	9,377	5,761	8,356	7,356	100%
Purchase of chilled water	t $CO_2e^{(4)}$	448	221	50	47	100%

	UNITS	2010	2011	2012	2013	2013 PERIMETER
Scope 3[2]						
Purchased goods and services:						
• Contracted manufacturing services	t CO_2e[4]	99,632	94,083	218,328	3,482,000	100%
• Contracted marine services	t CO_2e[4]	58,019	58,768	71,668	76,765	100%
• Purchased paper[7]	t CO_2e[4]	1,257	1,229	1,371	854	100%
Fuel- and energy-related activities not included in Scope 1 and 2	t CO_2e[4]	45,273	39,188	58,208	29,208	100%
Upstream transportation and distribution[8]	t CO_2e[4]	208,578	198,782	171,474	145,191	100%
Waste generated in operations [9]	t CO_2e[4]	2,418	5,602	935	792	100%
Business travel	t CO_2e[4]	114,494	107,184	76,790	68,378	100%
Employee commuting	t CO_2e[4]	109,555	104,237	190,141	130,173	100%
Downstream transportation and distribution[8]	t CO_2e[4]	6,447	5,861	5,303	3,966	100%
Use of sold products	t CO_2e[4]	NA	NA	NA	31,335,000	100%
End-of-life treatment of sold products[10]	t CO_2e[4]	2,951	2,951	9	(348,000)	100%
TOTAL (Scope 1 + 2 + 3)	t CO_2e[4]	1,379,857	1,270,064	1,378,561	35,484,065 **Q**	100%
Carbon Footprint Assessment: Facility Operations Only[1,5]						
Indirect emissions of CO_2e, linked to consumed electricity	kt CO_2e[3]	559	512	449	439 **Q**	100%
Indirect emissions of CO_2e per employee	t CO_2e[4]	7	7	6	7 **Q**	100%
Direct emissions of CO_2e, linked to consumed fossil energy	kt CO_2e[3]	73	63	62	50 **Q**	100%
Direct emissions of CO_2e per employee	t CO_2e[4]	1	1	1	1 **Q**	100%
Total emissions of CO_2e	kt CO_2e[3]	647	581	519	496 **Q**	100%
Total emissions of CO_2e per employee	t CO_2e[4]	8	8	7	7 **Q**	100%
Consumed Energy: Facility Operations Only[1,5]						
Consumed electricity	GWh	1,125	1,014	958	915 **Q**	100%
Consumed electricity by employee	MWh	15	13	13	14 **Q**	100%
Consumed fossil energy	GWh	308	317	328	261 **Q**	100%
Consumed fossil energy by employee	MWh	4	4	5	4 **Q**	100%
Total consumed energy	GWh	1,491	1,357	1,323	1,209 **Q**	100%
Total consumed energy by employee	MWh	19	18	18	18 **Q**	100%
Carbon Footprint Assessment: Worldwide Scope 1 and Scope 2 [1,6]						
Indirect emissions of CO_2e, worldwide Scope 2 operations	kt CO_2e[3]	NA	NA	457	447 **Q**	100%
Indirect emissions of CO_2e per employee	t CO_2e[4]	NA	NA	6	7 **Q**	100%
Direct emissions of CO_2e, worldwide Scope 1 operations	kt CO_2e[3]	NA	NA	127	113 **Q**	100%
Direct emissions of CO_2e per employee	t CO_2e[4]	NA	NA	2	2 **Q**	100%

	UNITS	2010	2011	2012	2013	2013 PERIMETER
Total emissions of CO_2e	kt $CO_2e^{(3)}$	NA	NA	584	560 Q	100%
Total emissions of CO_2e per employee	t $CO_2e^{(4)}$	NA	NA	8	8 Q	100%
Consumed Energy: Worldwide Scope 1 and Scope 2 [1,6]						
Purchased electricity, worldwide Scope 2 operations	GWh	NA	NA	958	915 Q	100%
Purchased electricity by employee	MWh	NA	NA	13	14 Q	100%
Total purchased, worldwide Scope 2 operations	GWh	NA	NA	955	948 Q	100%
Total consumed Scope 2 energy by employee	MWh	NA	NA	14	14 Q	100%
Consumed fossil energy, worldwide Scope 1 operations	GWh	NA	NA	581	427 Q	100%
Total consumed Scope 1 energy by employee	MWh	NA	NA	8	6 Q	100%
Total consumed energy, worldwide Scope 1 and 2 operations	GWh	NA	NA	1,576	1,375 Q	100%
Total consumed energy by employee	MWh	NA	NA	22	21 Q	100%
Water and Wastes						
Consumed water	m³	2,744,454	2,765,474	2,565,582	2,123,851	100%
Consumed water per employee	m³	36	38	37	32	100%
Production of hazardous waste	t	2,230	1,116	1,061	1,024	100%
Production of hazardous waste per employee	kg	28	15	15	15	100%
Percentage of hazardous waste recycled[11]	%	80	50	68	74	100%
Production of non-hazardous waste	t	19,767	20,934	16,453	15,896 Q	100%
Production of non-hazardous waste per employee	kg	248	275	227	239 Q	100%
Percentage of non-hazardous waste recycled[11]	%	68	71	71	62 Q	100%
Production of Waste Electrical & Electronic Equipment (WEEE)[12]	t	4,464	6,314	7,481	7,463 Q	100%
Percentage of WEEE recycled/reused	%	98	96	97	97	100%
Other Emissions						
Solvents	No significant quantities, indicator not relevant and not consolidated					
Halogenated hydrocarbon	No significant quantities, indicator not relevant and not consolidated					
Discharge into water (heavy metals)	No significant quantities, indicator not relevant and not consolidated					
Ozone-depleting substances	No significant quantities, indicator not relevant and not consolidated					
NO_x, SO_x and other criteria air contaminants[13]	tons	576	103	116	80	100%
Miscellaneous						
Alcatel-Lucent headcount, ISO 14001 certified	%	29	39	43	48.36	100%
New products covered by ecodeclarations[14]	%	100	100	100	100	100%
Functional energy efficiency improvement of key products	%	20	NA	25	NA	100%

| Domestic product freight by truck | % | NA | 98 | 99 | 99 | 100% |
| International product freight by ocean vessel | % | NA | 40 | 51 | 43 | 100% |

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

(2) The presentation of our Scope 3 indicators follows the categories and guidance provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard, published in November 2011.

(3) kt CO_2e: Kilo metric tons of CO_2 equivalency (includes the following GHGs: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs).

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

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

(6) Complete Scope 1 and 2 activities worldwide.

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

(8) Product transport includes 100% of emissions from air and marine transport worldwide, and truck transport from available areas.

(9) Energy usage at environmental remediation sites.

(10) Recycled electronic equipment.

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

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

(13) Products of combustion from facility stationary operations.

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

DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE

Total energy consumption

	Amount	Units	tCO$_2$e	MWh	GJ
Facility operations: Coal gas	239	MWh	38	239	860
Facility operations: Distillate fuel oil (#1, 2, 4 and diesel)	625,426	l	1,686	6,220	22,392
Facility operations: Natural gas	234,157	MWh	42,504	234,157	842,965
Facility operations: Propane	25,318	l	39	165	594
Facility operations: Residual fuel oil (#5, 6)	175,356	l	549	1,905	6,858
Facility mobile sources: CNG	325	kg	0	4	14
Facility mobile sources: Diesel	1,016,367	l	2,750	10,108	36,389
Facility mobile sources: Ethanol	20,216	l	2	119	428
Facility mobile sources: Gasoline	795,022	l	1,867	7,146	25,726
Facility mobile sources: LNG	901	l	1	5	18
Facility mobile sources: Propane	108,250	l	168	706	2,542
Total			**49,603** Q	**260,774** Q	**938,786**

Total direct energy consumption by renewable primary source

	Amount	Units	CO$_2$e	MWh	GJ
Facility mobile sources: Ethanol	20,216 Q	l	2 Q	119 Q	428

Total direct energy consumption by non-renewable primary source

	Amount	Units	CO$_2$E	MWh	GJ
Facility operations: Coal gas	239	MWh	38	239	860
Facility operations: Distillate fuel oil (#1, 2, 4 and diesel)	625,426	l	1,686	6,220	22,392
Facility operations: Natural gas	234,157	MWh	42,504	234,157	842,965
Facility operations: Propane	25,318	l	39	165	594
Facility operations: Residual fuel oil (#5, 6)	175,356	l	549	1,905	6,858
Facility mobile sources: CNG	325	kg	0	4	14
Facility mobile sources: Diesel	1,016,367	l	2,750	10,108	36,389

Facility mobile sources: Gasoline	795,022	l	1,867	7,146	25,726
Facility mobile sources: LNG	901	l	1	5	18
Facility mobile sources: Propane	108,250	l	168	706	2,542
Total			**49,602 Q**	**260,655 Q**	**938,358**

INDIRECT ENERGY CONSUMPTION BY PRIMARY SOURCE

Total amount of indirect energy	Total		Renewable		Non-renewable	
	MWh	GJ	MWh	GJ	MWh	GJ
Purchased hot water/steam	32,423	116,723	0	0	32,423	116,723
Purchased chilled water	49	176	0	0	49	176
Purchased electricity	915,300	3,295,080	199,141	716,908	716,159	2,578,172
TOTAL	**947,772 Q**	**3,411,979**	**199,141 Q**	**716,908**	**748,631 Q**	**2,695,072**

4. Social indicators

4.1 Global headcount

With the convergence of our HR information systems, data on all social indicators are collected and consolidated at the corporate level. The only exception is health and safety data, which are issued from our sustainability reporting tool. The 2013 health and safety survey covered 68 countries.

SOCIAL INDICATORS	2010	2011	2012	2013	2013 PERIMETER
1. Headcount					
Total headcount as of December 31	78,139	74,366	72,344	62,311 Q	100%
Number of recruits	8,661	4,331	4,776	2,944	100%
Headcount increase due to the full consolidation of previously non-fully consolidated companies	53	51	62	0	100%
Headcount increase due to acquisitions and insourcing	3,687	442	47	2,944	100%
Headcount reductions	(10,978)	(8,618)	(8,543)	(15,919)	
Headcount reduction due to businesses transferred or sold	(1,153)	(14)	(1,961)	(7,913)	100%
Headcount reduction due to outsourcing and transfers	(666)	(857)	(73)	(121)	100%
Headcount reduction due to redundancies	(2,660)	(1,542)	(1,700)	(3,612)	100%
Headcount reduction due to normal departures (retirements, end of temporary work contracts, resignations, deaths)	(6,499)	(6,205)	(4,809)	(4,273)	100%
2. Diversity					
Percentage of women/headcount	22%	21%	21%	21% Q	100%
Percentage of men/headcount	78%	79%	79%	79% Q	100%
Percentage of women (Leadership Pipeline)	19%	19%	23%	23% Q	100%
Number of disabled employees	148	157	168	183 Q	France[1]

SOCIAL INDICATORS	2010	2011	2012	2013	2013 PERIMETER
3. Training					
Training budget (as a percentage of payroll)	1.00%	1.00%	1.00%	1.00%	100%
Total hours of training per employee	17.8	16	15	10	100%
Percentage of training time via e-learning technologies	38%	40%	51%	70%	100%
4. Mobility					
Number of expatriates worldwide	498	391	358	171	100%
Expatriates by host region (Europe)	151	100	97	93	100%
Expatriates by host region (North America)	31	24	25	13	100%
Expatriates by host region (South America)	12	8	7	1	100%
Expatriates by host region (Middle East, Africa and India)	147	131	129	29	100%
Expatriates by host region (Asia-Pacific)	157	128	100	35	100%
5. Health and Safety					
Number of days of absence due to work-related accidents (including occupational diseases) per employee	0.07	0.08	0.07	0.06 **Q**	98[2] % **Q**
Frequency rate for work-related accidents (including occupational diseases) (number of accidents per year, per 1 million hours worked)	1.48	1.42	1.21	1.19	98 %

(1) For Alcatel-Lucent France legal entity.
(2) Based on country legislations.

Additional notes

In 2013, the number of days of absence due to work-related accidents (including occupational diseases) per employee by region was 0.01 in Asia-Pacific, 0.02 in Europe, the Middle East and Africa, and 0.04 in the Americas. **Q**

- In 2013, distribution of frequency rate for work-related accidents (including occupational diseases) for total employee headcount by region was 0.4 in Asia-Pacific, 1.63 in Europe, the Middle East and Africa, and 1.62 in the Americas. **Q**

- The workforce considered for work-related accidents (including occupational diseases such as work-related stress) are employees, students, trainees and apprentices. Regarding the number of absence days due to work-related accidents including occupational diseases per employee: because of the specificities or local regulatory frameworks, all establishments do not use the same methodology to calculate this number. Adjustments have been performed by the consolidating entity for countries reporting in calendar days instead of working days to ensure the homogeneity of disclosed data. **Q**

5. GRI Application Level Check A+

2013 Achievement

In 2013, for the fourth consecutive year, Alcatel-Lucent prepared its sustainability report according to the G3 GRI sustainability reporting guidelines – and received, for the third year in a row, a GRI Application Level Check Statement A+.

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

For the fourth year, Alcatel-Lucent's sustainability report has been prepared according to GRI sustainability reporting (G3) guidelines. We have also applied the 'Guidance on Defining Report Content' and associated principles.

Aligned with our continued transparency and leadership principles, for 2013 we have maintained the GRI Application level check A + , a measure of the extent to which we have applied GRI guidelines in our reporting.

Ernst and Young statement 🔍

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

- the Index answered the required number and set of standard disclosures for the self-declared A+ Application Level;

- the way in which the reporting had been addressed was in-line with the self-declared A+ Application Level.

Based on the procedures performed, nothing came to our attention that causes us to believe that conditions set out in the GRI G3 guidelines to achieve A+ self-declaration rating are not fully met.

Statement
GRI Application Level Check

GRI hereby states that **Alcatel-Lucent** has presented its report "2013 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 9 April 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative

The "+" has been added to this Application Level because Alcatel-Lucent has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 24 March 2014. GRI explicitly excludes the statement being applied to any later changes to such material.*

The ' + ' sign indicates that our report has been externally assured, subject to an independent review by Ernst & Young. The full scope of that review and its conclusions can be found in the Independent Verification Statement.

5.1 Standard Disclosures Part I: Profile Disclosures

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
1. Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization.	Fully	SR: 2013 Reporting> 2 2013 ALCATEL-LUCENT DASHBOARD: ACHIEVEMENTS, PROGRESS AND COMMITMENTS (sub-sections 2.1 to 2.7),/ Message of Alcatel-Lucent CEO> Message of Alcatel-Lucent CEO,/ Sustainability Management> 1.1. The Alcatel-Lucent sustainability vision,1.2. Priorities and values,3.1 Receiving worldwide recognition		SR 33, 1, 3, 4, 15
1.2	Description of key impacts, risks, and opportunities.	Fully	SR: 2013 Reporting> 2 2013 ALCATEL-LUCENT DASHBOARD: ACHIEVEMENTS, PROGRESS AND COMMITMENTS (sub-sections 2.1 to 2.7),/ Sustainability Management> 1.4. Acting on our priorities, living our values,1.2. Priorities and values,1.6.6. Environmental risks,1.1. The Alcatel-Lucent sustainability vision		SR 33, 1, 3, 4, 11, 3
2. Organizational Profile					
2.1	Name of the organization.	Fully	Link: About Us> http://www3.alcatel-lucent.com/aboutus/companyoverview.html		SR 46
2.2	Primary brands, products, and/or services.	Fully	20F> 5-Description of the Group's Activities,/ Link: About Us> http://www3.alcatel-lucent.com/aboutus/companyoverview.html		SR 46 20F
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	20F> 4-Information About the Group,/ Link: About Us> http://www3.alcatel-lucent.com/aboutus/companyoverview.html		SR 46
2.4	Location of organization's headquarters.	Fully	Link: About Us> http://www3.alcatel-lucent.com/aboutus/companyoverview.html		SR 46
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Link: About Us> http://www3.alcatel-lucent.com/aboutus/companyoverview.html		SR 46
2.6	Nature of ownership and legal form.	Fully	20F> 10-Listing and Shareholdings		SR 46 Form 20F
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	Fully	20F>5-Description of the Group's Activities,/ Link: About Us> http://www3.alcatel-lucent.com/aboutus/companyoverview.html		SR46 Form 20F
2.8	Scale of the reporting organization.	Fully	20F Additional Information: 1.2 REPORTED RESULTS AND ADJUSTED RESULTS, 1.3 BREAKDOWN OF 2013 REVENUES BY OPERATING SEGMENT, 4.3.1 EMPLOYMENT/ 20F: 1.1 Condensed consolidated income statement and statement of financial position data		SR 46 Form 20F
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	20F> 5.1-Business Organization		SR 46 Form 20F
2.10	Awards received in the reporting period.	Fully	SR: Sustainability Management> 3.1 Receiving worldwide recognition		SR 15

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
3. Report Parameters					
3.1	Reporting period (e.g., fiscal/ calendar year) for information provided.	Fully	SR: 2013 Reporting> 1 How We report on Sustainability		SR 33
3.2	Date of most recent previous report (if any).	Fully	SR: 2013 Reporting>1 How We report on Sustainability		SR 33
3.3	Reporting cycle (annual, biennial, etc.)	Fully	SR: 2013 Reporting>1 How We report on Sustainability		SR 33
3.4	Contact point for questions regarding the report or its contents.	Fully	SR: 2013 Reporting>1 How We report on Sustainability		SR 33
3.5	Process for defining report content.	Fully	SR: Message of Alcatel-Lucent CEO> Message of Alcatel-Lucent CEO,/ Sustainability Management> 1.2. Priorities and values,1.3. Foundations of our sustainability strategy and reporting framework,1.2.1. Our priorities,1.5. Materiality assessment		SR 1, 4, 5, 6
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	2013 Reporting >4.2 Additional Notes / 20F-Additional Info> 4.3.6 Diversity and Equal Opportunity / 20F> 4-Information About the Group,/ SR: 2013 Reporting> 1- How we report on sustainability		SR 43,
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	SR: 2013 Reporting >4.2 Additional Notes / 20F-Additional Info> 4.3.6 Diversity and Equal Opportunity		SR 46 Form 20F. 143
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	20F> 4-Information About the Group		SR 46 Form 20F
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	SR: Environment> 1.5. Adopting carbon footprint assessment standards for ICT products /2013 Reporting> 3.3- 2013 Environmental Indicators		SR 103, 38
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	No restatements		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	SR: 2013 Reporting> 3.2 Evolution in 2013 / Message from Alcatel-Lucent CEO / Environment> 1.5 Adopting carbon footprint assessment standards for ICT products /		SR 38, 1, 103
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	GRI Index section (This table)		SR 46
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	Letter from E&Y		SR 66

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
4. Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	20F> 7.1-Chairman's Corporate Governance report,/ SR: Governance> 1.1 Separation of functions,1.2 Staggered Board: Membership and diversity ,1.3 Selection criteria and independence of the Directors,1.4 Ethics and absence of conflicts of interest,1.5 Board duties,2.2 Board's information and works ,4 SUSTAINABILITY,/ Sustainability Management> 2. MANAGING OUR SUSTAINABILITY		SR 48, 69-70, 72-74, 13
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	SR: Governance> 1.1 Separation of functions,1.2 Staggered Board: Membership and diversity ,/ Sustainability Management> 2. MANAGING OUR SUSTAINABILITY		SR 69-70, 13
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	20F> 7.1-Chairman's Corporate Governance report,/ SR: Governance> 1.1 Separation of functions,1.2 Staggered Board: Membership and diversity ,1.3 Selection criteria and independence of the Directors		SR 49 Form 20F, 69, 72
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	SR: Our People> 5.1 Communication at Alcatel-Lucent,5.3 Discussions with our unions ,/ Sustainability Management> 4.1. Dialogue and action		SR 132, 137, 139, 21
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	20F> 7.1.2-PRINCIPLES OF ORGANIZATION OF OUR COMPANY'S MANAGEMENT,8-Compensation and Long-term incentives,/ SR: Governance> 3 SENIOR MANAGEMENT REMUNERATION ,4 SUSTAINABILITY		SR 48 Form 20F, 75, 77
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	SR: Governance> 1.4 Ethics and absence of conflicts of interest		SR 73
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Fully	SR: Governance> 1.3 Selection criteria and independence of the Directors,1.4 Ethics and absence of conflicts of interest,4 SUSTAINABILITY		SR 72, 77
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	SR: Environment> 1.1. Our approach to environmental sustainability,4.3. Encouraging eco-awareness among our people,/ Ethics> 1.1 Zero tolerance policy,9.2 Internal communications on ethics and compliance,4 ALCATEL-LUCENT CODE OF CONDUCT ,/ Sustainability Management> 1.2.2. Our values		SR 3, 131, 83, 95 90, 3,
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	SR: Ethics> 2.1 Key Roles and Responsibilities,/ Governance> 1.5 Board duties,4 SUSTAINABILITY,/ Sustainability Management> '1.3. Foundations of our sustainability strategy and reporting framework,1.2.1. Our priorities,1.5. Materiality assessment,2. MANAGING OUR SUSTAINABILITY		SR 85, 73, 3, 5, 6, 13

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	20F> 7.1.3-Powers and Activity of the board of Directors,/ SR: Sustainability Management> 2. MANAGING OUR SUSTAINABILITY		SR 48 form 20F, 13
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	SR: Governance> 7.1 Enterprise Management		SR 79
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	SR: Governance> 1 BOARD OF DIRECTORS GOVERNANCE SYSTEM,/ Sustainability Management> 1.3. Foundations of our sustainability strategy and reporting framework,4.4. United Nations Global Compact ,4.5. Global eSustainability Initiative		SR 69, 5, 27, 28
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	SR: Environment> 1.2. Sustainability Matters to our Stakehoders,1.3. Our principal global commitments,/ Ethics> 11.2 Organisation for Economic Co-operation and Development,11.3 Other stakeholder groups,/ Sustainability Management> 4.4. United Nations Global Compact ,4.5. Global eSustainability Initiative ,4.6. Public affairs		SR 101, 98, 27-28, 30
4.14	List of stakeholder groups engaged by the organization.	Fully	SR: Sustainability Management> 4.2 Highlights of our stakeholder engagement		SR 23
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	SR: Sustainability Management> 4.1 Dialogue and action,1.5. Materiality assessment		SR, 21, 6
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	SR: Environment> 4.3. Encouraging eco-awareness among our people,1.2. Sustainability Matters to our Stakehoders,2.2.2 GreenTouch™ Consortium,/ Sustainability Management> 4.2 Highlights of our stakeholder engagement		SR 131, 101, 108, 23
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	SR: Sustainability Management> 4.2 Highlights of our stakeholder engagement,1.5. Materiality assessment		SR 25, 6

5.2 Standard Disclosures Part II: Disclosures on Management Approach (DMAs)

G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
DMA EC	**Disclosure on Management Approach EC**				
Aspects	Economic performance	Fully	20F> 6-Operating and Financial Review and Prospects		SR 50 Form 20F
	Market presence	Fully	20F> 5-Description Of The Group's Activities		SR 46 From 20F
	Indirect economic impacts	Fully	SR: Society> 1-OUR APPROACH TO DIGITAL INCLUSION,2-HOW WE GIVE		SR 158
DMA EN	**Disclosure on Management Approach EN**				
Aspects	Materials	Fully	SR: Environment> 2.3.2-Managing materials,/ Supply Chain> 2.6-Product traceability and conflict minerals		SR 112, 178
	Energy	Fully	SR: Environment> 2.3.7-Increasing the energy efficiency of products in use,/ 2013 Reporting> 3.3- 2013 ENVIRONMENTAL INDICATORS		SR 116, 37
	Water	Fully	SR: Environment> 4.2.5-Conserving water		SR 129
	Biodiversity	Not	Immaterial to Alcatel-Lucent. See explanation	Not material/While most of Alcatel-Lucent's real estate portfolio is comprised of leased facilities, we respect biodiversity in the few sites that the company owns. For more info see Environment 4.2.3-Protecting biodiversity	SR 129
	Emissions, effluents and waste	Fully	SR: Environment> 4-REDUCING OUR CARBON FOOTPRINT,4.2.7-Discharges, Emissions, Releases,2.3.9 Takeback, remanufacturing and recycling		SR 130, 117
	Products and services	Fully	SR: Environment> 2.3-Reducing the impact of our products and solutions,2.3.6-Packaging and distribution		SR 110, 115
	Compliance	Fully	SR: Sustainability Management> 1.6.4-EHS Compliance Audit Program		SR 10
	Transport	Fully	SR: Environment> 2.3.6-Packaging and distribution		SR 115
	Overall	Fully	SR: Environment> 1-OUR ENVIRONMENTAL SUSTAINABILITY STRATEGY		SR 100
DMA LA	**Disclosure on Management Approach LA**				
Aspects	Employment	Fully	SR: Our People> 1-FOCUSED ON OUR PEOPLE,8-TALENT DEVELOPMENT,9-TALENT ATTRACTION AND RETENTION,11-DEVELOPING OUR WORKFORCE		SR 132, 147, 150, 153
	Labor/management relations	Fully	SR: Our People>5-EXCHANGING WITH EMPLOYEES		SR 137
	Occupational health and safety	Fully	SR: Our People>6-EMPLOYEE HEALTH AND SAFETY		SR 141
	Training and education	Fully	SR: Our People> 11-DEVELOPING OUR WORKFORCE		SR 153
	Diversity and equal opportunity	Fully	SR: Our People>7-DIVERSITY AND EQUAL OPPORTUNITY		SR 143

G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
DMA HR	**Disclosure on Management Approach HR**				
Aspects	Investment and procurement practices	Fully	SR: Supply Chain> 1-OUR COMPREHENSIVE SUPPLY CHAIN APPROACH,2 Our requirements for suppliers and subcontractors		SR 175, 176
	Non-discrimination	Fully	SR: Our People> 12-GLOBAL HUMAN RIGHTS POLICY		SR 156
	Freedom of association and collective bargaining	Fully	SR: Our People>12-GLOBAL HUMAN RIGHTS POLICY		SR 156
	Child labor	Fully	SR: Our People>12-GLOBAL HUMAN RIGHTS POLICY		SR 156
	Forced and compulsory labor	Fully	SR: Our People>12-GLOBAL HUMAN RIGHTS POLICY		SR 156
	Security practices	Fully	SR: Our People>12-GLOBAL HUMAN RIGHTS POLICY		SR 156
	Indigenous rights	Fully	SR: Our People>12-GLOBAL HUMAN RIGHTS POLICY		SR 156
DMA SO	**Disclosure on Management Approach SO**				
Aspects	Community	Fully	SR: Society> 1.3.2 Our impact around the world,2-HOW WE GIVE		SR 164, 166
	Corruption	Fully	SR: Ethics, Compliance and Business Conduct> 1.2-Communicating ethics and compliance,1.1-Zero tolerance policy		SR 83-84
	Public policy	Fully	SR: Message of Alcatel-Lucent CEO> Message of Alcatel-Lucent CEO,/ Sustainability Management> 4-OUR ENGAGEMENT WITH STAKEHOLDERS		SR 1, 21
	Anti-competitive behavior	Fully	20F> 6.10-Legal Matters		SR 51 Form 20F
	Compliance	Fully	SR: Ethics, Compliance and Business Conduct> 1.2-Communicating ethics and compliance,1.1-Zero tolerance policy		SR 83-83
DMA PR	**Disclosure on Management Approach PR**				
Aspects	Customer health and safety	Fully	SR: Sustainability Management> 1.6-Environment, health and safety management		SR 8
	Product and service labelling	Fully	SR: Environment> 2.1-Measuring impact from end to end		SR 104
	Marketing communications	Fully	SR: Sustainability Management> 1.7-Approach to marketing and communications		SR 129
	Customer privacy	Fully	SR: Ethics, Compliance and Business Conduct> 6-PRIVACY PROTECTION		SR 83, 92
	Compliance	Fully	SR: Ethics, Compliance and Business Conduct> 1-OUR COMMITMENT TO ETHICS AND COMPLIANCE,2.1-Key Roles and Responsibilities,2.2-The role of the Board of Directors		SR 83, 85, 87

5.3 Standard Disclosures Part III: Performance Indicators

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
Economic					
Economic performance					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	20F> 12-ALCATEL-LUCENT CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31,2013, Notes: 5, 6,11,16,24,26,33,35		SR 52 Form 20F
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	SR: Environment> 2.2.1 Green innovation,1.4. Governance and sustainability,/ Governance> 7.3 Business continuity and crisis management ,7.4 Contingency plans for environmental and sustainability-related risks,/ Sustainability Management> 1.6.6. Environmental risks		SR 107
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	20F> 'NOTE 26 PENSIONS, RETIREMENT INDEMNITIES AND OTHER POST-RETIREMENT BENEFITS		SR 52 Form 20F
EC4	Significant financial assistance received from government.	Fully	20F> 12-ALCATEL-LUCENT CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31,2013 Note 28a		SR 52 Form 20F
Market presence					
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Not	See explanation	Not available/ This is an "additional" indicator that we might report in the future	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not	See explanation	Not available/In 2013, we further developed region-preferred* suppliers strategies to expand our local purchase approach for relevant purchasing categories and investigated metrics to capture progress. Our current system does not allow to establish a relevant local spend reporting; the required developments feasibility and cost are under investigation and we will provide a status on our investigation progresses in our sustainability report in 2015. Conditioned to these investigations outcome, we expect to be able to report this indicator in 2018/To be reported in 2018 * Preferred suppliers are those sources for a given purchasing family we consider first for new projects. We have objectives to concentrate our spend on these suppliers. Preferred suppliers take priority for incorporation into new designs and must be used for purchase orders whenever possible	

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	SR: Our People> 9.3 Employee mobility		SR 151
Indirect economic impacts					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	SR: Society> 2.4 The Foundation Grassroots program,3.3 Giving in-kind ,3.4 Corporate charitable contributions,2.1 Bringing digital literacy to all		SR 167, 172, 166
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	Not reported	Not available/ This is an "additional" indicator that we might report in the future	
Environmental					
Materials					
EN1	Materials used by weight or volume.	Fully	SR: Environment> 2.3.4 Product materials content,2.3.9 Takeback, remanufacturing and recycling		SR 113, 117
EN2	Percentage of materials used that are recycled input materials.	Fully	SR: Environment>2.3.4 Product materials content,2.3.9 Takeback, remanufacturing and recycling		SR 113, 117
Energy					
EN3	Direct energy consumption by primary energy source.	Fully	SR: 2013 Reporting> 3.3- 2013 Environmental Indicators		SR 37
EN4	Indirect energy consumption by primary source.	Fully	SR: 2013 Reporting>3.3- 2013 Environmental Indicators		SR 37
EN5	Energy saved due to conservation and efficiency improvements.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
Water					
EN8	Total water withdrawal by source.	Fully	The 2 major sources of water withdrawal for Alcatel-Lucent are from sanitary use and from lab use. While we are not able to provide a split of water withdrawal by source for 100% of Alcatel-Lucent facilities because most of them are leased and data is not available, we have information for the facilities that we own. For example,in Murray Hill (USA) ,one of our biggest owned facilities, in 2013 the amount of water withdrawn was 27 Million of Gallons from Sanitary use and 12 Million Gallons from labs. See also SR: 2013 Reporting> 3.3-Environmental Indicators		SR 37
EN9	Water sources significantly affected by withdrawal of water.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
EN10	Percentage and total volume of water recycled and reused.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Biodiversity					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not	Immaterial to Alcatel-Lucent. See explanation	Not material/While most of Alcatel-Lucent's real estate portfolio is comprised of leased facilities, we respect biodiversity in the few sites that the company owns. For more info see Environment 4.2.3-Protecting biodiversity	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not	Immaterial to Alcatel-Lucent. See explanation	Not material/While most of Alcatel-Lucent's real estate portfolio is comprised of leased facilities, we respect biodiversity in the few sites that the company owns. For more info see Environment 4.2.3-Protecting biodiversity	
EN13	Habitats protected or restored.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Emissions, effluents and waste					
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	SR: Environment> 4.1. Tracking and reporting on carbon emissions,/ 2013 Reporting> 3.3- 2013 Environmental Indicators		SR 121, 33

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	SR: Environment> 4.1. Tracking and reporting on carbon emissions,/ 2013 Reporting> 3.3- 2013 Environmental Indicators		SR 121, 33
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	SR: Environment> 4.1.1 Commitments and achievements,4.1.3 Green teams,4.2.1 Electricity consumption,4.2.2 Greening our network		SR 121, 126
EN19	Emissions of ozone-depleting substances by weight.	Fully	The following emissions represent 99% of our 2013 emissions of ozone-depleting substances: HFC-134a: 2366Kg , R - 407C: 935Kg , HFC-227ea: 798Kg , R - 404A: 627Kg , R - 410A: 405Kg, R-22: 346Kg , R - 408A: 294Kg , R-134a: 128Kg , R-422D: 108Kg , and R - 417A: 55Kg		SR 55
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not	Immaterial to Alcatel-Lucent. See also explanation	Not material/We have calculated NOx and SOx emissions and the result is 71 tons of CO_2e. Against our baseline of over half a million metric tons of Scope 1 and 2 emissions, this represents an insignificant amount of emissions and, therefore, we deemed it not material.	
EN21	Total water discharge by quality and destination.	Not	Immaterial to Alcatel-Lucent. See also explanation	Not material/ Water discharge is immaterial to Alcatel-Lucent See Environment section 4.2.7-Conserving Water	SR 129
EN22	Total weight of waste by type and disposal method.	Fully	'In 2013 Alcatel-Lucent produced 16,920 tons of Hazardous + Nonhazardous waste of which 10,614 tons were recycled (63%); 2,291 tons were treated (mainly incinerated without energy recovery) (13%) and 4,015 tons were landfilled (24%). See also SR: 2013 Reporting> 3.3-Environmental Indicators / Environment: 4.2.6 Waste.		SR 130
EN23	Total number and volume of significant spills.	Fully	In 2013 Alcatel-Lucent did not have any significant spills. See also SR: Environment> 4.2.7 Discharges, emissions, releases		SR 130
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Products and services					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	SR: Environment> 2.3.1 Improving the efficiency of raw materials use,2.3.2 Managing materials,2.3.3 Restricted substances,4.2.5 Conserving water,4.1.3 Green teams,4.2.1 Electricity consumption,4.2.7 Discharges, Emissions, Releases,4.2.8 Noise,4.2.6 Waste,2.3.9 Takeback, remanufacturing and recycling,2.3.7 Increasing the energy efficiency of products in use		SR 110, 112, 129, 126, 127, 130, 117, 116
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Fully	SR: Environment>2.3.9 Takeback, remanufacturing and recycling		SR 117
Compliance					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	For 2013, Alcatel-Lucent has not identified any non-compliance with environmental laws or regulations regarding the provision and use of its products and services and, as such, the company had no fines (significant or otherwise)		SR 83
Transport					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Overall					
EN30	Total environmental protection expenditures and investments by type.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Social: Labor Practices and Decent Work					
Employment					
LA1	Total workforce by employment type, employment contract, and region.	Fully	SR: Our People> 4 OUR EMPLOYEES,/ 2013 Reporting> 4.1 - Global Headcount		SR 42
LA2	Total number and rate of employee turnover by age group, gender, and region.	Partially	SR: Our People> 4 OUR EMPLOYEES (See Attrition by Region and Gender Table).	Proprietary information/Attrition by age is proprietary information	SR 144
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
Labor/management relations					
LA4	Percentage of employees covered by collective bargaining agreements.	Not	See explanation	Proprietary information/ This information is proprietary	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	SR: Our People> 5.3 Discussions with our unions		SR 139
Occupational health and safety					
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Fully	20F Additional Information> 4.3.8 Social Indicators,/ SR: 2013 Reporting> 4.1 Global Headcount, 4.2 Additional notes		SR 42 Form 20F
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	'In 2013, we identified only a few occupational diseases. These were stress related and Alcatel-Lucent offers its employees online training via our internal Learning Management System and SkillPort focused on how to handle stress. See also SR: Our People> 6.1 Commitment to employee health and safety,6.2 Zero tolerance approach to safety,6.4 Reporting on and addressing occupational accidents,6.6 Increasing employee awareness of health and safety		SR 141, 142
LA9	Health and safety topics covered in formal agreements with trade unions.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Training and education					
LA10	Average hours of training per year per employee by employee category.	Fully	In addition to total hours of training per employee, our systems track the unique number of employees trained by function. The 2013 breakdown of unique trained employees by function is as follows: Customer Services (38%), Research and Development (29%), Sales (7%), Manufacturing (5%), Administration (3%), Finance (2%), Human Resources (2%), Other (15%). Our systems are not currently configured to track training hours by function. See also 20F Additional Information> 4.3.8- Social Indicators,/ SR: 2013 Reporting> 4.1 Global Headcount. See also explanation		SR 42

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
LA12	Percentage of employees receiving regular performance and career development reviews.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Diversity and equal opportunity					
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	20F> 7.1-Chairman's Corporate Governance Report,/ SR: Governance> 1.2 Staggered Board: Membership and diversity ,/ Our People> 4 OUR EMPLOYEES,/ 2013 Reporting> 4.1 Global Headcount		SR 48 Form 20F, 70. 135, 42
LA14	Ratio of basic salary of men to women by employee category.	Not	Information is Proprietary	Proprietary information/ Information is proprietary	
Social: Human Rights					
Investment and procurement practices					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Fully	Alcatel-Lucent designed a human rights diligence process for commercial proposals in 2013. At end year 2013, 56 third party reseller channel partners had clauses relating to human rights as per the EICC Code of Conduct		SR 175
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Fully	SR: Supply Chain> 3.1. Risk assessments		SR 179
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Non-discrimination					
HR4	Total number of incidents of discrimination and actions taken.	Fully	SR: Ethics> 5.1 Principles of the Compliance Hotline,5.2 Management of incidents declared through the Compliance Hotline		SR 91
Freedom of association and collective bargaining					
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Not	See explanation	Not available/A new proposal for global dialogue is currently being prepared for our current CEO Michel Combes To be reported in 2015	

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
Child labor					
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Fully	SR: Supply Chain> 2.1. Adherence to the EICC Code of Conduct,2.2. Adherence to international standards ,3.2. EcoVadis sustainability ratings ,4. Improving supplier sustainability performance		SR 176, 179, 182
Forced and compulsory labor					
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Fully	SR: Supply Chain> 2.1. Adherence to the EICC Code of Conduct,2.2. Adherence to international standards ,3.2. EcoVadis sustainability ratings ,4. Improving supplier sustainability performance		SR 176, 179, 182
Security practices					
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Indigenous rights					
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Social: Society					
Community					
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Fully	SR: Society> 1 OUR APPROACH TO DIGITAL INCLUSION,1.1 Drivers of digital inclusion and universal access,2.1 Bringing digital literacy to all,1.3.2 Our impact around the world		SR 158-159, 166, 164
Corruption					
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	SR: Ethics> 3.1 Our approach to anti-corruption		SR 88
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	84% of our active employees completed the Anti-Corruption web-based training in 2013. We will continue to follow-up to achieve full implementation of this required training		SR 83
SO4	Actions taken in response to incidents of corruption.	Fully	20F> 6.10-Legal Matters,/ SR: Ethics> 5.2 Management of incidents declared through the Compliance Hotline		SR 51 Form 20F, 91

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
Public policy					
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	SR: Sustainability Management> 4.6. Public affairs		SR 30
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	SR: Ethics> 3.3 Law Division		SR 89
Anti-competitive behavior					
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Compliance					
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	20F> 6.10-Legal Matters		SR 51 Form 20F
Social: Product Responsibility					
Customer health and safety					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	SR: Sustainability Management> 1.6.3. ISO 14001 and OHSAS 18001		SR 9
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Product and service labelling					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	SR: Environment> 2.1.3 The Alcatel-Lucent Lifecycle Assessment (LCA) estimator		SR 106
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	SR: Sustainability Management> 4.3. Customer relationships		
Marketing communications					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	SR: Sustainability Management> 1.7. Approach to marketing and communications		SR 8

PERFOR-MANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION/ EXPLANATION	SECTIONS' STARTING PAGES
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Customer privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not	See explanation	Not available/This is an "additional" indicator that we might report in the future	
Compliance					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	SR: Ethics> 1.1 Zero tolerance policy		SR 84

5.4 United Nations Global Compact (UNGC)

Our sustainability report and company strategy conform to the United Nations Global Compact by:

- Incorporating information on our sustainability activities according to the 24 UN Global Compact Advanced Level assessment criteria

- Incorporating the principles of the UN's "Caring for Climate" eco-sustainability initiative in all our activities

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

In 2012, we ranked among the top 25 UNGC "Caring for Climate" performers for our commitments to setting goals, disclosing carbon emissions, and developing and expanding strategies and practices. We were also among the top quadrant of companies reporting according to the UNGC Advanced Level criteria.

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

Our sustainability strategy and reporting framework conform to the following key regulatory requirements and international sustainability frameworks:

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

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

The data presented in this report and the Sustainability chapter of the 20-F Additional Information annual report summarize the social, environmental and societal aspects of Alcatel-Lucent's business activities in accordance with French decree No. 2012-557 of 24 April 2012, which requires companies to report on the social and environmental impacts of their businesses. (That decree implements article 225 of law No. 2010-788 of 12 July 2010, known as "Grenelle II", which requires companies to publish social, environmental and governance information in the annual report of their Board of Governors or Management Board pursuant to law No. 2001-420 of 15 May 2001 relating to France's so-called "NRE" (New Economic Regulations Act) and article 12 of law No. 2012-387 of 22 March 2012 relating to the simplification and easing of legal and administrative procedures, which modified article L. 225-102-1 of the French Commercial Code.)

Grenelle II correspondence table

CHALLENGE	TOPIC	REQUIRED INFORMATION	REFERENCES
Environment	Overall environmental policy	Company organization to take into account environmental issues (including policy, assessment approach or certification)	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Employee awareness training and communication activities on environmental protection	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Allocation of resources to prevent environmental risks and pollution	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Amount of provisions and guarantees to address environmental risks, provided such information is not likely to cause serious harm to society in an ongoing dispute	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Pollution and waste management	Prevention, reduction or compensation measures for air emissions or water and soil discharges that seriously affect the environment	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT; 4.2.8 ENVIRONMENT INDICATORS
Environment	Pollution and waste management	Actions taken to support prevention, recycling and waste disposal	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT; 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS
Environment	Pollution and waste management	Inclusion of noise pollution and any other form of pollution specific to the activity in question	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT
Environment	Sustainable use of resources	Water consumption and water supply based on local conditions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORs
Environment	Sustainable use of resources	Consumption of raw materials and measures taken to improve the efficiency of their use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES
Environment	Sustainable use of resources	Energy consumption, measures taken to improve energy efficiency and renewable energy use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS
Environment	Sustainable use of resources	Soil use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.7 BIODIVERSITY PROTECTION
Environment	Climate change	Greenhouse gas emissions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.6 CLIMATE CHANGE; 4.2.8 ENVIRONMENT INDICATORS
Environment	Climate change	Adaptation to the impact of climate change	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY; 4.2.6 CLIMATE CHANGE
Environment	Biodiversity protection	Measures taken to protect or develop biodiversity	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.7 BIODIVERSITY PROTECTION
Social	Employment	Total number and breakdown of employees by gender, age and geography	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.1 EMPLOYMENT; 4.3.8 SOCIAL INDICATORS
Social	Employment	Hirings and dismissals	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.8 SOCIAL INDICATORS
Social	Employment	Compensation and evolution	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.1 EMPLOYMENT

CHALLENGE	TOPIC	REQUIRED INFORMATION	REFERENCES
Social	Work organization	Work time organization	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.2 WORK ORGANIZATION AND MANAGEMENT
Social	Work organization	Absenteeism	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.2 WORK ORGANIZATION AND MANAGEMENT; 4.3.8 SOCIAL INDICATORS
Social	Social relationships	Organization of social dialogue, including procedures for consultation and negotiation with staff	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS
Social	Social relationships	Review of collective agreements	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS
Social	Health and safety	Health and safety work conditions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY; 4.3.4 HEALTH AND SAFETY
Social	Health and safety	Review of agreements signed with trade unions or staff representatives on workplace health and safety	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.4 HEALTH AND SAFETY
Social	Health and safety	Occupational accidents (including frequency and severity rates) and occupational diseases	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.4 HEALTH AND SAFETY; 4.3.8 SOCIAL INDICATORS
Social	Training	Training policies	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.5 TRAINING
Social	Training	Total number of hours trained	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.5 TRAINING
Social	Equal opportunity	Measures in favor of equality between women and men	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Measures for employment and integration of disabled people	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Policies against discrimination	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Promotion and enforcement of ILO core conventions	Freedom of association and collective bargaining rights	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS; 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of discriminatory treatment in employment and occupation	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY; 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of forced or compulsory work	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the effective abolition of child labor	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Societal	Territorial, economic and social impact of the company	in terms of employment and regional development	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT
Societal	Territorial, economic and social impact of the company	on local population	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT

CHALLENGE	TOPIC	REQUIRED INFORMATION	REFERENCES
Societal	Relationships with persons or organizations interested in the company's business	Dialogue conditions with those persons or organizations	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Relationships with persons or organizations interested in the company's business	Actions of partnership or philanthropy	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Subcontractors and suppliers	Consideration of social and environmental issues in the company's procurement policy	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.3 RESPONSIBLE PURCHASING
Societal	Subcontractors and suppliers	Importance of subcontracting and the social and environmental responsibility of suppliers and subcontractors	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.3 RESPONSIBLE PURCHASING
Societal	Fair practices	Actions taken to prevent corruption	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.4 FAIR PRACTICES
Societal	Fair practices	Measures taken for consumer health and safety	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.4 IMPACTS OF OUR PRODUCTS ON HEALTH AND SAFETY
Societal	Human rights	Actions taken to support human rights	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS; 4.4.5 HUMAN RIGHTS FREEDOM OF EXPRESSION AND PRIVACY

7. Independent verification

Alcatel-Lucent
Year ended December 31, 2013

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

To the General Management,
In accordance with your request and in our quality of independent verifier of Alcatel-Lucent, we present our report on a selection of consolidated social, environmental and societal information established for the year ended December 31, 2013. Our verification work only concerns the information designated by the symbol **Q** in the present report (hereafter referred to as the "Information").

Responsibility of the company

It is the responsibility of the Sustainable Development Department of Alcatel-Lucent to establish information in accordance with the protocols used by the company, essentially composed of the Reporting Protocols of Health Safety Environment (HSE) and Human Resources (HR), in their versions dated respectively in October 2013 and April 2009 (hereafter referred to as the "Criteria") and available upon request at the entity's premises.

Independence and quality control

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

Responsibility of the independent verifier

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

We conducted the work described below in accordance with professional standards applicable in France and with international standard ISAE 3000[1].

Nature and scope of the work

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

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

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

For the CSR Information which we considered the most important[2]:

- at the level of the consolidating entity we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the other publications of the company;

- at the level of the representative selection of sites that we selected[3], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented an average of 68% of the total workforce and an average of 16% of the quantitative environmental, health and safety information.

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

Conclusion

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

Observations

Without qualifying our conclusion, we draw your attention to the following point:

The Guidelines are not uniformly applied in all the different entities regarding the calculation of the "Number of days of absence due to work-related accidents (including occupational diseases) per employee" in compliance with local regulation. The corresponding uncertainty has been reduced thanks to corrections made at the level of the consolidating entity.

Paris-La Défense, April 29, 2014

ERNST & YOUNG

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

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

2   **Environmental and societal information:** pollution and waste management (preventative measures, recycling and waste management), sustainable use of resources and climate change (energy consumption, raw material consumption and measures undertaken to enhance resource efficiency); territorial impact, economic and social (impact on regional and local populations), relation with stakeholders (partnership or sponsorship), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, business ethics (actions undertaken to prevent bribery and corruption), actions undertaken to promote and guarantee Human Rights.
    Social information: employment (total headcount, hiring and terminations), health and safety at the work place, work accidents, notably their frequency and their severity, as well as occupational diseases, number of days of training, diversity and equality of treatment and opportunities

3   Villarceaux (France), Bangalore Manyate (India), Kanata (Canada), Bydgoszcz (Poland), Murray Hill (USA) et Ning Quiao Rd (China).

Corporate Governance

27%

of the members of the Board of Directors are women

100%

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

97%

of target recommendations from a 2013 risk engineering survey at external hardware supply nodes were completed, with the remainder

1. Board of Directors Governance System

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

1.1 Separation of functions and powers

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

The functions of Chairman of the Board of Directors and Chief Executive Officer are respectively performed by Mr. Philippe Camus, since October 1, 2008 and by Mr. Michel Combes, since April 1, 2013. The Board of Directors designated Mr. Michel Combes for a period expiring at the end of the 2016 Ordinary Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ending on December 31, 2015, that is for his term of office as CEO pursuant to the Shareholders' Meeting decision on May 7, 2013.

In the context of the transformation of Alcatel-Lucent, the Board of Directors is particularly comfortable with the strong cooperation between the Chairman and the CEO, which confirms the choice of the governance structure for the Company. The CEO brought a new dynamic and know-how, with a good combination of vision and execution, which made his integration fast and easy.

The Board of Directors reappointed Mr. Philippe Camus as Chairman of the Board of Directors following the renewal of his appointment as Director at the Shareholders' Meeting of May 7, 2013, for a three-year period, that will expire at the end of the 2016 Ordinary Shareholders' Meeting.

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

Highlight

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

1.2 Staggered Board: Membership and diversity

As of March 19, 2014, our Board consists of 11 Directors, three of whom are women, representing five different nationalities, and the average member age is 62. The term of office is three years and, in compliance with the AFEP-MEDEF Code, the renewal of the Directors' terms of office is staggered in order to avoid replacing the entire Board of Directors. One third of the Board of Directors members are renewed each year since 2013.

DIRECTORS	POSITION	AGE	INDEPENDANCE	NATIONALITY	TERM OF OFFICE
Mr. Camus	Chairman	65	Yes	French	2013–2016
Mr. Combes	CEO	52	No	French	2013–2016
Ms. Cico	Director	52	Yes	Italian	2013–2016
Mr. Monty	Director	66	Yes	Canadian	2013–2016
Mr. Eizenstat	Director	71	Yes	American	2012–2014
Mr. Hughes	Director	65	Yes	American	2012–2014
Mr. Piou	Director	55	Yes	French	2012–2014
Mr. Bernard	Director	68	Yes	French	2011–2013
Ms. Goodman*	Director	48	Yes	American	2012–2014
Lady Jay	Director	67	Yes	British	2011–2013
Mr. Spinetta	Director	70	Yes	French	2011–2013

* Ms Goodman's term of office is from end of 2012 to 2014. Her renewal will be proposed to the next Shareholders' meeting (May 28, 2014).

The Board of Directors includes two Board Observers ("Censeurs"). The Board Observers are both employees of Alcatel-Lucent, or of an affiliate, and members of the Alcatel-Lucent mutual fund (in French "fonds commun de placement") (see Form 20-F, Section 7.1.1.2 "The Committees of the Board of Directors"). The mutual fund owns Alcatel-Lucent shares and the employees of Alcatel-Lucent own a beneficial interest in this fund. The mutual fund designates, among its members, a number of candidates representing twice the number of Board Observers seats to be filled in at the Board of Directors of the Company. This list is addressed to the Chairman of the Board of Directors and then, upon recommendation of the Corporate Governance and Nominating Committee, the Board of Directors submits to the Shareholders' Meeting the appointment of one or several Board observers, as the case may be.

In accordance with Article 14 of Alcatel-Lucent by-laws, the Board Observers are convened to the meetings of the Board of Directors and they participate on a consultative basis. On July 29, 2013, the Board of Directors, upon the recommendation of the Corporate Governance and Nominating Committee, decided to extend the participation of the Board Observers to the meetings of all Committees, including now meetings of the Corporate Governance and Nominating Committee and the Compensation Committee, as they were already participating in the meetings of the Audit and Finance Committee and of the Technology Committee. This decision is in compliance with the new provisions of the AFEP-MEDEF Code which recommend that an employee who is also a director participates in meetings of the Compensation Committee.

For more information, please see From 20-F, Section 7.1.1 "Management Bodies of the Company". >

1.3 Independence of the Directors

The independence criteria selected are based on both the recommendations of the AFEP-MEDEF Code and the requirements of the NYSE. They comply with all of the criteria listed in the AFEP-MEDEF Code, with the exception of the criterion that provides that a director's total term of office should not exceed 12 years. The Board of Directors favors the Directors' competence and experience, as well as their good knowledge of the Group, since these assets do not represent a potential conflict of interest.

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

> At the March 19, 2014 meeting, our Board of Directors re-examined the situation of each Director with respect to the independence criteria of the AFEP-MEDEF Code and the NYSE rules. It determined that 10 of the 11 Directors are independent, e.g., all the Directors including the Chairman of the Board of Directors except the CEO, under French standards (nine under NYSE standards).

Indeed, the AFEP-MEDEF Code as revised in June 2013, states that the Chairman of the Board of Directors, an Executive Director, may now be considered as an independent director subject to the satisfaction of the independence criteria provided by this Code. Pursuant to the NYSE rules, a chairman of a board of directors who is considered as an executive director cannot be considered as an independent director. However, the NYSE rules authorize the Company to follow the rules of the AFEP-MEDEF Code, except with respect to compliance with the independence of the members of the audit committee (see Form 20-F, Section 7.1.4.1 "Audit and Finance Committee", subsection "Role"). Therefore, Mr. Philippe Camus, who meets the criteria of the AFEP-MEDEF Code, is now considered as an independent director under French standards.

Therefore, more than half of the members (in fact, more than 90%) of our Board of Directors are independent Directors. In addition, in compliance with the legal requirements and Article 5 of the Board's Operating Rules, the Board of Directors has at least one independent Director — namely Mr. Jean C. Monty — with recognized financial and accounting expertise.

1.4 Selection criteria of the Directors

The appointment of new Directors must comply with the selection rules applied by our Corporate Governance and Nominating Committee. In the context of the multi-annual process of selecting new Directors, the Corporate Governance and Nominating Committee conducts its own studies on potential candidates, if necessary with the support of an outside consultant. On this basis, the Committee draws up a restricted list of candidates in order to fill each vacancy.

During fiscal year 2013, two Directors of the Board of Directors, Lady Sylvia Jay and Mr. Daniel Bernard decided not to request the renewal of their appointment as Director. Consequently, the Board of Directors started the selection process of new candidates.

Therefore, the Corporate Governance and Nominating Committee aims to combine a range of diverse skills and expertise capable of supporting the company's high-technology businesses as well as a telecom expertise and knowledge of the various geographic markets, the business environment in which we operate in and sufficient financial expertise. These skills enable the Board of Directors to

make informed and independent decisions about financial statements and compliance with accounting standards. Special attention is also paid to the quality and the complementary nature of the careers of the Directors, in terms of location, duties performed and their business sector.

Highlight

The appointments of 2 new Directors which will be submitted to the Shareholders' Meeting, are in compliance with the provisions of the January 27, 2011 French law concerning the balanced representation of men and women at boards of directors which requires that by the first annual Shareholders' Meeting held in 2014, 20% of the members of the board of directors be women.

This requirement is satisfied by the Company since 27% of the members of the Board of Directors are women.

1.5 Ethics and absence of conflicts of interest

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

In accordance with the Directors' Charter, a Director must notify the Board of any actual or potential conflict of interest. To the knowledge of our Board of Directors, none of our Directors are in such a situation.

1.6 Board duties

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

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

For 2013, the Board of Directors examined the implementation of the strategic guidelines previously decided, and of the guidelines underlying the action plans adopted by the Group. It has ensured the continued transformation of the Group and discussed the main measures taken to ensure the adaptation and rationalization of its structures, its procedures and its production tool. With respect to the

implementation of the organizational model set forth in the Performance Program, the Board was kept regularly informed of the targets and results of the policy of reducing structural costs implemented by the Group.

With respect to *The Shift Plan* announced on June 19, 2013, the Board of Directors approved the development and implementation of the plan at the end of a special session on June 7, 2013. It reconsidered the strategic guidelines and approved the transformation plan that includes the business model, the organization and the targets of cost reductions, and reviewed the approach, business priorities and targets of turnover.

For more information, please see Form 20-F, Section 7.1.3 "Powers and Activity of the Board of Directors". >

2. Board effectiveness and transparency

2.1 Dialogue with Directors

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

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

For more information, please see Form 20-F, Section 7.1.3.3 "Organization of Board Meetings". >

2.2 Board's information and works

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

The Board of Directors has four specialized committees that report to it concerning the subjects presented to them: Audit & Finance; Corporate Governance & Nominating; Compensation; and Technology. The attendance rate to the Board and its Committees for fiscal year 2013 is globally satisfying:

BOARD AND COMMITTEE MEETINGS IN 2013	BOARD OF DIRECTORS	AUDIT AND FINANCE COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	COMPENSATION COMMITTEE	TECHNOLOGY COMMITTEE
Overall attendance rate	89%	92%	96%	96%	100%

For more information, please see Form 20-F, Sections 7.1.3.4 "Activity of the Board of Directors in 2013 and early 2014" and 7.1.4 "Powers and activity of the Board of Directors' committees". >

2.3 Assessment of the Board's own work

The Board carries out an annual assessment of its own work in accordance with the AFEP-MEDEF Code, as well as of the performance of the Executive Directors. At least once every two years, its performance is assessed by an independent consultant.

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

The conclusions confirmed that the Board of Directors displays a satisfactory level of diversity and works coherently, with a high degree of commitment. The Board of Directors operates on the principle of independent thinking as well as of making the most of the high level of experience of its members. There is a strong cohesion of the members with the Chairman, who participates actively, challenging the participants judiciously, constructively and with tact. This creates a good environment for exchanging views and facilitates decision-making. The "Executive Sessions" are considered as very positive also and contribute highly to improving Board efficiency.

It further highlighted new suggestions that could be implemented — in particular an induction program for new members, a CEO evaluation model and an annual structured Human Resources agenda to cover important topics such as key people and their succession plan, diversity, talent regeneration and retention. The Board of Directors also highlighted areas for improvement such as follow-up on the execution of the Board's decisions, and confirmed its interest in receiving an annual briefing on the latest developments in technology.

For more information, please see Form 20-F, Section 7.1.2.1"Principles of corporate governance". >

3. Senior management remuneration

3.1 Principles

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

Proposals for the compensation of the Chairman and of the Chief Executive Officer, as well as of the Directors and key executives are established under the responsibility of the Compensation Committee. It evaluates all compensation paid or attributed to them, including compensation relating to retirement, and other benefits of any nature. It also reviews the policies relating to the grant of stock options and performance shares to the Group's Executive Officers, and in particular to members of the Leadership team.

3.2 Executive Directors

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

In 2013, the compensation policy for the Executive Directors was determined by the Board of Directors, taking into account in particular the Company's strategy, as reflected by the Performance Program, which was the strategic plan in effect at the time of the determination of this policy by the Board of Directors.

The total annual compensation of the Chairman of the Board is in line with the practices of companies in Group's main reference markets. It consists of a fixed annual compensation paid in cash and a long-term incentive depending on performance criteria which are specific to the role and responsibility of the Chairman of the Board of Directors.

Pursuant to the AFEP-MEDEF Code, the evaluation of the performance of the Chairman of the Board must not only be based on quantitative criteria, but must also take into account the work performed and results obtained, as well as the specific responsibility assumed by the Chairman within the Group.

For fiscal year 2011, the acquisition of performance shares by the Chairman of the Board were subject to the satisfaction of the presence condition and the performance conditions based on a quantitative criterion (share price performance) up to 30%, and qualitative criteria (related to the position of the Chairman of the Board of Directors) up to 70%. In order to show his personal commitment in favor of the Group's recovery and to take into account the results of the 2012 fiscal year, Mr. Philippe Camus advised the Board of Directors of his decision to relinquish any performance share grants in 2013 with respect to fiscal year 2012 and to give up the right he had until now to accelerate the vesting of the performance shares already granted to him in case of termination of his mandate.

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

The performance criteria applicable to his variable compensation and to his long-term compensation are in line with the Group's strategy and change objectives. For the fiscal year 2013, 50% of the variable compensation depends on achieving the Performance Program targets and 50% depends on a financial criterion. With respect to its long-term compensation, it consists of Performance Units which are conditional rights which grant the beneficiary the right to receive compensation in cash. The Chief Executive Officer is subject for his long-term compensation to the presence condition that he remains Chief Executive Officer until the end of the three-year vesting period, and to the achievement of performance criteria applicable to the entire grant: 50% of the vesting of the rights is based on the performance of Alcatel-Lucent share price, and 50% is based on the definition and implementation if the Company's' strategy.

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

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

The table below reflects the main criteria adopted with respect to the compensation of the Executive Directors for fiscal year 2013:

	FIXED COMPENSATION	VARIABLE COMPENSATION	PERFORMANCE SHARES	PERFORMANCE UNITS
Chairman[1]	Individual skills		• Individual performance: 70% of the grant • Performance of Alcatel-Lucent's shares: 30% of the grant	
CEO[2]	Individual skills	• 50% financial criterion • 50% achievement of the targets of the Performance Program		• 50% performance of the share • 50% performance of the Company's strategy
	Short term performance		Long term performance	

1   No performance share grant in 2013 for fiscal year 2012.
2   Mr. Michel Combes, in office since April 1, 2013

3.3 Leadership team

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

3.4 Members of the Board of Directors

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

4. Sustainability

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

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

The Leadership Team, Alcatel-Lucent's highest corporate leadership governance body, will review the company's sustainability priorities, strategy and KPIs, and to track progress on commitments in collaboration with the Head of Sustainability, CEO and Leadership Team executives. The Leadership Team will provide oversight to the Board of Directors on emerging and critical sustainability issues for the company via the aforementioned Board Committees.

For more information about our sustainability approach >

5. Statutory auditors and internal audit

External auditor fees are closely monitored and controlled. Their budget is approved by the Audit and Finance Committee, and a process has been established in order to approve additional audit services fees (audit-related or not audit-related). It has to be noted that services (not audit-related) rendered by the two statutory auditors in 2013 represent less than 5% of the total amount paid to our two external audit firms.

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

In 2013, the IFACI (French branch of the Institute of Internal Auditors — IIA) has renewed the internal audit certification, as a recognition of team's professionalism. This certification, granted by external experts, confirms that the internal audit function is independent and objective; is competent and rigorous; focuses on areas of major importance for the organization; constantly strives to optimize the quality of services rendered; and plays an active role in the company's governance practices.

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

6. e-notice of meeting and e-vote for the 2014 shareholders' meeting

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

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

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

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

7. Our approach to risk and crisis management

7.1 Enterprise management

Enterprise Risk Management (ERM) at Alcatel-Lucent is built on a comprehensive framework covering 80 risks in the areas of operations, finance, strategy, human resources and security, and legal and compliance. Topics related to sustainability — for example, respect for human rights, anti-corruption, raw material prices and environmental regulations — are either addressed directly or nested within the risk catalogue.

2013 Achievements

In 2013 we focused on the ongoing maintenance of our comprehensive ERM process, which encompasses risk identification, prioritization and mitigation. This prepared the ground for ERM adjustments and enhancements under our evolved operating model. Our achievements in 2013 included:

- Under the evolved operating model put in place on July 1st, 2013, the ERM updates were performed for the Sales organization, Strategic Industries segment and the four Business Lines IP Routing and Transport, IP Platforms, Wireless and Fixed Networks.

- Updating of our corporate-level ERM risk map.

- Definition and quarterly monitoring of mitigating actions. In 2013, 66 mitigating actions covering 100% of our key risks were defined, implemented and monitored.

- Completion of a global ERM review by the Audit & Finance Committee on March 6, 2013, supported by quarterly reporting on the status of ERM action plans. A review by the Board of Directors was conducted on March 7, 2013.

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

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

We prioritize the most significant risks according to:

- Severity of impact
- Likelihood of occurrence
- Control effectiveness

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

7.2 ERM governance and compliance

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

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

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

Risks and the status of mitigating actions are submitted quarterly to Group Treasury and Corporate Audit Services. Reporting on key risks and mitigating actions is complemented, where relevant, by the presentation of hot risk topics that ensures our perspective on risks remains current.

In 2013, our risk mitigation programs placed particular focus on contingencies and financial risks associated with our suppliers, as well as liquidity risks.

Alcatel-Lucent enforces a policy to minimize industrial risks in order to avoid high-frequency occurrences and control the impact of potentially serious losses. More than 65% of our total insured values are classified as 'highly protected risks' (HPRs).[1]

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

Highlight

Minimizing hardware supply chain contingencies

In 2013, Alcatel-Lucent performed risk engineering surveys at its external hardware supply nodes. These surveys were complemented by a business impact analysis of a major supply node considering the suppliers' and our back-up and restoration capabilities. Out of the all target recommendations issued in 2012/13, 97% were completed within a year. The remainder are being addressed. Three new recommendations were issued. This benchmark shows how our risk improvement plan builds resilience in the hardware supply chain.

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

7.3 Business continuity and crisis management

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

2013 Achievements

1. Maintained a mature BCM program with business continuity plan coverage of 90% of all identified critical functions.

2. Streamlined program while aligning with the Performance Program organization changes and *The Shift Plan*

In 2012, Alcatel-Lucent completed a four-year initiative to establish a standard format and centralized repository for its business continuity plans. These plans are integrated for coverage throughout the company, and are activated if and when needed. Currently, plans cover 90% of all identified critical functions — achieving our objective for maintaining a mature BCM program. The focus for 2014 will be to maintain plan coverage to sustain BCM program maturity.

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

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

Highlights

Ensuring business continuity

2013 was an unusually quiet year with no major events impacting Alcatel-Lucent and triggering business continuity plan (BCP) activation. Hurricanes, earthquakes and local events that have challenged the company in prior years are notoriously unpredictable, so plans need to be kept current and ready to be implemented at any time in response to a business disruption. To ensure a high state of readiness, the Business Continuity Governance Board set an annual objective to maintain > 95% of approved plans. BCP Teams surpassed this target, updating 98% of approved plans during the Annual Review in 1H 2013 and 99% of approved plans during the Semiannual Contact Update in 2H 2013.

Streamlining plan coverage

Alcatel-Lucent business continuity plans are aligned with the organization structure, fitting together like pieces of a puzzle for coverage throughout the company. As organizations evolve and personnel gain experience maintaining plans, similarities among plans become more apparent and opportunities to streamline plan coverage arise. For example, the Service Assurance Organization previously maintained one business continuity plan for each of the six Global Welcome Centers. During plan updates in 2012, many similarities were noted among the plans, leading to development and approval of one new plan in 2013 covering all six Global Welcome Centers and retirement of the six individual plans. Maintaining one multi-location plan streamlines plan coverage and promotes resilience, further simplifying operations.

7.4 Contingency plans for environmental and sustainability-related risks

Real estate business continuity plans (BCPs) address environmental risks not as specific threats but rather as risk responses to the loss of critical functions. A total of 78 real estate facilities plans are currently in place. These plans target locations with more than 500 employees (or more than 200 employees in areas with elevated risks, such as locales prone to earthquakes or political volatility) and cover all critical real estate functions identified for a given location. With some exceptions, BCPs are not developed per threat but instead per critical function.

Therefore, BCPs respond to any threat to any system that becomes material, including environmental risks. Some plans — both centrally managed plans within the corporate crisis management process and local emergency response plans — respond to particular hazards such as earthquakes and pandemics.

Regarding compliance, ethics and human resources management, key risks are identified in the ERM, requiring dedicated mitigating actions to ensure continuity and avoid contagion or rapid deterioration. Dedicated procedures are documented in business continuity and crisis-management plans to manage the appropriate response to identified key risks.

Ethics and Compliance

96%

of our employees participated in Code of Conduct review and acknowledgement process

ZERO

competition/anti-trust law violations in 2013

10

guiding principles of human rights adopted through launch of Industry Dialoque

1. Our commitment to ethics and compliance

Our commitment to ethics and compliance is communicated widely and regularly — and is an essential aspect and core value of how we conduct business.

Commitment

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

Highlight

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

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

Key elements of the Ethics & Compliance Management System include:

- A comprehensive compliance governance structure
- The Alcatel-Lucent Code of Conduct

- Policies, procedures and controls

- Monitoring and auditing practices

- An annual compliance risk assessment (with related mitigation plans and processes for continuous improvement)

- Education and training

- Ethics and compliance communications focusing on maintaining a "speak-up" culture

- A Compliance Hotline and other reporting vehicles

- A global compliance-resolution process

For further information, please refer to Section 7.3 "Alcatel-Lucent Code of Conduct" of the 2013 Annual Report on Form 20-F.

2013 Achievements

Key achievements in 2013 included 96% participation by employees globally in the annual Code of Conduct review and acknowledgment process. **Q**

We also continued to focus on:

- Embedding a culture of integrity by reinforcing a strong tone at the top of the company (supported by the CEO) and enhancing the role of managers

- Reinforcing ownership of business integrity by senior leaders, as well as overall business accountability for program implementation and results

- Increasing regional leadership and oversight of ethics and compliance across the business

1.1 Zero-tolerance policy

We continued to implement our zero-tolerance policy last year, requiring 100 % integrity in all business practices. Management expects all employees to comply with applicable legal and company requirements. Any identified violations are addressed swiftly, consistently and fairly. We also furthered our phase-out of sales agents and consultants — a mandated process initiated in 2008. Alcatel-Lucent has not engaged a new sales agent or consultant since 2009.

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

Highlight

In 2013, Alcatel-Lucent paid no fines (significant or otherwise) for non-compliance with laws and regulations concerning the provision and use of its products and services.

1.2 Communicating ethics and compliance

In 2013, we continued to enhance our comprehensive communications campaign promoting exemplary business ethics. Led by the Office of Business Integrity & Compliance, we used town hall meetings, videos, blogs, employee stories and management messages to underscore the importance of establishing

and maintaining a corporate culture of integrity. Particular attention was paid to communicating with managers, who have a significant impact on the behavior of employees in dealing with customers, vendors, government authorities and others.

Complying 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 (e.g., "competition laws" or "anti-trust laws") is carefully spelled out in our Code of Conduct and in our competition/anti-trust law policy and guidelines.

Highlight

In 2013, there were no findings of competition/anti-trust law violations by the company or an employee, and no allegations were reported during the year.

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

- Our competition/anti-trust law policy and guidelines for employees are readily available through the company intranet. Employees whose jobs are affected by this policy participate in relevant live and online training programs. When in doubt, they are urged to consult the Law Division to ensure their activities comply with competition/anti-trust laws. Employee competition/anti-trust law violations can be reported via the Alcatel-Lucent Compliance Hotline without fear of retaliation, and are subject to the company's internal general compliance enforcement procedures.

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

2. Our compliance governance structure

2.1 Key roles and responsibilities

Our global compliance governance structure defines the parties responsible for designing the company's Ethics & Compliance Management System, implementing program elements and ensuring overall accountability for results. It incorporates guidance from global standards and elements consistent with evolving best practices to ensure alignment with our business requirements.

A centrally managed Compliance organization is in place to enhance our existing compliance resources and consolidate key compliance functions (including the regional compliance leaders, the Anti-Corruption Compliance Program, the Privacy & Data Protection Compliance Program, and Corporate Investigation Services) under the Chief Compliance Officer.

Key elements of our compliance governance structure include:

- **Chief Compliance Officer:** Established as a full-time position in 2012 reporting directly to the Chief Financial & Legal Officer (with direct access to the CEO, Board of Directors and Audit & Finance Committee), the CCO is responsible for overseeing the Ethics & Compliance Management System, setting strategic direction and ensuring our operations are consistent with a culture of integrity.

- **Chief Executive Officer:** Sets tone and demonstrates the importance of business integrity consistent with our zero-tolerance policy.

- **Office of Business Integrity & Compliance:** Executes the strategic direction of the company's Ethics & Compliance Management System by developing and supporting implementation of key compliance initiatives, and providing ethics and compliance leadership and expertise across the business.

- **Regional Compliance Leaders:** Provide regional oversight and support to the business in operationalizing ethics and compliance initiatives regionally.

- **Ethics & Compliance Council:** Chaired by the CCO, the Ethics & Compliance Council consists of senior management responsible for overseeing program status across the business, including review and approval of key compliance policies.

- **Operating Unit Compliance Council (and workgroups):** With representation from each business unit, the Operating Unit Compliance Council is accountable for implementing initiatives and ensuring measurable results.

- **Compliance Program Owners:** Subject matter experts for our key compliance program areas who are responsible for ensuring programs are fully integrated into business operations, effectively managed and consistent in quality across the organization.

- **Law Division:** Supports the enforcement of company policies by the Ethics & Compliance Council, the CCO and the regional compliance officers.

- **Compliance Issues Reporting Methods Initiative:** Provides options for employees to report suspected violations of law or company policy without fear of retaliation.

Alcatel-Lucent Compliance Governance Structure
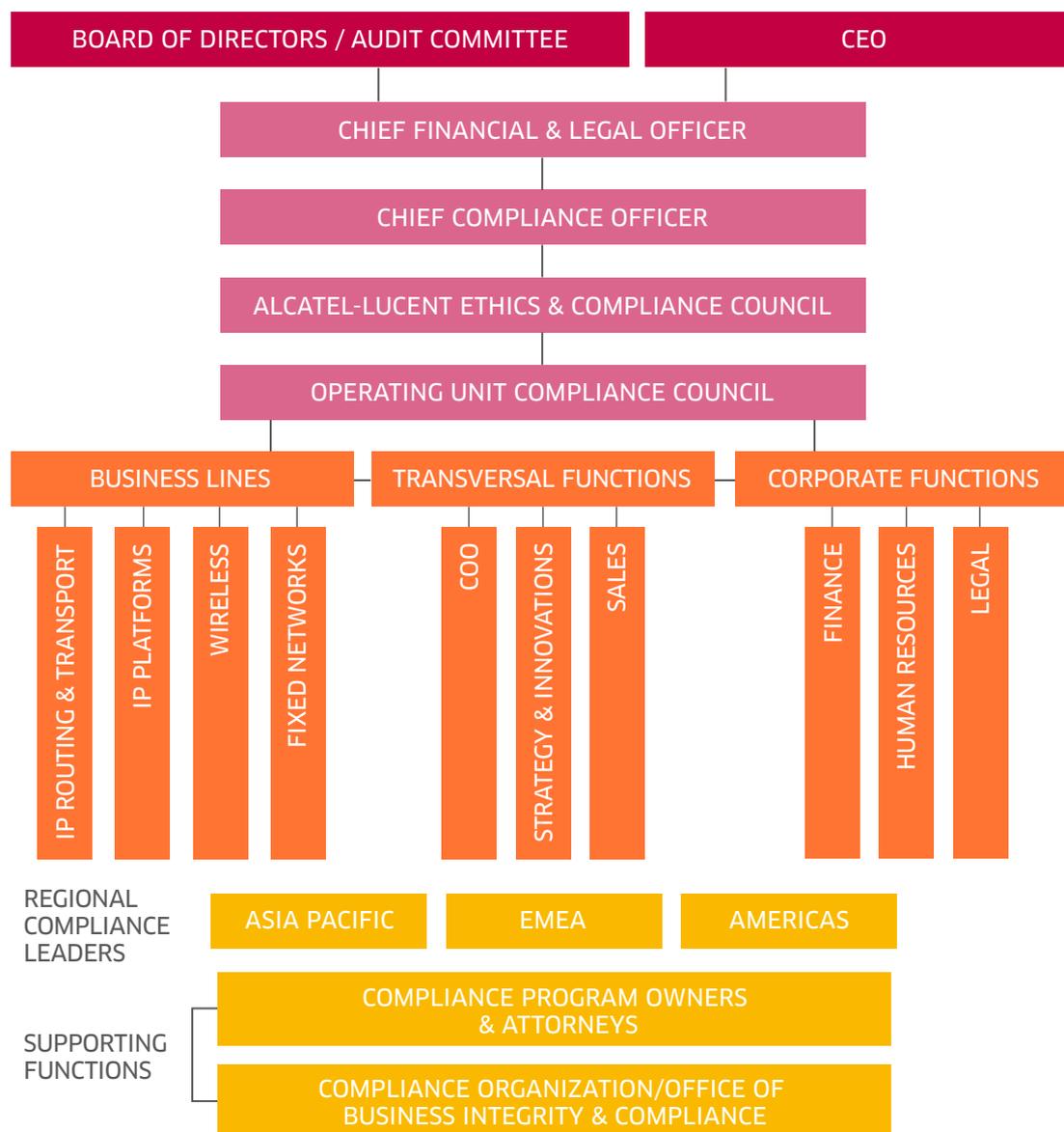
2.2 Role of the Board of Directors

Separate from but aligned with the governance mechanisms established through the Ethics & Compliance Management System, the Board of Directors — with support from the Audit & Finance Committee — plays an important role in overseeing our compliance performance. The Chief Compliance Officer and Chief Financial & Legal Officer provide periodic updates to the Audit & Finance Committee and to the entire Board of Directors on the status of ethics and compliance activities at Alcatel-Lucent. These status reports occur quarterly or more often, as required. The Chief Audit Executive also regularly updates the Audit & Finance Committee on significant compliance-related audits and investigations.

Read more about our **Board of Directors governance system >**

3. Anti-corruption compliance program

3.1 Our approach to anti-corruption

Anti-corruption is our top compliance priority. Our policy is to conduct business only on the merits of our products, services and people. We never pay, offer or promise to provide anything of value to obtain or retain business or to secure any improper advantage, and we never allow a representative or business partner to make illegal payments or promises on our behalf. Our Anti-Corruption Compliance Program focuses on ensuring employee awareness of and compliance with company policies and applicable laws such as the *United States' Foreign Corrupt Practices Act* and the *United Kingdom's Bribery Act*.

Three main anti-corruption policies are at the core of the program:

1. Policy on Travel, Lodging, Meals, Entertainment Gifts and Sponsorships (also known as the Hospitality Policy), and the accompanying online pre-approval process

2. Policy on Facilitation Payments

3. Policy on Third-Party Risk Management, Screening and Selection, and the accompanying approval processes

These anti-corruption policies are subject to an annual review and revision process to capture any changes in regulatory requirements and lessons learned during the past year.

2013 Achievements

- Ongoing monitoring of legislative and regulatory activities

- Annual program self-assessment and development of related enhancement plans

- Annual compliance risk assessment with related mitigation plans

- Regular status reporting to senior management

- Continued implementation of EZVisit, a web-based tool to ensure gifts that, travel and hospitality events are granted in accordance with anti-corruption policies

- More comprehensive risk management of sales and other third parties by applying new third-party screening and selection processes, and globally implementing a third-party registry and online screening tool

- Deployment of the first all-employee online anti-corruption training course to supplement existing targeted training

In 2013, every part of our business (including regions, business groups and central functions) was analyzed for risks related to corruption. To ensure full alignment, each operating unit's compliance risk assessment report was reviewed, approved and documented by the Management Committee member responsible for that organization.

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

We invested significant time and resources in assessing and improving our third-party risk management last year. The Anti-Corruption Compliance Program provided focused support to the business groups most heavily engaged with third-party resellers and suppliers, helping them assess compliance with existing policies and identify areas for improvement, and working with them to implement the new online pre-approval process for engaging with third parties. The focus on third-party risk management will continue in 2014 with the continued improvement of our third-party processes.

3.2 Corporate Investigation Services

Complementing the Anti-Corruption Compliance Program, the Corporate Investigation Services (CIS) organization includes an Anti-Corruption Competency Center to facilitate global anti-corruption risk assessments, which identify high-risk Alcatel-Lucent legal entities based on a set of predetermined anti-corruption risk attributes. The results of the risk assessments are key in identifying the Alcatel-Lucent entities where proactive anti-corruption compliance reviews will be performed by Corporate Audit Services.

CIS maintains the approach and methodology used by Corporate Audit Services to test the effectiveness of controls in place to ensure compliance with internal anti-corruption policies and procedures. It administers our Compliance Hotline and investigates allegations related to:

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

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

3.3 Law Division

The Alcatel-Lucent Law Division plays a critical role in supporting our Anti-Corruption Compliance Program. In 2013, it assisted with the development and implementation of anti-corruption policies and processes by the Compliance organization, including the hospitality pre-approval process and the third-party screening and approval processes.

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

Highlight

Political contributions

Alcatel-Lucent does not directly spend corporate funds on political activities. Our employees in the United States have formed a voluntary political action committee (PAC) through which political contributions were made to candidates for federal and state office in 2013. The Alcatel-Lucent USA employee PAC operates in accordance with all U.S. federal and state laws and regulations.

Legal proceedings incidental to the conduct of our business (including employment-related collective actions in France and the United States) are adequately reserved against in the financial statements or will not result in any significant costs to the company.

This content is based on Section 6.10 of our 2013 20-F report. This report is filed annually, but the Contingencies section is updated quarterly and any changes are reflected in the company's quarterly financials.

3.4 Anti-corruption Compliance Monitor

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

4. Alcatel-Lucent Code of Conduct

2013 Achievement

In 2013, all employees and non-employee workers were required to review the Alcatel-Lucent Code of Conduct and acknowledge their understanding of their obligation to abide by it. The company achieved 96% compliance for employees globally for this review and acknowledgment process. Understanding of the Code is further reinforced through mandatory ethics and integrity training as well as specialized training in key compliance areas.

An updated version of the Alcatel-Lucent Code of Conduct was published in 2009 with the requirement for all employees and members of the Board of Directors to review the document and acknowledge their understanding of its provisions. The revised Code establishes, in a more streamlined manner, Alcatel-Lucent's standards for ethical business conduct and is binding on all employees globally in their daily activities, as well as in our relations with competitors, suppliers, shareholders, partners and customers. The standards set forth in the Code of Conduct are not only based upon the laws and regulations in force, but also on the notions of integrity, respect, equity, diversity and ethics.

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

On February 4, 2004, our Board of Directors adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Corporate Controller. On May 24, 2012, we made some non-substantive changes to the Code of Ethics to reflect changes made to some of the terms used in relevant legislation or documents referred to in this Code of Ethics since the initial adoption by our Board of Directors in 2004 (see 20F report - Section 7.3, "Alcatel-Lucent Code of Conduct"). A copy of our Code of Ethics for Senior Financial Officers has been posted on our website, **www.alcatel-lucent.com**. This Code of Ethics is in addition to our Alcatel-Lucent Code of Conduct, which also applies to our senior financial officers.

5. Compliance Hotline

5.1 Principles of the Compliance Hotline

The success of our Ethics & Compliance Management System depends on employees and third parties being confident to raise ethical questions and concerns without fear of retaliation. Under the Compliance Issues Reporting Methods Initiative, several options are available for reporting suspected violations of law or company policy.

Highlight

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

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

In certain countries, local laws may limit the types of matters for which the Compliance Hotline and website can be used. Regardless of location, persons wishing to report a suspected violation of law or company policy may do so by sending an email to compliancehotline@alcatel-lucent.com.

5.2 Management of incidents declared through the Compliance Hotline

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

If an investigation determines that there has been a violation of company policy or law, a compliance resolution team is convened. This team follows a process established for resolving all compliance issues requiring corrective action (including disciplinary action, training and internal control improvements). Disciplinary action can include coaching, written warnings, suspension and termination. All reported incidents are documented in a secure, limited-access central database compliant with local laws.

The same process is followed if internal audits and/or compliance reviews identify violations of company policies. External reporting of such matters is considered only with the guidance and approval of the Alcatel-Lucent Law Division.

Highlight

A total of 631 issues/allegations were reported to the Compliance Hotline in 2013:

- 110 allegations (44 of which were opened prior to 2013) were substantiated with "cause found" after investigation was completed. Of these, 97 resulted in disciplinary action up to and including termination.

- 57 cases involved allegations of potential harassment or discrimination (including those categorized as sexual harassment). Of these, 20 resulted in a "cause found" determination.

6. Privacy protection

6.1 Commitment to privacy and data protection

Alcatel-Lucent is committed to respecting individual privacy rights and expectations, and to protecting personal data against unauthorized access, use, retention or disclosure. In 2013, we launched privacy training sessions for sales staff worldwide, initiated the development of a training module for engineers on the "privacy by design" approach, and prepared a communication to increase employee awareness of privacy issues on Data Privacy Day on January 28, 2014. We also continued to review all systems before they went live to verify compliance with our global privacy policy and applicable laws. Finally, an analysis of 50 of our most critical systems (which included a privacy compliance profile) was finalized in 2013 and a report was distributed to the business owners of each system. Follow-up on the implementation of the report's recommendations will be conducted in 2014.

Alcatel-Lucent approach to privacy protection
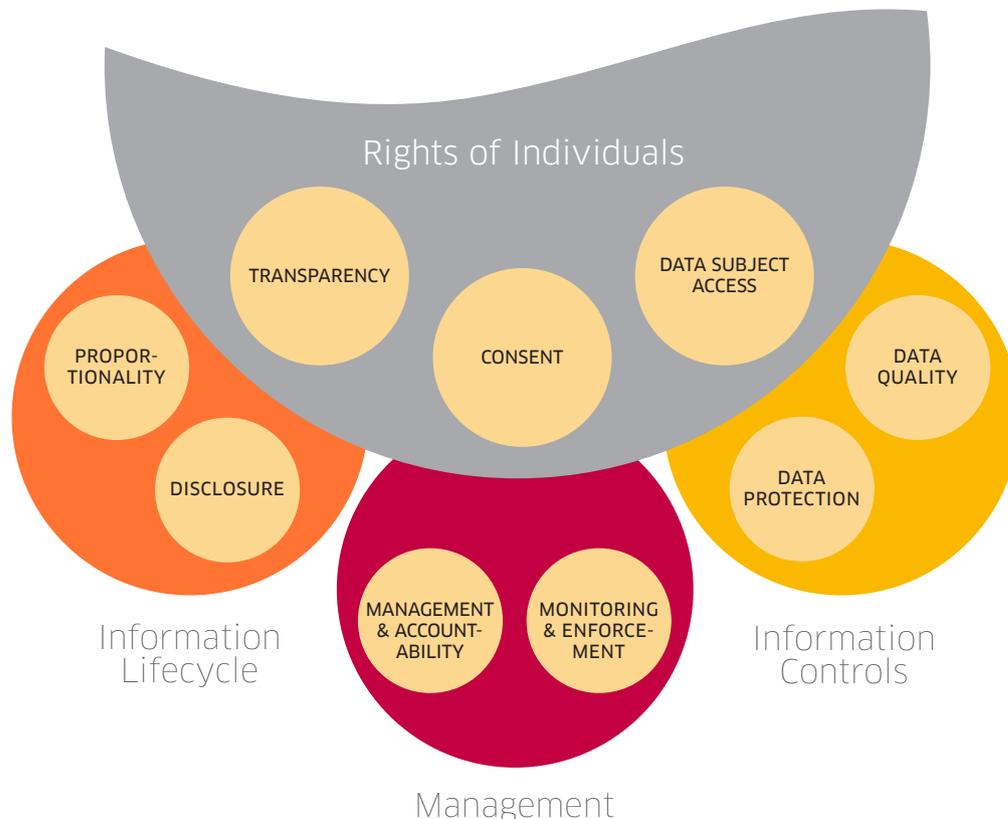
6.2 Governance of privacy-related activities

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

In 2013, the Privacy & Data Protection Compliance Program improved its compliance monitoring through the implementation of a Privacy Dashboard that tracks a variety of metrics and the completion of a self-assessment against a privacy maturity model subsequently used to design an improvement action plan. In 2014, the program will continue to focus on consolidating and streamlining all of the activities that have been implemented since its creation in 2009, taking a risk-driven approach while continuing to monitor the expectations of our customers as well as the evolving regulatory landscape.

7. Information security

7.1 Governance of information security-related activities

Alcatel-Lucent has established an information security compliance function under the direction of the Chief Information Security Officer. This function is responsible for establishing the information security policies, strategies, architecture, compliance programs and transformation projects needed to protect our valuable information assets, which include data, information systems and IT services.

Highlight

In 2013, we conducted more than 330 project reviews and more than 330 third-party reviews. This accounts for 100% of suppliers for which a third-party connection is required, and represents a substantial increase over the number of reviews conducted in 2011 and 2012. Compliance assessments were also conducted on more than 210 applications, 25 databases and 140 servers.

Risk-mitigation plans are developed at the operating-unit level, while compliance assessments are used as a core management practice to drive accountability and awareness of compliance and security risk management into all areas of the company.

7.2 Ensuring the security of information systems and databases

Our comprehensive information security policies cover the full spectrum of security domains: physical security, applications and operations security, access control and identity management, security monitoring and incident response, information classification, business continuity and compliance management. These policies are accessible to all employees through the company intranet; communications related to specific information security topics are also delivered on a regular basis.

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

7.3 Preventing hacker attacks

Like many other large enterprises, Alcatel-Lucent employs a defense-in-depth approach to fend off malicious attacks against its network. Controls such as firewalls, intrusion detection and prevention, anti-virus software, encryption, whitelisting and monitoring technologies are used in conjunction with strong passwords and other proven security practices to reduce the likelihood of a successful attack. We have implemented a variety of measures to counter this type of threat and will continue to enhance our defenses in 2013.

Highlight

Ensuring compliance with our information security policy

Our information security policy defines the fundamental principles for the protection of information resources, establishes the controls needed to ensure compliance with internal policies and external regulations, and strives to uphold Alcatel-Lucent's reputation for safeguarding the information entrusted to us by our customers. Control standards provide requirements for specific, technology-independent areas of policy; baseline standards are maintained to provide detailed instructions for implementing security controls within a specific technology.

7.4 Protecting intellectual property

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

8. Compliance risk assessment, enhancement and mitigation

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

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

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

9. Ethics and compliance training

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

2013 Achievement

Per our commitment to increase transparency around disclosure of potential conflicts of interest, in 2013 we raised awareness of conflict-of-interest issues and developed an online training course to highlight conflict-of-interest issues and the related disclosure process. This training is available to all employees and was formally deployed to targeted senior-level employees.

We continued to deploy both global training and specialized compliance training targeted to key stakeholders in 2013. Training topics included:

- Ethics and integrity
- Anti-corruption
- Privacy and data protection
- Export compliance
- Compliance with the National Security Agreement (NSA)

This training complemented the requirement for all employees and non-employee contract workers to review and acknowledge the Alcatel-Lucent Code of Conduct.

In recent years, we have focused on delivering targeted training to help managers become more effective compliance role models and ethical leaders. To supplement the online ethical leadership training module launched in 2012, we deployed a new web-based course titled "Acting with Integrity" to all employees globally in 2013. This training was supported by an extensive communications plan to inform all employees of the important role they play in promoting and enhancing a culture of business ethics and integrity.

9.1 Anti-corruption training

Formal anti-corruption training is delivered over the web and through in-person sessions. In 2013, we updated our existing anti-corruption training to reflect recently enacted regulatory requirements and the resulting changes to our corporate policy, procedures and internal controls. This training was deployed globally to all employees in 2013. Our web-based ethics and integrity overview training, which is mandatory for all employees and contractors, also includes a section on anti-corruption.

9.2 Internal communications on ethics and compliance

Under the leadership of the Office of Business Integrity & Compliance, we deploy a broad range of communications through various media to help establish and maintain a corporate culture of integrity. Last year's communications initiatives were designed to inform employees about their responsibilities, emphasize the importance of integrity and promote a "speak-up" culture.

By consolidating essential compliance and business conduct resources in one central location, the website serves as the "Compliance Organization" website that is managed by the Office of Business Integrity & Compliance. It is an important component in our communications efforts and received 27,119 visits in 2013 — an all-time high.

10. Our commitment to human rights

We consider the United Nations Guiding Principles on Business and Human Rights — the so-called "Ruggie Principles" that led to the establishment of the UN Protect, Respect and Remedy Framework — to be a significant milestone. This framework, endorsed in June 2011, clarifies the responsibility of governments to protect human rights and the responsibility of the business community to respect human rights in their global operations and ecosystems. **Q**

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. **Q**

In 2013, as part of our internal processes, Alcatel-Lucent designed human rights due diligence requirements for material commercial proposals, extended our human rights commitments to resellers and designed an employee training module to provide greater awareness on human rights principles company-wide. These measures will be deployed in 2014–2015. We also continue to constantly monitor our supply chain. For further information, please refer to Section 4.4.3 "Responsible purchasing". **Q**

Read more about **our approach to global human rights >**

11. External initiatives on human rights, privacy and freedom of expression

11.1 Telecommunications Industry Dialogue on Freedom of Expression and Privacy

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

In 2013 Alcatel-Lucent deepened its collaboration with the **Telecommunications Industry Dialogue (ID)** — a group of nine global telecommunications operators and vendors that has been meeting since 2011 to discuss freedom of expression and privacy rights in the telecommunication sector — to jointly launch **10 Guiding Principles on Telecommunications and Freedom of Expression and Privacy**. **Q**

The ID also announced a two-year collaboration with the Global Network Initiative (GNI) to advance freedom of expression and privacy rights in the ICT sector more effectively at a global level. **Q**

Throughout 2013, Industry Dialogue members met on a quarterly basis to exchange best practices relating to company implementation measures on human rights, freedom of expression and privacy. Individual members also actively participated in global discussions at the NGO level, including organizing a joint learning seminar with GNI in November 2013 in Brussels.

Alcatel-Lucent will continue to be actively involved in the Industry Dialogue in 2014, working to expand the group's membership to create a more level playing field in the telecommunications industry at the vendor level and ensure global representation at the service provider level.

Read the Telecommunications Industry Dialogue on Freedom of Expression and Privacy Guiding Principles >
View the Industry Dialogue website >
Read more about our partnership with GNI >

Implementing the Industry Dialogue Guiding Principles

GUIDING PRINCIPLE	ALCATEL-LUCENT ACTIVITIES
1. Create relevant policies, with Board oversight or equivalent outlining commitment to prevent, assess and mitigate to the best of their ability the risks to freedom of expression and privacy associated with designing, selling and operating telecommunications technology and telecommunications services.	Our Chief Compliance Officer (CCO) is the designated executive for human rights, freedom of expression and privacy activities. In the first half of 2013, company-wide implementation measures were designed by the CCO and Corporate Investigation Services with the assistance of the Head of Sustainability. Those measures were reviewed by the Sustainability Council, which was chaired by the company's former CEO, with oversight provided by the Board of Directors as necessary. These company-wide actions included: • Commercial due diligence screening • Creating legal clauses for resellers • Designing employee-wide training • Ensuring implementation across our supply chain With the change in leadership that occurred in April 2013, the Head of Sustainability engaged in one-on-one meetings with the new CEO, the CCO and other key executives to raise awareness on human rights and work on implementation measures.
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 – whether in relation to particular technologies, products, services or countries – in accordance with the Guiding Principles for the Implementation of the UN Protect, Respect and Remedy Framework.	In 2013, we broadened our company-wide compliance screening and security geographic screening processes to better address freedom of expression and privacy impact. We also monitor potential technology, commercial and geographical risks via our export control policies, Compliance Hotline and ERM processes. 56 third-party reseller channel partners had clauses relating to human rights as per the EICC Code of Conduct. In 2014, we will monitor progress on these processes and create additional and/or modify structures as necessary, with executive and Board of Directors oversight.
3. Create operational processes and routines to evaluate and handle government requests that may have an impact on freedom of expression and privacy.	As a vendor of telecommunications equipment, we generally receive government requests at the operator service level (e.g., our customers). In the event of a request, our compliance processes offer mechanisms to report and evaluate requests that affect our business.
4. Adopt, where feasible, strategies to anticipate, respond and minimize the potential impact on freedom of expression and privacy in the event that a government demand or request is received that is unlawful or where governments are believed to be misusing products or technology for illegitimate purposes.	The Alcatel-Lucent Code of Conduct encourages reporting of suspected or observed violations of law or company policy, including unlawful or misuse of products, by using the approved Compliance Issues Reporting Methods. Further screening will be implemented in 2014 at a regional level to help anticipate, respond and minimize potential impact on freedom of expression and privacy in the event of a government demand or request. We will also continue to work with key stakeholders such as investors, NGOs and multilateral organizations to provide awareness on unlawful or misuse of telecommunications products and technology.
5. Always seek to ensure the safety and liberty of company personnel who may be placed at risk.	The Alcatel-Lucent Code of Conduct includes a zero-tolerance level of commitment to protect the health and safety of our employees and ensure the security of our people during their operational activities.

GUIDING PRINCIPLE	ALCATEL-LUCENT ACTIVITIES
6. Raise awareness and train relevant employees in related policies and processes.	In 2013, our CCO provided awareness on the importance of human rights through dedicated company-wide communications activities. In 2014–2015, we will expand our employee training catalogue to include a dedicated module on human rights, including freedom of expression and privacy. Training on the Alcatel-Lucent Code of Conduct, which is mandatory for all employees and non-employee contract workers, will also include materials on human rights, freedom of expression and privacy.
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 to provide support for the implementation and further development of the principles.	As an individual company and member of the Industry Dialogue, we held regular meetings in 2013 with our 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, exchanged ideas at bilateral meetings and leveraged social media platforms such as our company blog.
8. Report externally on an annual basis, and whenever circumstances make it relevant, on their progress in implementing the principles, and as appropriate on major events occurring in this regard.	Through our Sustainability Report and associated website, we provide transparency on our implementation of the Industry Dialogue's Guiding Principles. A further summary is provided as part of our Additional Information in our Annual Financial Report on Form 20-F.
9. Help to inform the development of policy and regulations to support freedom of expression and privacy including, alone or in cooperation with other entities, using its leverage to seek to mitigate potential negative impacts from policies or regulations.	Through the Industry Dialogue and its collaboration with the GNI, we dialogued with members of the ICT industry to inform the development of policies and regulations supporting freedom of expression and privacy. We also engaged in dialogue with the Organization for Economic Co-operation Development (OECD) and the UN Global Compact to help promote greater awareness sector-wide, and participated as an active member of the Global e-Sustainability Initiative (GeSI) Human Rights Work Group.
10. Examine, as a group, options for implementing relevant grievance mechanisms, as outlined in Principle 31 of the UN Guiding Principles for Business and Human Rights.	In 2013, the Industry Dialogue exchanged best practices and tools on grievance mechanisms. At a company level, we have a comprehensive grievance mechanism available to all employees via our Compliance Hotline.

11.2 Organization for Economic Co-operation and Development

In June 2013, Alcatel-Lucent was an invited guest speaker at the OECD Global Forum on Responsible Business Conduct, which brought together more than 80 speakers and 500 participants from government, business, trade unions and civil society organizations from around the world to discuss responsible business conduct. On the second day of the event, we gave a presentation, chaired by the Executive Director of the Institute for Human Rights & Business, focusing on the efforts of the ICT sector to promote Internet freedom. The session concluded on the importance of awareness and a multistakeholder approach to human rights, freedom of expression and privacy.

11.3 Other stakeholder groups

Alcatel-Lucent engages regularly with industry, investors, multilateral organizations and public authorities on the human rights challenges faced by the ICT sector. For example:

- **Global e-Sustainability Initiative:** Alcatel-Lucent continues to participate in the GeSI Human Rights Working Group to ensure open discussion of best practices for human rights in the telecommunications sector. We have also engaged regularly with investors, multilateral organizations such as the OECD and the UN Global Compact as well as public authorities such as the European Commission on the challenges of human rights for the sector. Q

- **Transparency International**: Alcatel-Lucent attended the 2013 Transparency International Corporate Forum to discuss enforcement trends in anti-corruption compliance as well as the recommendations of IT-USA's draft guidance report on anti-corruption compliance verification.

- **UN Global Compact:** Alcatel-Lucent attended the annual session of the UN Global Compact Anti-Corruption Working Group, with a specific focus on advancing the anti-corruption agenda within the framework of the Global Compact. We also met with the UN Global Compact, the European Commission as well as maintained regular dialogue with investors to share our challenges and progress on the implementation of our human rights measures, including the Industry Dialogue Guiding Principles.

    Read the report on the 13th Meeting of the UNGC Working Group on the 10th Principle >

- **Trade associations:** Alcatel-Lucent maintains its leadership position in ethics and compliance through active participation in various trade associations, including the Ethics & Compliance Officer Association, the leading member-driven association of individuals responsible for their organizations' ethics, compliance and business conduct programs. We are also an active member of the International Chamber of Commerce's international and French commissions on corporate responsibility and anti-corruption, and the ethics committee of Mouvement des Enterprises de France.

Environment

10%

of Bell Labs patents involve energy-related and green innovations

97%
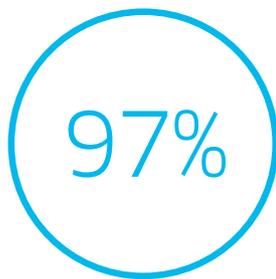
of electronic waste was recycled or reused

32%

carbon footprint reduction since 2008

1. Our environmental sustainability strategy

Our commitment

Lead in eco-sustainable innovation to provide energy-efficient, environmentally sustainable networks and innovative solutions that meet growing bandwidth demands. Seek, with the GreenTouch™ consortium initiated by Bell Labs, to make communications networks 1,000 times more energy-efficient than they were in 2010.

1.1 Our approach to environmental sustainability

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

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

1. **Developing eco-sustainable networks:** Creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks.

2. **Enabling a low-carbon economy:** Helping businesses and consumers reduce their respective environmental impacts with innovative applications and solutions.

3. **Reducing our carbon footprint:** Reducing our absolute carbon footprint from operations by 50% by 2020 compared to our 2008 baseline. (By the end of 2013, our carbon footprint had decreased by 32% compared to the 2008 baseline).

This approach relies on our capacity for eco-innovation and our ability to play a leading role with key stakeholders. For example, Bell Labs actively participates in open, collaborative research partnerships and forums such as the GreenTouch™ consortium, which aims to demonstrate a new, energy-efficient architecture for communications networks by 2015.

1.2 Sustainability matters to our stakeholders

Connectivity has leveled social playing fields, knocked down barriers to economic opportunity and brought far-flung communities closer together. Yet with connected devices multiplying at an astonishing rate and exchanging massive amounts of data, today's networks are reaching their limits of capacity and scalability. A 2013 Bell Labs modeling study predicts a 440% increase in metropolitan cloud and data center traffic by 2017.

If networks cannot grow their capacity in flexible, affordable and eco-sustainable ways, the world will experience a digital traffic jam of global proportions.

As a result, our customers have an urgent interest in establishing new, sustainable approaches to networking that will accommodate future growth while minimizing power requirements and environmental impacts. More broadly, our stakeholders recognize and are eager to seize the potential of ICTs to combat climate change.

To address the needs and priorities of our full spectrum of stakeholders, throughout 2013 we remained active in industry forums such as the Global e-Sustainability Initiative (GeSI), Digital Europe and the climate change efforts of the United Nations Global Compact (UNGC). To innovate sustainable networks, we have created our own groups, such as Green Research. We remained an active participant in the GreenTouch consortium initiated by Bell Labs. And we have engaged with key NGOs such as WWF and Greenpeace.

1.3 Our principal global commitments

Alcatel-Lucent has made a number of public commitments to encourage uptake of low-carbon ICT solutions locally, regionally, nationally and internationally. We actively support and participate in the following programs and initiatives:

- **GreenTouch consortium** — an industry body seeking to improve the energy efficiency of ICT networks by a factor of 1,000 compared to 2010 levels

- **Broadband Commission eHealth and Climate Change Task Forces** — a UN initiative created in 2010 to respond to the Millennium Development Goals

- **Business for Environment Global Summit (B4E) Green Imperative Manifesto**

- **International Chamber of Commerce (ICC) Green Economy Task Force** — a partnership with the United Nations Environment Programme (UNEP) to promote the green economy in connection with the Rio + 20 international development conference

- **United Nations Global Compact (UNGC) Caring for Climate Initiative** — a body encouraging participation at the global and Steering Committee levels within a UNGC local network

- **World Resources Institute (WRI)** — an organization focused on creating methodological development for the measurement and reporting of GHGs emitted by ICT hardware

Other industry-leading activities include:

- Participating in the Environmental Policy Group of Digital Europe, chairing its Chemicals cluster, and contributing to clusters on eco-design, resource efficiency, waste and substance-related restrictions. We also contribute to the statements issued by Digital Europe on the contribution of ICT to the digital economy, low-carbon economy and energy efficiency, and are contributing to the European Union's 2050 Roadmap.

- Co-chairing working groups on energy efficiency and communications within the Global e-Sustainability Initiative (GeSI), and participating in its Transformative Step of the Day initiative by providing examples of best-practice solutions. We also support initiative-related communications efforts, and were a major contributor to the *GeSI SMARTer2020: The Role of ICT in Driving a Sustainable Future* report.

- Serving on the board of the International Electronics Manufacturing Initiative (iNEMI), leading and participating in environmentally focused work groups addressing lead-free solder assembly, polyvinyl chloride (PVC) alternatives and life cycle assessment estimation.

- Contributing to collaborative efforts on cellular industry commitments and policy recommendations through GSMA.

In 2013, we were the third largest technical contributor to standards development globally. Our activities on that front included:

- Contributing to standards development for ICT energy efficiency (STEP-TEE) through the Alliance for Telecommunications Industry Solutions (ATIS).

- Serving as chair of the Technical Committee of the European Telecommunications Standards Institute (ETSI), actively contributing to energy-efficiency standards and leading liaisons between ETSI and other telecommunications standards development organizations such as IEC, CENELEC, ATIS and ITU-T.

- Leading the ITU-T SG5's work on defining criteria and calculation methods for assessing the main environmental performance of mobile phones.

- Encouraging the 3rd Generation Partnership Project (3GPP) to modify its Release 12 Specifications to account for different energy saving strategies (e.g., in Service Architecture Group (SA2) and Radio Access Network (RAN2) Group), we contributed to discussions on optimized energy saving for different subscription types using devices such as Machine Time Communications (MTC), low-cost MTC, and public safety devices.

- Helping bridge the EU Joint Research Committee (JRC) and Broadband Forum (BBF) through our Technical Committee Vice-Chair position to propose new energy consumption levels for EU Code of Conduct Release 5.

1.4 Governance and sustainability

Within Alcatel-Lucent, the two highest-level governing bodies dealing with Sustainability are the Leadership Team and the Sustainability Council. The two monitor performance and track the progress of environmental issues as part of a broad mandate.

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

- **The Green Operations Team** oversees operational sustainability issues linked to the environment and climate change. It relies on a network of local Green Team leaders to ensure carbon footprint information is reported reliably and on time, and that local action plans are implemented properly.

- **The Environment, Health & Safety (EHS) Office** develops compliance assurance programs and policies to meet legal, customer and company requirements. It also provides technical support to local EHS representatives for the implementation of EHS programs, and uses the EHS Management System to ensure compliance, continual improvement and performance in line with industry best practices.

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

1.5 Adopting carbon footprint assessment standards for ICT products

The accurate measurement of GHG emissions using externally verified, industry-standard methodologies and metrics is essential to assessing impacts and evaluating net savings. Today's measurement approaches remain not entirely mature. Given the importance of GHG reduction, Alcatel-Lucent is taking a major role in advancing GHG emissions assessment and developing metrics and standards, including:

WRI/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol (GHGP)

We have taken a leadership role in developing ICT sector guidance for the GHGP Product Life Cycle Accounting and Reporting Standard to enable the measurement of ICT sector GHG emissions in a clear and credible way. Alcatel-Lucent has provided input at both the steering and technical committee levels and co-authored chapters on ICT hardware and telecommunications network services, drawing on our expertise in carbon footprinting and network energy use modeling.

International Telecommunications Union (ITU)

Alcatel-Lucent contributed to L.1410 — Methodology for environmental impact assessment of ICT goods, networks and services and is the chief editor of L.1420 — Methodology for energy consumption and greenhouse gas emissions impact assessment of ICT in organizations. These allow organizations to assess energy and emissions generated from ICT goods, networks and services.

In 2013, we began work on a second version of L.1420 that would incorporate mandatory reporting of Scope 3 emissions. We also proposed a methodology to assess the environmental impact of telecommunication services based on results carried out in the EMU (Energy Metrics for Users) project of the GreenTouch consortium — to be included in the next version of the L.1410 recommendation. We are also official reporter on the eco-rating work item, which aims to develop a recommendation on a methodology to assess the added value of an eco-rating program.

Finally, Alcatel-Lucent is responsible for question 16 in ITU-T SG5, which allows for the standardized reporting of GHG emissions generated by the ICT industry, and helps develop recommendations for a methodology to assess the added value of an eco-rating program.

Global e-Sustainability Initiative (GeSI)

GeSI's mission is to "realize a sustainable world through responsible ICT-enabled transformation". Alcatel-Lucent is a member of the GeSI Board and leads communications initiatives such as the 2013 dissemination of GeSI's major report on the ICT industry's critical role in combating climate change, *SMARTer2020: The Role of ICT in Driving a Sustainable Future*. The report examines how ICT-enabled solutions can reduce global GHG emissions by 9.1 $GtCO_2e$ (16.5% of total global GHG emissions) by 2020. Alcatel-Lucent was one of the most active contributors to the report, providing telecom traffic data, life cycle GHG emissions data, as well as methodology and communications expertise.

To raise awareness of ICT-enabled sustainability, Alcatel-Lucent moderated a GeSI/Telenor session on sustainable ICT investments; presented a study on the enabling potential of cloud computing to the European Commission during EU Sustainable Energy Week; and presented M2M solutions during the GeSI webinar on the SMARTer 2020 report. We also provided leadership and content for awareness-raising events on the critical role of ICT in combating climate change, such as SMARTer 2020 in Washington, London, and Brussels and an energy conservation conference in Beijing.

2. Developing eco-sustainable networks

2.1 Measuring impact from end to end

Massive amounts of data, applications and services continue to move to the cloud, stored in increasingly large data centers. To support this shift — and deliver dynamic, multi-screen video along with elastic, pay-as-you-go, cloud-based services — today's networks have to handle unprecedented volumes of traffic. Global mobile broadband connections are expected to grow at a compound annual growth rate (CAGR) of 20% from 2012 to 2017, reaching 4.5 billion connections by 2017.[1]

Along with this comes an increased demand for power. In 2011, the Internet used about 30 billion watts of electricity, roughly equivalent to the output of 30 nuclear power plants, with only six to 12% of electricity used to power servers performing computations.[2]

The Shift Plan launched in June 2013 describes how the company's specializations in the technologies at the heart of next-generation networks — IP networking, cloud and ultra-broadband access — combined with Bell Labs expertise and the technical vision of Alcatel-Lucent's CTO, continue our commitment to innovative eco-efficient networks.

Cloud computing will be critical to the future of energy-efficient networks, starting with cloud-enabled labs that share resources and the energy needed to test and develop solutions. Reducing overall consumption yields cost savings that also benefit our customers.

2.1.1 The Cloud Shift and mobile technology

The Cloud Shift is our vision for building a better cloud with high performance, reliability and greater scalability using open carrier-grade virtualized networks that leverage the flexibility of the cloud. We are virtualizing our mobile portfolio through the separation of functional software from underlying hardware, helping mobile operators by virtualizing mobile networking functions and moving them into cloud. Our network functions virtualization (NFV) portfolio includes evolved packet core (EPC), IP Multimedia Subsystem (IMS) and radio access network (RAN) and extends them to the cloud.

Mobile operators can deploy these network applications to drive breakthrough scalability and elasticity, becoming more agile, efficient and responsive. NFV appeals to mobile service providers now because it allows them to innovate more quickly and easily while providing the best return on their investments in an all-IP network infrastructure such as LTE. It enables network automation and efficient use of resources for rapid scaling up and down of services.

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1   Ovum, **http://ovum.com/research/mobile-broadband-connections-and-revenues-forecast-2012-17/**

2   New York Times, **http://www.nytimes.com/2012/09/23/technology/data-centers-waste-vast-amounts-of-energy-belying-industry-image. html?pagewanted=all**

The network energy gap
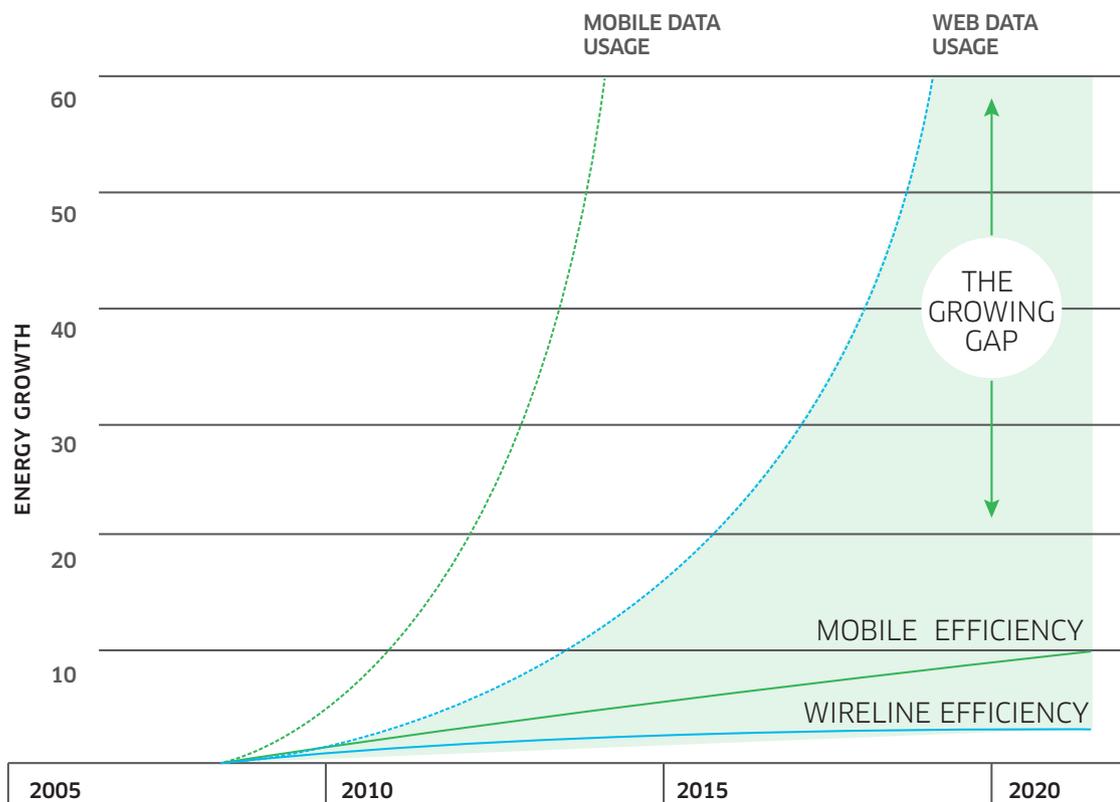
20% THE COUNTRY'S ENERGY SPENT ON INTERNET USAGE

27% NETWORK'S ENERGY USE 2012-2016

Highlight

Our 7950 Extensible Routing System (XRS) Core Router addresses the increasing costs of growing core networks. Instead of requiring additional platforms that escalate power usage and space requirements, the Alcatel-Lucent 7950 XRS Core Router elegantly scales within a single system. Network operators can save more than 50% in power and space costs over a five-year horizon of network growth.

2.1.2 Looking at the whole life cycle

Our life cycle approach addresses the environmental impacts of technologies from the concept stage onward. Notable applications include:

- Logistics tools that quickly compare various routes for shipping components and finished goods, suggesting cost- and energy-efficient alternatives

- Design guidance and best practices for product developers to reduce end-of-life environmental impacts associated with disassembly, reuse and recycling

We further minimize our environmental impact by:

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

2.1.3 The Alcatel-Lucent Life Cycle Assessment (LCA) Estimator

Highlight

Alcatel-Lucent has developed and introduced a common Life Cycle Assessment (LCA) Estimator methodology within ITU L.1410 (published February 2012) and the ICT Guidance for the World Resources Institute GHG Protocol (publication anticipated in 2014).

Alcatel-Lucent has pioneered a simple, accurate LCA Estimator to generate product carbon footprint (PCF) information on all our new product families. The results are provided in an eco-declaration for each product that conforms to:

- The European Association for Standardization Information and Communication Systems ECMA-370 standard
- The International Electrotechnical Commission (IEC) 62430 standard for Environmentally Conscious Design for Electrical and Electronic Products

The LCA Estimator is also used to evaluate material alternatives, transportation routing, and power profile options.

As well, we have championed the adoption and development of the LCA Estimator framework for broader industry-wide use and alignment through the International Electronics Manufacturing Initiative (iNEMI), an ICT industry consortium. We are currently leading the estimator's integration into the ICT Sector Guidance for the World Resources Institute Greenhouse Gas Protocol (GHGP).

Lifecycle assessment

| DEVELOPMENT | MANUFACTURING | PACKAGING | DISTRIBUTION & INSTALLATION | USE & SERVICING | RECYCLING |

2.2 Innovation for a sustainable future

2.2.1 Green innovation

Highlights

Green innovation highlights include:

- More than 50 Bell Labs scientists, researchers and engineers around the world are working on green research projects, collaborating with more than 50 other companies, research institutes and universities within the GreenTouch consortium and on bilateral bases. **Q**

- We remain strongly committed to our partnerships with universities around the world, with Bell Labs actively supporting and funding more than 20 university green research collaboration projects in 2013. **Q**

- Approximately 10% of Bell Labs patents are dedicated to energy-related and green innovations. **Q**

- The GreenTouch consortium released its **Green Meter Research Study**, which showed that it is indeed possible to reduce the net energy consumption in communication networks by 90% by 2020. **Q**

As the research division of Alcatel-Lucent, Bell Labs has recognized for several years now that the network energy consumption is one of the major industrial challenges facing Alcatel-Lucent's customers and the ICT industry at large. With the predicted exponential traffic growth in communication networks and increased cost of energy, the operational expense and the energy bills of service providers are expected to increase significantly unless new technologies are developed to improve the energy efficiency of telecommunications equipment and lower its power consumption. Equally important are a number of deployment scenarios where access to a stable, reliable power grid cannot be taken for granted. These include off-grid and bad-grid deployments in developing countries and rural areas as well as massive deployments of network equipment (such as small cells for example) in which providing power to the equipment presents significant operational challenges and expenses. **Q**

Highlight

Bell Labs' Network Energy Research program, formerly called the Green Research program, focuses on optimizing network energy utilization and driving innovative solutions to Alcatel-Lucent's products in the near, medium and long terms. The program's research efforts span all major areas of the network, including wireless, fixed access, metropolitan and core networks, and optical transmission. The program also investigates innovative applications of ICT technologies, such as connected and smart cities applications, including smart grids and electric mobility applications.

The Bell Labs Network Energy Research program aims to:

- Dramatically improve end-to-end network energy efficiency
- Provide technologies, solutions and services for sustainable communications and networked computing based on out-of-the-box thinking, "clean slate" architectures and open innovation
- Address technical and operational challenges resulting from high energy consumption and limited or no access to reliable and stable power sources

This work involves more than 50 researchers, scientists and engineers around the world, collaborating either directly or through jointly funded projects, industry consortia, research institutes and universities.

These include the GreenTouch consortium and the INTelligent Energy aware NETworks (INTERNET) consortium in the UK, where Bell Labs serves on the industrial advisory board.

With Bell Labs research highlighting longer-term barriers to sustainable network growth, energy considerations have become important to a large number of new Bell Labs projects.

Supporting university collaborations

Despite current budget pressure, Alcatel-Lucent and Bell Labs are committed to maintaining a strong university collaboration program focused on high-quality, high-impact research activities.

20   Bell Labs actively supported and funded 20 university green research collaborations in 2013.

2.2.2 GreenTouch™ Consortium

Because network energy consumption affects the entire ICT industry, the Bell Labs vision is also based on extensive collaboration with service providers, equipment manufacturers, utility companies and academia. Such collaboration is at the core of the GreenTouch consortium, which was founded in 2010 to improve network energy efficiency by a factor of 1,000 compared to 2010. **Q**

Bell Labs is a founder and remains the most active member of the GreenTouch consortium — a global, pre-competitive research initiative with the mission to improve network energy efficiency by a factor of 1,000 compared to 2010 levels. Its deliverables by 2015 include the architectures, solutions and roadmap needed to realize its objective, and the demonstration of key technologies.

Members of Bell Labs hold leadership positions in GreenTouch, including:

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

Highlight

In 2013, its third year of operation, the GreenTouch consortium released its Green Meter Research Study, which showed that it is indeed possible to reduce the net energy consumption in communication networks by 90% by 2020.

Green Meter Research Study

The GreenTouch consortium published a first-of-its-kind Green Meter Research Study last year showing the predicted traffic growth of future networks can be supported while significantly reducing the total network energy consumption. The study also described a roadmap and full technology portfolio for equipment vendors and service providers, quantifying the relative energy-efficiency benefits of

individual technologies. This significant reduction in net energy consumption, up to 90% compared to the 2010 reference scenario, is enabled by new technologies and derived from associated energy efficiency gains in the respective components networks. These energy efficiency gains include gains of 1,043 times in mobile access networks, 449 times in wireline access networks and 64 times in core backbone networks.

The Green Meter results have been cited in numerous articles, reports, blogs and social media platforms. Alcatel-Lucent experts, including the Chair of the Executive Board and Chair of the Technical Committee, have given more than 30 interviews to technical reporters, journalists and analysts. Several current research projects and activities are expected to be included in future updates of the Green Meter calculations.
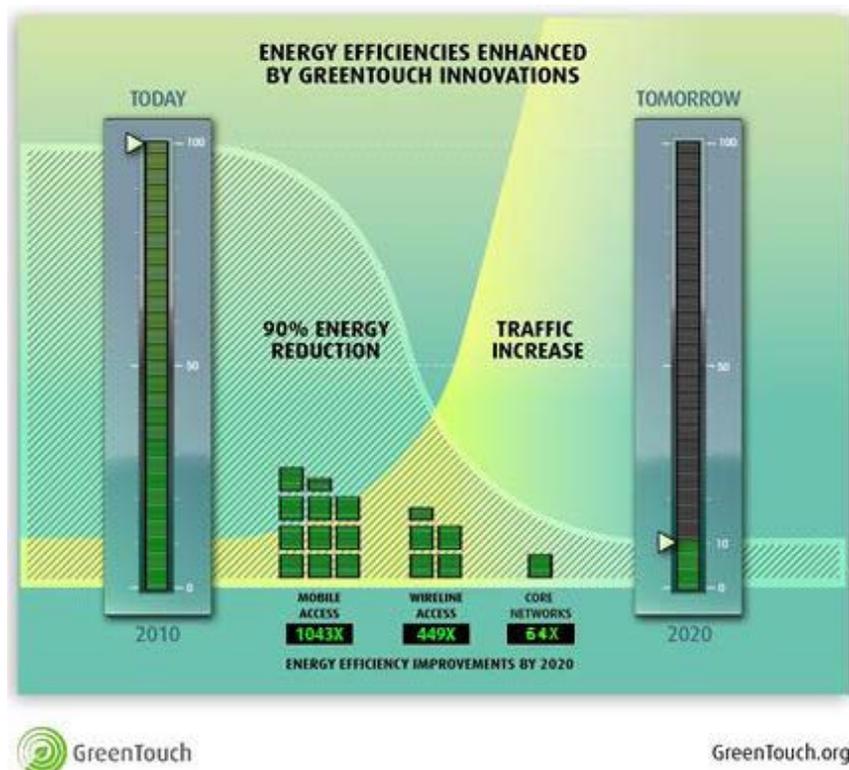
Energy efficiencies enhanced by GreenTouch innovations. GreenTouch Green Meter Research Study: "Reducing the Net Energy Consumption in Communications Networks by up to 90% by 2020".

The Universal Router Energy Model

In May 2013, the University of Melbourne's Centre for Energy-Efficient Telecommunications (CEET) — a key GreenTouch member funded by Bell Labs — demonstrated a vendor-agnostic router/switch power consumption model that can be applied to any packet traffic profile. Validated on an Alcatel-Lucent router, the model assessed the energy required to carry traffic across different network paths, allowing service providers to choose the most energy-efficient routes.

World Economic Forum Global Agenda Council on Governance for Sustainability

GreenTouch Chairman Thierry Van Landegem was invited to share his insights into the GreenTouch model and progress with the World Economic Forum Global Agenda Council on Governance for Sustainability. The second edition of the Council's monthly newsletter, *Green Light Report*, featured GreenTouch.

Events, conferences, workshops and trade shows

GreenTouch also organized and participated in a number of industry events, conferences, workshops and trade shows, sharing its vision and results and encouraging others to contribute. These included a Green Information Communication Technology Summit in collaboration with Verizon and the New Jersey Economic Development Authority, a Belgian workshop on the role of ICT in helping the European Union reach its 2020 energy efficiency target, the EcoCity World Summit Workshop, the IEEE 2013 Online Conference on Green Communications and TIA 2013's sustainability track.

GreenTouch members are frequently invited to speaking and interview engagements, presentations, workshops, panel discussions and keynote addresses at important industry and academic conferences.

Highlight

The GreenTouch consortium includes more than 50 members from 23 countries and more than 300 participants, continuing strong partnerships and collaborations with Global eSustainability Initiative (GeSI) and MIT.

GreenTouch has initiated 16 research programs since its inception – with more than 15 individual projects and research activities – spanning all areas of the network. It has also established and defined a network reference architecture as a baseline model for comparison of future energy efficient technologies. Bell Labs currently leads and is a key contributor to eight GreenTouch™ research projects.

2.2.3 Other green research partnerships

Alcatel-Lucent and Bell Labs participate in several other major collaborative efforts focused on green innovations, including research to understand the energy implications of the current explosive growth in wireless access to cloud services. One example of this is the company's work with the Centre for Energy-Efficient Telecommunications (CEET) in Melbourne, Australia.

2.3 Reducing the impact of our products and solutions

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

2.3.1 Improving the efficiency of raw materials use 🔍

Our life cycle assessment (LCA) approach evaluates the consumption of raw materials throughout the life cycles of our products. Data and results from LCA assessments inform 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 reuse and recycling. These improvements are incorporated into our best practices for environmentally conscious product design. Examples of Alcatel-Lucent processes that improve the efficiency of raw materials use are:

- **Design-to-cost** reduces the cost of goods sold by developing new products at a high quality level and expected cost while maximizing resource efficiency and reducing environmental impact. We recently extended the implementation of the design-to-cost process to go beyond core parts and cover whole systems such as power supplies, rack assemblies and installation materials.

- **Designing for standardization** reduces parts inventories by increasing the use of "golden" catalogs and reuse of "golden" parts. Golden catalogs and parts are to be considered first in any new design or redesign to increase the commonality of such parts across the company — promoting resource

conservation and design simplicity. Golden catalogs, which cover relevant commodities for everything from board designs to field installation materials, now cover 95% of our technology needs. For example, Alcatel-Lucent equipment racks are standardized to only six reference designs, resulting in a common look and feel that simplifies rack interchangeability and stocking, which saves on material and energy consumption due to reduced inventories and logistics.

- **Common designs and design reuse** increases parts interchangeability, provides common toolsets and reduces the need for component testing and qualification — ultimately lowering production costs and impact on the environment by reducing inventory, obsolescence and waste. This philosophy is illustrated by the recent launch of our new Component Selection Tool, which standardizes access to component portfolios across all business lines.

- **Eco-efficient product designs** provide increased functionality (e.g., capacity, service, performance) per unit of electricity consumed while occupying less physical space, weighing less and using fewer types of materials. This has significantly reduced the amount of raw materials consumed in our products over their entire life cycles. For example, our FP3 network processor chipset in our 7950 XRS core router family enables faster service delivery while consuming 66% less electricity. Its density is also five times that of its competitors, with a design that converges multiple networks onto a single core platform able to support all network requirements — meaning fewer components and raw materials go into its increased functionality.

- **Improved materials selection guidance** supports optimal materials selection during the design phase to deliver increased efficiency in material consumption while offsetting other material and energy flows and environmental impacts. For instance, selecting aluminum with a high metal recycled content (~65%) over painted steel (~30% recycled content) for product chassis and cabinets significantly reduces raw materials extraction requirements. It also produces a lighter-weight product that consumes less energy during shipping, installation, and end-of-life product takeback and recycling. Aluminum also needs fewer materials for corrosion and finish protection.

- **Enhanced LCA methodology:** Alcatel-Lucent has developed and introduced a common LCA estimator methodology within the International Telecommunications Union (ITU) L.1410 (published February 2012) and the ICT Guidance for the World Resources Institute GHG Protocol (published in early 2014).

- **Accelerated innovation** delivers technological and environmental innovations to market more quickly, increasing access to resource-efficient equipment that uses less energy and materials resources. The acceleration of our R&D cycles has hastened the development of the innovation building blocks that enable the rapid production of breakthrough technologies and intellectual property such as lightRadio™.

- **Product packaging** has a direct impact on the raw materials consumed and waste generated from our manufacturing processes. It also indirectly affects the amount of transport space required to deliver our products. By replacing the plywood and solid wood containers used in our primary (outer) packaging with cartons made of recycled fiber, we are reducing demand on natural resources such as forests and lowering the weight of our packaged products, thereby reducing transportation needs. In just one year we have converted 10,000 wooden containers to recycled-fiber cartons.

- **Product transport logistics** help avoid excessive parts inventories and reduce the cost and environmental impact of transportation during the intermediate/final manufacturing and product-distribution stages. New analytical tools help plan parts inventories and their movement throughout the manufacturing stage. Additionally, by implementing a regional campus manufacturing model, products forecasted for high demand can be manufactured closer to our major customers.

2.3.2 Managing materials

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

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

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

2.3.3 Restricted substances Q

Our EHS policies outline global mandates, requirements and standards related to the use of hazardous substances. We also maintain similar standards for our suppliers: our contracts include clauses mandating specific requirements for substances that are banned, restricted, to be avoided or reportable to us (for further information, please refer to Section 4.4.3 "Responsible purchasing").

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

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

- **Lead:** While compliance with materials-related legislation such as the Restriction of Certain Hazardous Substances (RoHS) Directive and the Restriction, Evaluation and Authorisation of Chemicals (REACH) Regulation is primarily EU-focused, we have adopted these globally. Our products are fully RoHS compliant — and although network infrastructure equipment is currently exempt from the RoHS requirement to eliminate lead-based solders, all of our new designs for network infrastructure equipment are lead-free. We are on track to meet our goal of eliminating all remaining lead-based solder from our network infrastructure products globally by mid-2014, two years in advance of the expiration of the RoHS exemption.

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

and addressing key risk areas such as device attachment, surface finishes, solder alloys and tin whiskers. We continue to investigate halogen-free printed wiring board materials for lead-free assembly, compatibility and reliability.

2013 Achievement

Our target by the end of 2015 is to replace the use of PVC in our products with alternatives that are technically and economically viable. In 2013, we continued implementing PVC substitutions for our major cable purchases, which represent 80% of our total cable spending. We worked with strategic suppliers on introducing technically and economically viable alternatives to PVC in cables.

2.3.4   Product materials content Q

In 2013, Alcatel-Lucent delivered 254,658 metric tons of equipment to market. To ensure our products make the most efficient use of materials, we analyze them to better understand the composition of both their component materials and recycled content, identifying opportunities for improvement.

The following are material content examples for our finished products:

9234E BASE STATION D2U (WIRELESS PRODUCT)	
Total weight of finished product (typical configuration supplied to customer)	139.6 kg
Metals	aluminum: 55.8 kg; copper: 35.4 kg; stainless steel: 10.7 kg; steel: 0.8 kg; other metals: trace
Percentage of metals in finished product	73.6%
Plastics	epoxy resin: 32.1 kg; ABS/polycarbonate: 4.5 kg; other plastics: trace
Percentage of plastics in finished product	26.2%
Other materials	glass fiber, ceramics, organics, minerals: 0.3 kg
Percentage of other materials in finished product	0.2%

1830 PSS-4 PHOTONIC SERVICE SWITCH (IP ROUTING AND TRANSPORT PRODUCT)	
Total weight of finished product (typical configuration supplied to customer)	11.1 kg
Metals	stainless steel/steel: 2.4 kg; copper: 1.8 kg; aluminum: 0.5 kg; tin: 0.4 kg; nickel, zinc, silver and other metals: 0.4 kg
Percentage of metals in finished product	49.7%
Plastics	ABS/polycarbonate: 4 kg; epoxy resin: 1.1kg; polypropylene, polyethylene and other plastics: 0.1 kg
Percentage of plastics in finished product	46.8%
Other materials	glass fiber: 0.1 kg; ceramics: 0.1 kg; organics (e.g., resins, pigments): 0.1 kg; minerals (e.g., ferric oxide): trace
Percentage of other materials in finished product	3.5%

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

PERCENTAGE OF RECYCLED MATERIALS TYPICALLY CONTAINED WITHIN FEEDSTOCK MATERIALS	
Aluminum	40% avg.; extruded forms – up to 85%; sheet products – up to 63%; electronic components – up to 5%
Zinc	coatings – up to 36%; die castings – ~10%
Lead	large battery storage plates – ~50%
Tin	solder – up to 5%
Steel	47% avg.; structural parts – ~80%; rolled sheet goods – up to 35%
Stainless steel	60% avg.
Copper	38% avg.; structural – up to 75%; electrical/electronic – up to 5%
Nickel	34% avg.
Packaging	~50% in cardboard packaging for shipped products

EXAMPLE FOR A SINGLE ALCATEL-LUCENT WIRELESS PRODUCT (9234E BASE STATION D2U)	
Total weight of materials in product	139.6 kg
Total weight of metals in product	102.7 kg
Total weight of recycled material in metals	42.2 kg
Percentage of recycled input material in product	30%

EXAMPLE FOR A SINGLE ALCATEL-LUCENT IP ROUTING AND TRANSPORT PRODUCT [1830 PHOTONIC SERVICE SWITCH (PSS)]	
Total weight of materials in product	11.1 kg
Total weight of metals in product	5.5 kg
Total weight of recycled material in metals	1.8 kg
Percentage of recycled input material in product	16%

2.3.5 Ensuring product safety

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

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

Our position on human exposure to the electromagnetic environment

We closely follow health and regulatory issues related to wireless communications, including those associated with the electromagnetic environment. This effort has been recognized by third parties such as the Dow Jones Sustainability Index, which since 2006 has assigned Alcatel-Lucent the highest score achievable in the electromagnetic fields category. We actively contribute to the international

standardization bodies that develop exposure assessment standards. We ensure that our product portfolio — including macro cells, small cells and Wi-Fi — complies with national and international standards and regulations on human exposure.

Scientific knowledge about electromagnetic environment

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

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

Harmonizing exposure limits

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

Contributing to international standardization initiatives

We support the development of human exposure assessment standards through international standardization bodies and industry associations. We also contribute to the global standardization framework of exposure assessment methods coordinated by the International Electrotechnical Commission. This framework aims to harmonize exposure assessment methods from regional and international standardization bodies such as the IEEE and the European Committee for Electrotechnical Standardization.

2.3.6 Packaging and distribution

Lean packaging

Packaging has a direct impact on the environment through the consumption of raw materials and waste generated from manufacturing and disposal. It also affects transportation-related GHG emissions by increasing the amount of shipping space required.

Alcatel-Lucent has recently focused on reducing the amount of packaging we use for our products. We've eliminated unnecessary primary and secondary packaging, reduced "void space" and ceased the physical shipment of certain products, relying instead on digital delivery of software and licenses.

Efficient transport

New package design has allowed us to double-stack product in pallet shipments, such as our optical network termination units shipping from Asia to North America. The new packaging allowed twice as much product to be shipped per ocean container, providing considerable cost savings and a reduced carbon footprint.

In 2013, the Global Direct Order Fulfillment (DOF) Project will enable us to ship our products from our various manufacturing and warehousing locations to our customers in the most direct manner possible, reducing transit time and GHG emissions. We're also further reducing our carbon footprint by shifting from air freight to surface transit whenever possible.

2.3.7 Increasing the energy efficiency of products in use

To meet the dramatic growth in broadband traffic, our customers have to deploy more capacity in their networks — increasing operational costs and power requirements. The use of a typical network product accounts for 80 – 90 % of its total environmental impact, the bulk of which is associated with energy consumption. Consequently, reducing energy consumption and developing energy-efficient, eco-sustainable products and solutions have become critical to the long-term affordability of telecommunication networks.

Leading-edge advances in energy efficiency are incorporated into key products throughout our product portfolio, reducing both powering and cooling costs compared to products with competitive silicon technology.

- **IP routing:** At the heart of the Alcatel-Lucent 7450 Ethernet Service Switch, 7750 Service Router and 7950 Extensible Routing System is the in-house-designed FP3 network processing silicon chipset. Driving down power-per-gigabit by more than 50 % in edge-routing applications and up to 66 % in core applications compared to competitive silicon technology, the FP3 serves as the foundation for the continued evolution of our IP router product portfolio.

- **IP transport:** The 400G Photonic Service Engine (PSE), an in-house-designed application-specific integrated circuit (ASIC), is a key component in our Photonic Service Switch (PSS) product platform. Optimizing performance by extending reach without the need for costly electrical regeneration, it increases network capacity by 2.6 times while reducing power consumption and footprint by one-third. Compared to our previous DWDM product generation, the PSS platform occupies 75 % less space and consumes 69 % less energy for each gigabit/second of data transported.

- **IP platforms:** We are improving the sustainability performance of our IP platform solutions by increasing subscriber density per square meter as well as the number of subscribers per watt consumed. Energy efficiency will also increase due to the increased density of multi-core processors, and the virtualization of applications such as CTS, SCG, ICS and PCM in the same hardware chassis.

- **Fixed networks:** Bringing more efficient fixed access networks to market relies on optimized hardware development. This means designing critical components in-house and using only the most advanced generation of Class H line drivers, and working with chipset vendors to minimize the number of chipsets and increase the level of integration of various access functions. Our "green DSL" platform, which is based on the three power modes defined by the ITU (full power, low power and sleep mode), utilizes the Intelligent Services Access Manager (ISAM) to allow significant power savings in each DSL port. Research to further improve the energy efficiency of our products is also being conducted on concepts such as reduced data transfers across chip interfaces, minimized buffer sizes and new interconnect technologies like 3D stacking. Clock gating, dynamic voltage and frequency scaling also provide opportunities for reduced power consumption.

- **Wireless networks:** We have developed a holistic approach to increasing the energy efficiency of our radio access portfolio:

  ¬ At the site and system architecture levels, we promote the implementation of distributed site architectures based on remote radio head and the deployment of heterogeneous networks, leveraging features that can switch macro cell carriers or small cells on or off depending on traffic load.

  ¬ At the product design level, our macro base station power amplifiers can adjust consumption based on traffic load. Energy efficiency also drives our small cell product designs.

¬ We focus on identifying energy-efficient hardware architectures, selecting components with low power consumption and providing increased functionality for a given power-consumption level. With our partner Qualcomm, we are building the highest performing small cells with the lowest power consumption in the industry.

2.3.8 Helping our customers achieve their sustainability goals

Canada's Shaw Communications is one of the first companies in the world to experience the ability of 400G technology to meet rising traffic demand. In a trial using the Alcatel-Lucent 1830 PSS with the 400G Photonic Service Engine (PSE), Shaw successfully doubled the capacity of its existing network to 17.6 Tbps. 400G will not only help Shaw handle higher traffic volumes faster but also makes the network more energy efficient, supporting the company's commitment to reducing energy consumption while optimizing operating and network maintenance costs.

Telenet, Belgium's leading cable broadband provider, became first in Europe to use the Alcatel-Lucent 7950 XRS to deliver bandwidth-intensive video, cloud and high-speed wireless services and applications while its reducing energy footprint. The 7950 XRS consumes 66% less energy than other core routers available today, supporting Telenet's commitment to reduce its ecological footprint.

2015 Target

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

2.3.9 Takeback, remanufacturing and recycling Q

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

In 2013, Alcatel-Lucent managed 7,463 metric tons of electronic waste. Of this, 500 metric tons of equipment and components were remanufactured and/or resold, of which 111,612 circuit packs and 1,222 configured pieces of equipment were remanufactured internally at Alcatel-Lucent.

We also avoided producing more than 10,335 metric tons of CO_2e by remanufacturing new equipment and components. Approved recycling partners recycled 6,743 metric tons. Of this, 97% was recycled or resold, 1.3% was treated by incineration and 1.7% was disposed of via secure landfill. In 2013, nine new product families were added to our remanufacturing and resale operations. The overall number of Alcatel-Lucent product families under the current remanufacturing/resale process has grown from 45 in 2008 to 95 in 2013.

Telecommunication networks operated by our customers employ significant amounts of batteries to maintain the required backup power to run a stable network. Alcatel-Lucent has a battery maintenance, installation and removal, transportation and recycling program across the United States to ensure these batteries are properly managed and recycled. The goal is to enable customers to manage potentially harmful chemicals from lead-acid batteries from entering the nation's waste stream and instead be available to be used again in new batteries. Alcatel-Lucent recycled 3,752.6 metric tons of lead-acid batteries from customers' networks in 2013, resulting in the recovery of 2,626.8 metric tons of lead for use in the manufacture of new batteries.

3. Enabling a low-carbon economy

3.1 The carbon-reducing capacity of ICT

A recent GeSI report produced by the Boston Consulting Group (BCG) found that ICT-enabled solutions have the potential to reduce GHG emissions by 16.5%, create 29.5 million jobs and yield USD 1.9 trillion in savings. While ICT's own footprint is projected to rise to 1.27 $GtCO_2e$ by 2020, its abatement potential is seven times higher. Alcatel-Lucent was one of the most active contributors to the report, providing telecom traffic data, life cycle GHG emissions data, and methodology and communications expertise.

ICT applications and solutions where Alcatel-Lucent technology helps reduce the environmental impact of other sectors include:

• Smart grids deployed for power utilities

• Intelligent transport systems for transportation and logistics companies

• Energy and building management for smart cities

• Smart city services such as remote patient care and monitoring, state and local government applications, public safety, disaster management and cloud offerings (virtualization and dematerialization)

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

Highlight

Alcatel-Lucent has worked extensively with utilities worldwide, providing more than 90 mission-critical networks and smart grid transformations.

3.2 Bringing new capabilities to smart grids

Electric power companies around the world are under pressure to meet rising demand for electricity — squeezed by high fuel and operations costs, pressure to reduce emissions, aging infrastructures and workers, high security requirements, shifting consumer expectations and a complex regulatory environment.

Utilities need to modernize the power grid using new applications and services to provide automation, visibility and control; with those enhancements they can provide new services such as energy storage, electric vehicle charging, distributed generation, micro grids and demand response. Together these new applications and services provide a "smart grid."

Alcatel-Lucent developed the smart grid solution to help utilities drive energy management and usage by ensuring reliable power delivery and quality, improving operational efficiency and engaging customers in energy management. Alcatel-Lucent has worked extensively with utilities worldwide, providing more than 90 mission-critical networks and smart grid transformations.

Improving operational efficiency

Utilities deploying smart grids have found themselves able to defer investment in new generation capacity due to consumption reductions. Oklahoma Gas & Electric (OGE), which serves 779,000 customers in Oklahoma and western Arkansas, is on track to defer additional fossil fuel capacity until 2020. OGE has realized the following benefits:

- Reduced demand of 2 % each year for next three years

- Demand response savings of 280 MW by 2017

- Savings from fewer and more focused truck rolls and reduced fraud of $22 million by 2013

Highlight

By adopting Alcatel-Lucent smart grid technology, Oklahoma Gas & Electric will reduce power demand by 2% annually for the next three years. Cutting demand means the utility can defer the need to make costly investments in new generation capacity.

IP migration for smarter operations

Creos Luxembourg S.A. has successfully embarked on an ambitious, multi-faceted IP/MPLS project to replace the existing TDM-based communications system in its national electricity and gas network. With a single IP/MPLS network, Creos is converging services, including teleprotection, into one reliable infrastructure, allowing it to remotely monitor the grid, improve fault isolation and system safety, and enjoy operational performance enhancements and cost savings over multiple networks.

These improvements will help Creos meet the European Union's 20-20-20 energy savings objectives. By the end of 2018 the company will have installed smart meters for 95 % of its 300,000 customers, currently served by approximately 9,000 km of power lines, 1,900 km of gas pipes, four regional distribution centers and a staff of 700.

Creos is also implementing a major IP/MPLS smart grid investment to meet its national goal of producing 11 % renewable energy by 2020. The grid will better coordinate the transport of electricity from decentralized generation sources such as wind and solar installations, while further enhancing reliable, resilient and secure electricity distribution.

3.3 Smart grid research and development

Some 24 % of today's total carbon emissions are attributable to the power sector. The *Smart2020* report[3] predicts smart grids will reduce global carbon emissions by 14 % by 2020, cutting today's emissions of 14.26 $GtCO_2e$ by 2.03 $GtCO_2e$. This will result in a 3 % decline in overall carbon emissions attributable to the electric power sector.

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3   C. Kruse and B. Singanayagam, "SMART2020: ICT and a Low-Carbon Economy," J. P. Morgan, Europe Equity Research, July 9, 2008.

Our smart grid research, development, and customer support team is engaged in the following smart grid–related activities:

Communication networks for smart grids

We believe deploying purpose-built separate networks for every existing or emerging application is an unsustainable practice. As a result, we have developed an architecture for integrated communication networks that can support all smart grid applications. We have also developed a methodology for transforming utility networks to an integrated network based on our architecture — and demonstrated it last year when we helped a northeastern U.S. utility transition to an integrated smart grid network.

We also authored a book titled *Communication Networks for Smart Grids — Making Smart Grid Real*,[4] presenting an application-centric approach to the development of smart grid communication architecture and network transformation and explaining how electric power companies can transform their networks to best meet the challenges of tomorrow's smart grids. Along with the book, we wrote a comprehensive whitepaper on Smart Grid *Traffic Estimation* methodology for the Utilities Telecom Council.

Smart grid data analytics

In 2013, we delivered a prototype Data Mining and Analytics System (DMAS) to EPB, a utility in Chattanooga, Tennessee The system processes near-real-time and archived data — meter readings, weather data, demographic information and more — to compute hourly, daily, weekly, monthly and yearly demand predictions for each customer. Utilities can use the DMAS for rate management, demand response, voltage alarms, customer usage monitoring, usage anomaly detection and asset management. Its modifiable algorithms can be applied to any utility's service reality. Currently, Alcatel-Lucent is looking at extending the algorithms to new applications, developing newer algorithms, and deploying them on our Motive platform. We have also developed a Data Analytics for Utilities offering under the Bell Labs Advisory service.

Distributed data sharing

Funded by the European Commission's Seventh Framework Programme, this collaborative project involved European universities, a European electric power utility, and a product vendor in developing the Cyber-Secure Data and Control Cloud For Power Grid (C-DAX) system, a distributed data sharing solution. C-DAX provides secure data transfer between intelligent electronic devices (IEDs) at substations and distribution lines, phasor measurement units (PMUs) deployed at distribution lines, and smart meters at customer locations. The C-DAX system acts as secure, scalable and reliable middleware between an IP network and smart grid applications requiring data. Alcatel-Lucent defined the C-DAX architecture, wrote the initial code base for C-DAX development, set the C-DAX requirements and provided overall project management.

Software-defined networks and network function virtualization for smart grids

Alcatel-Lucent has developed a software-defined network (SDN) architecture for utility networks supporting all applications, in particular machine-to-machine (M2M) applications.

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4   K. Budka, J. Deshpande, M. Thottan, *Communication Networks for Smart Grids — Making Smart Grid Real,* Springer, London, (2014)

3.4 Building smart cities

Alcatel-Lucent worked last year with municipalities and other organizations to bring smart technology to cities and buildings, including:

Calgary, Canada

Considered Canada's most wired city, Calgary worked with Alcatel-Lucent to revamp its existing network architecture with an IP/MPLS network to achieve its smart city initiatives. In June 2013, the city experienced catastrophic flooding, requiring its IT team to migrate network connectivity with critical applications and services to remote locations using its new IP/MPLS infrastructure — all in a matter of hours. The infrastructure shortened the fiber distances for restoring network connectivity to remote locations while allowing unprecedented flexibility in routing network services.

"Alcatel-Lucent was a key player in the transition. They provided the expertise, and resources from the very beginning of the crisis."

VIN BHOLA

CALGARY CITY NET (CCN) PROJECT TEAM

National Physical Laboratory

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

UPMC

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

4. Reducing our carbon footprint

4.1 Tracking and reporting on carbon emissions

4.1.1 Commitments and achievements

We have made a commitment to reduce our absolute carbon footprint (CO_2e) from our Scope 1 and Scope 2 operations by 50% by 2020 (compared to our 2008 baseline). According to the 2013 operational data available at the time of this report, the reported carbon footprint associated with our operations showed approximately a 32% reduction from 2008 levels. **Q**

While Scope 3 activities are not part of our 50% reduction target, we do have considerable influence over emissions from our supply chain. Annual emissions related to product logistics amount to more than 150,000 metric tons of CO_2, for example. We are taking concrete steps to reduce these emissions by moving to a regionalized manufacturing model, using more short-distance surface transport, and further shifting freight from air to surface transit. We are also investing in videoconferencing systems at key locations to enable faster and better collaboration among employees without the need for carbon-intensive business travel.

2013 Achievement

In 2013, we reduced the carbon footprint of our worldwide operations (Scopes 1 and 2) by 4%, and included a greater range of Scope 3 emissions in calculating our carbon footprint than in previous years. Since 2008, we have reduced the carbon footprint associated with our worldwide operations by 32% – more than 267,000 metric tons of CO_2 equivalents – slightly more than halfway to our ultimate goal of 50%.

2020 Target

Alcatel-Lucent has committed to reducing our absolute carbon footprint from our operations by 50% by 2020, as compared to 2008 levels.

Greenhouse Gas Protocol

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

Highlights

Greenhouse Gas Protocol

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

Carbon Disclosure Project

In 2013, Alcatel-Lucent participated in the Carbon Disclosure Project's supply chain and investor questionnaires, scoring 81 out of a possible 100 points on "disclosure" (with the industry average being 49 points) and being assigned the C band on "performance".

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

Target

Reduce carbon emissions directly related to our business operations through initiatives such as cutting electricity usage and investing in building infrastructure. We also influence our supply chain's energy consumption, and will continue to bring greater efficiency to our product transport and logistics activities while reducing business travel through the use of technology.

Engage and audit suppliers, ensuring they follow the EICC Supplier Code of Conduct and helping them reduce carbon emissions.

Increase our use of renewable energy sources, credits and, if necessary, offsets.

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

IN METRIC TONS OF CO_2

900,000				
800,000				
700,000		24%		
600,000			42%	
500,000				50%
400,000				
300,000				
200,000				
100,000				
0	2008	2012 2013	2016	2020
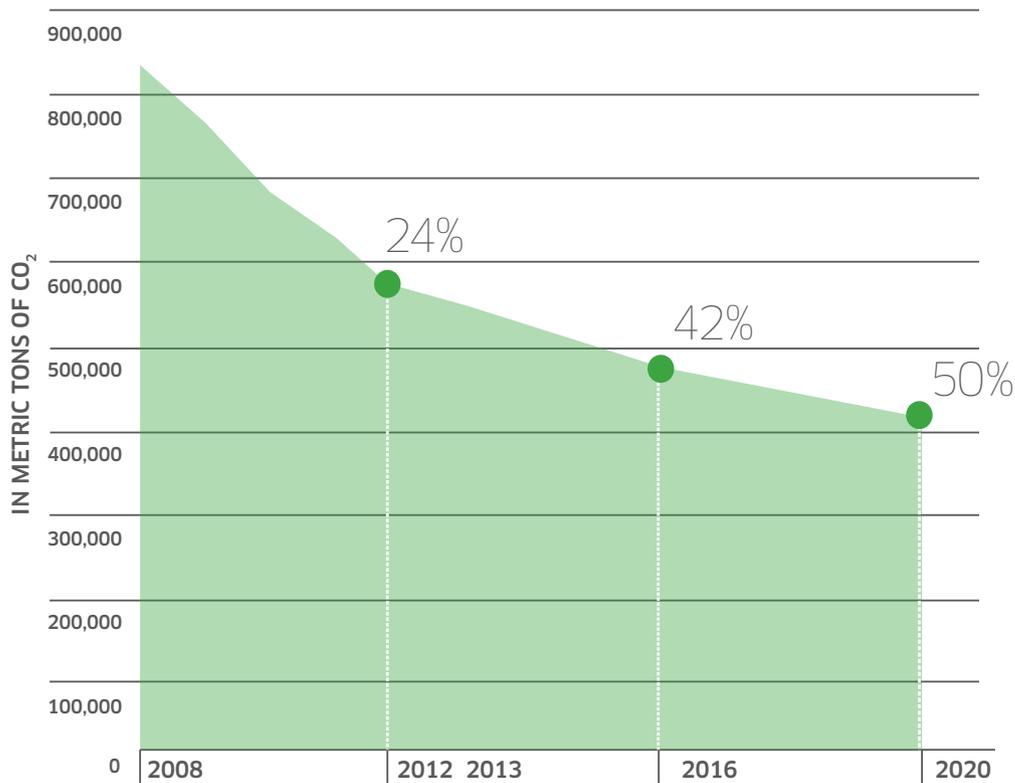
1
GET OUR HOUSE IN ORDER
· Improve onsite energy efficiency
· Reduce the use of air shipments
· Consolidate facilities
· Consolidate IT servers
· Reduce business travel

2
ASK MORE FROM SUPPLIERS
· Improve onsite energy efficiency
· Reduce the use of air shipments
· Consolidate facilities
· Encourage partner involvement

3
USE RENEWABLES FOR THE REST
· Use renewable energy
· Use renewable energy credits

4.1.2 Scope 1, 2 and 3 emissions

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

Scope 3 emissions often represent the largest opportunity for GHG reductions. They include upstream activities such as the production of goods and services purchased by the company, as well as downstream activities such as consumer use and disposal of products sold. A comprehensive approach to GHG emissions measurement, management and reporting — including Scope 1, Scope 2 and Scope 3 emissions — has enabled us to focus on the greatest opportunities to reduce emissions within our entire value chain.

As our ability to collect and report on this data improves each year, we add additional indicators. In 2013, we added Product Use to the Scope 3 assessment program.

2013 Carbon Footprint
(all scopes included)

88.31% Use of sold products

88.31%

10.03%

0.19% Business travel

1.24% Purchased electricity

10.03% Category 1: Purchased goods & services

0.41% Category 4: Upstream transportation and distribution

0.37% Category 7: Employee commuting
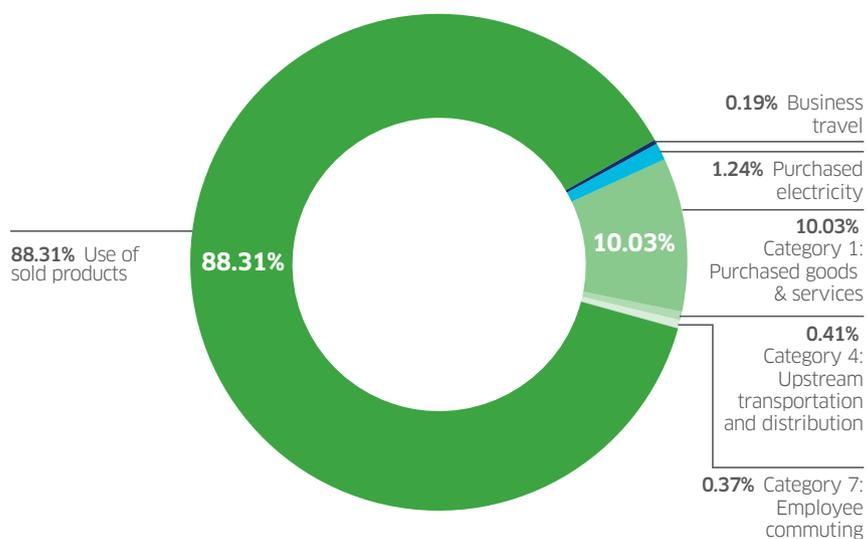
SCOPE 1 Core direct sources	%	CO$_2$e
Stationery source fuel combustion	0.13	44,816
Mobile source fuel combustion	0.18	63,036
Direct emission of GHGs	0.01	5,308

SCOPE 2 Core indirect sources	%	CO$_2$e
Purchased electricity	1.24	439,175
Purchased hot water / steam	0.02	7,356
Purchased chilled water	0.00	47

SCOPE 3 Sources (Optional indirect)	%	CO$_2$e
Category 1: Purchased goods & services	10.03	3,559,619
Category 3: Fuel- and energy-related activities not included in Scope 1 & 2	0.08	29,208
Category 4: Upstream transportation and distribution	0.41	145,191
Category 5: Waste generated in operations	0.00	792
Category 6: Business travel	0.19	68,378
Category 7: Employee commuting	0.37	130,173
Category 9: Downstream transportation and distribution	0.01	3,966
Category 11: Use of sold products	88.31	31,335,000
Category 12: End-of-life treatment of sold products	-0.98	-348,000
	100.00	35,484,065

4.1.3 Green teams

Green team leaders and building managers ensure carbon footprint data is provided on a regular and reliable basis for major Alcatel-Lucent facilities worldwide, and that local action plans to reduce environmental impact are implemented. Our Green teams, organized into three regions, work with Office of Sustainability experts who share knowledge and provide structure, direction and access to best practices.

Along with reporting energy usage data, Green team members identify opportunities to reduce energy consumption and emissions, ranging from straightforward behavioral changes and short-term payback initiatives to longer-term measures.

2013 Carbon Footprint
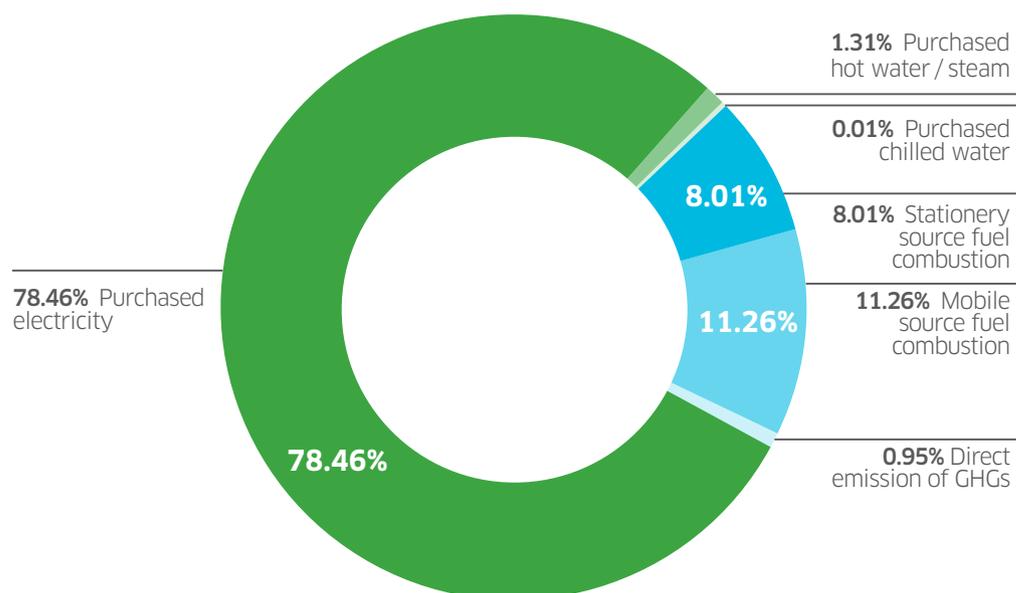
SCOPE 1 Core direct sources	%	CO_2e
Stationery source fuel combustion	8.01	44,816
Mobile source fuel combustion	11.26	63,036
Direct emission of GHGs	0.95	5,308

SCOPE 2 Core indirect sources	%	CO_2e
Purchased electricity	78.46	439,175
Purchased hot water / steam	1.31	7,356
Purchased chilled water	0.01	47
	100.00	559,737

2013 Achievement

48 energy optimization projects in 22 of our largest facilities worldwide.

Highlight

Reducing our emissions at sites around the world

Alcatel-Lucent has made reducing GHG emissions a top priority at 595 sites worldwide, which account for approximately 90% of the company's Scope 1 and 2 emissions. Emissions at these sites have been reduced by more than 32% since 2008, thanks to the efforts of dedicated site leaders and regional Green teams.

4.2 Living our best practices

4.2.1 Electricity consumption Q

Electricity accounts for over three-quarters of our facility operational carbon footprint. In 2013, we reduced our electricity consumption by approximately 5% from the previous year Q . We continue to implement projects and invest in facilities to achieve ongoing reductions.

Highlights

Energy optimization projects: Since 2011, we have made several major capital investments to further reduce energy consumption and related emissions in our buildings. In 2013, 48 energy optimization projects were underway or completed in 22 of our largest facilities – for efficient illumination, occupancy sensors, time-of-day adjustments and alternative energy use. Q

Use of alternative energy: As of today, approximately 22% of our electrical power comes from renewable sources; however, we are expanding our use of this type of energy. In Belgium, Austria and Switzerland, 100% of the electricity we purchase is from hydroelectric sources. As availability and financial conditions warrant, we will expand our direct purchases of renewable energy.

4.2.2 Greening our network

The Business & Information Technology Transformation function within Alcatel-Lucent actively supports the company's commitment to carbon footprint reduction. Progress is measured quarterly as part of an operational scorecard. Programs currently underway cover four key areas: PCs, printers, data centers and videoconferencing solutions.

2013 Achievement

In 2013, a survey was sent to 10,000 employees around the world to learn more about the commuting habits of Alcatel-Lucent employees. With a response rate of 23.5%, the survey enabled us to estimate the carbon emissions associated with employee commuting. In addition, our efforts related to environmental protection were rated as "good" or "excellent" by 54% of employees.

Employee commuting

We asked our employees to document every mode of travel they use in a typical workweek to gain a better understanding of the actual carbon footprint impact associated with their commute. We determined employee commuting resulted in the emission of 130,173 tons of CO_2e. We also learned that the average distance between the home and the office is 24 kilometers, with an average one-way commuting time of 41 minutes.

Employees used the following modes of transportation in 2013, based on total commuting distance per year:

- 9% Bus
- 7% Subway
- 5% Carpool
- 5% Train
- 4% Vanpool
- 4% Motorcycle
- 4% Bicycle / walk
- 61% Single occupied vehicles
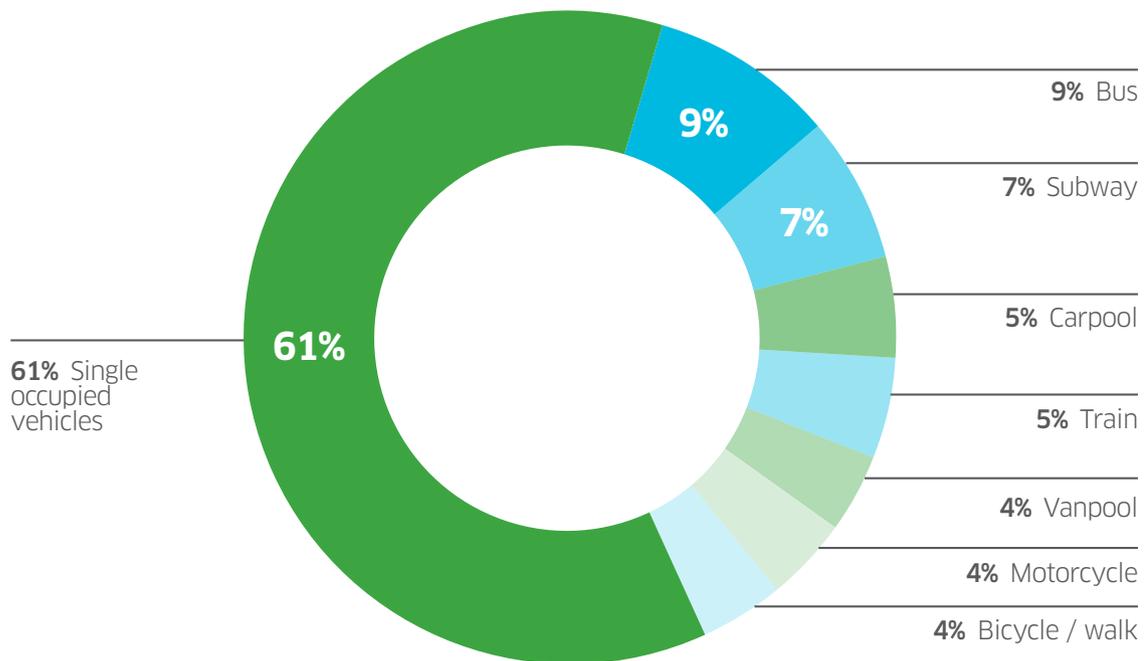
Dematerializing business travel

Our continued focus on alternatives to business travel has lowered Alcatel-Lucent's Scope 3 business travel to less than 1% of our overall Scope 3 carbon footprint emissions in 2013. Addressing travel offers the company an opportunity to both reduce emissions and demonstrate the advantages of our advanced multimedia communications solutions. Thanks to alternatives such as videoconferencing, Alcatel-Lucent has reduced emissions from business travel by 35% since 2008.

4.2.3 Protecting biodiversity

On the ground

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

For example, our property in Naperville, Illinois covers 117 acres, including 28 acres of natural prairie and 69 acres of low-maintenance areas that only require grass-cutting and mulching at two-week intervals. Prairie maintenance is performed every year on a three-year cycle, and minimally applied organic herbicides are used to spot-treat invasive plants on the property.

Employee programs

The Plano, Texas Real Estate group celebrated Earth Day with recycling programs on campus and the Earth Day in the Cafe initiative, where seeds were distributed to employees to plant in a campus garden. The Plano team also implemented a recycling program on campus.

Community engagement in Colombia

To celebrate the 50th anniversary of Alcatel-Lucent Colombia, Alcatel-Lucent helped plant 50 trees in a Bogotá business district, aided by qualified environmentalists from the Botanical Garden of Bogotá.

Under the sea

We ensure that when we lay submarine cable on the ocean floor, we comply with specific environmental standards and obtain all necessary permits from authorities. The cables we lay are small — about 17 mm in diameter — and are designed to have no impact on the environment.

4.2.4 Paper products

45% In 2013, we reduced carbon emissions from paper usage by 45% from 2008 levels. We plan to continue that trend by further by decreasing our consumption of paper, and increasing our utilization of recycled paper.

4.2.5 Conserving water

We measure water consumption and have managed to reduce water use by 39% since 2007. On a worldwide basis, consumed water per employee has been reduced by 10% from that experienced in 2012.

2013 Achievement

We have committed to reduce water consumption by 20% by 2013 compared to our 2010 baseline goal. We have exceeded that objective by achieving a 23% reduction.

Based on our determination that a more robust water-monitoring program is needed within our facilities, we are in the process of issuing revised internal guidelines that will establish specific timelines to:

• Install sub-meters within targeted facilities.
• Track water consumption per usage category (domestic, irrigation, process) and facility type (office, laboratory, warehouse, manufacturing).

Water use within Alcatel-Lucent is limited to cafeteria services, landscaping, toilets, facility cleaning and cooling. All facilities and cleanups comply with local legal requirements for water discharges; contaminants of concern, such as metals and volatile organic compounds, are removed prior to discharge.

Though our water discharges are not significant, we have implemented or initiated projects to reduce their environmental impact. In our Murray Hill facility, we continue to implement a unique project using hydrogen peroxide. A temporary system was installed and other sites in our portfolio are currently investigating the feasibility of this approach.

4.2.6 Waste Q

We reduced the amount of waste generated by 36% (e.g., 9,453 metric tons) between 2008 and 2013. In 2012, we established an objective to reduce the amount of landfilled waste[1] to 15% by 2015 (down from 36% in 2009).

_____

[1] Hazardous and non-hazardous waste from our operations (excluding electronic waste).

TOTAL ESTIMATED AMOUNT OF LANDFILLED HAZARDOUS AND NON-HAZARDOUS WASTE	
2009	36%
2010	28%
2011	25%
2012	22%
2013	24% Q

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

We also have a requirement stating that all Alcatel-Lucent and joint-venture facilities and operations that generate or manage waste and byproducts that include hazardous waste and electronic scrap shall evaluate the possibility to reuse Alcatel-Lucent-branded equipment within Alcatel-Lucent for maintenance or resale and reduce waste, and to scrap generation by applying pollution-prevention and waste-minimization principles and mechanisms at both process and facility levels.

4.2.7 Discharges, emissions, releases Q

In compliance with local laws and regulations, we maintain reporting processes for air emissions, water and soil discharges that seriously harm the environment in the countries in which we operate. No air emissions, water and soil discharges above any legal reportable quantities took place in 2013.

4.2.8 Noise Q

We monitor our operations and activities with regard to occupational noise and community noise regulations. In 2013, no noise-related issues were reported or regulatory citations written regarding either community or occupational noise.

4.3 Encouraging eco-awareness among our people

We seek to inspire our employees to be aware of environmental issues. Examples include:

- Using blog posts, audio podcasts and Twitter sessions on our environmental and sustainability progress.
- Promoting speaking opportunities at events such as the New Jersey Green ICT Summit, Ethical Corporation as well as employee townhall meetings.
- Holding an Earth Day awareness campaign through the Alcatel-Lucent intranet as well as on-site events.
- Producing videos such as Sustainability is a Business Imperative.
- Distributing EHS employee news via email, our internal Engage social media platform and our EHSMS intranet website.
- Launch of an internal quarterly update on sustainable operations in 2013.

In 2013, Alcatel-Lucent University delivered more than 16,636 training hours on EHS issues. (Note: these training hours do not take into account other EHS awareness channels such as workplace ergonomic guidelines, EHS topics covered in mandatory Code of Conduct training, or other communication vehicles as mentioned above.)

In 2013, a survey was sent to 10,000 employees around the world to learn more about the commuting habits of Alcatel-Lucent employees. With a response rate of 23.5 %, the survey enabled us to estimate the carbon emissions associated with employee commuting. In addition, our efforts related to environmental protection were rated as "good" or "excellent" by 54 % of employees.

Our People

ALL MAJOR COUNTRIES

teleworking policies in place

1.4 million hours

of training delivered to customers and employees by Alcatel-Lucent University

100%

on the 2014 Corporate Equality Index for LGBT persons

1. Focused on our people

Our commitment

We are committed to creating a diverse and highly skilled global workforce that is able to meet our customers' demands for reliable, quality service. Therefore, we will ensure our employees work in a stimulating environment of continuous learning while fostering diversity and open dialogue via innovative tools to share knowledge and celebrate difference.

Shaping a company where people thrive will contribute to the transformation of Alcatel-Lucent. We remain committed to ensuring a diverse workforce to break down barriers, create new connections and collaborate more innovatively as we shift our strategy, our organization and our ways of working. We will also focus on the modernization of our human resources function with the introduction of a new global HR Information System (HRIS), new global processes, and redefining HR roles and responsibilities to align with *The Shift Plan*.

Our human resources policies and practices ensure that the ongoing transformation of Alcatel-Lucent is aligned with changes affecting our customers, markets and the world at large. Because we operate worldwide and serve customers who do business on a global scale, our approach to Human Resources management and development is likewise global.

Highlight

Alcatel-Lucent's global workforce consists of more than 62,000 employees representing more than 100 nationalities.

"As Alcatel-Lucent is making its Shift to become a company admired for excellence, we need to ensure we have the right talent with the right spirit to embrace change and innovation. Our workforce needs to be highly skilled and agile as we reposition ourselves as a specialist in IP Networking and Ultra Broadband Access. At the same time, we want to build for Alcatel-Lucent a high-performance organizational culture where recognition will be key and where our values — speed, simplicity, accountability and trust - are driving our actions".

NICOLE GIONET
GLOBAL HUMAN RESOURCES LEADER

With regard to our people, our goals for 2013 were to:

- Shift our culture toward performance and accountability
- Finalize the implementation of our new operating model
- Reinstate our focus on talent

2. Managing reorganization and restructuring

2.1 The *Shift Plan* Q

The Shift Plan is an industrial, operational and financial plan to refocus Alcatel-Lucent as a specialist in IP and cloud networking as well as ultra-broadband access which is at the heart of next-generation networks, and to deliver innovation that shapes the future of the industry and ensures profitable growth. Launched in June 2013, *The Shift Plan* is a three-year plan that replaces the 2012 Performance Program. It entails the following:

- **Industrial focus:** *The Shift Plan* reflects fast-changing trends in the telecommunications industry, where service providers and large-scale Internet concerns handle ever-expanding volumes of data as the market migrates from networks built largely for voice communications. Under the plan, Alcatel-Lucent is adapting to the evolving market by placing its IP, cloud and ultra-broadband portfolio at the center of its operations. Alcatel-Lucent's Bell Labs will serve as the innovation engine to facilitate growth in these key areas. R&D will be concentrated on IP networking and ultra-broadband access — and with an 8% increase in R&D from 2013 through 2015, these areas will represent 85% of R&D investment in 2015. Our customer focus will be placed on new products and platforms for the most profitable market segments, including Tier 2 to Tier 4 service providers and addressing the telecommunications needs of web-scale and extra-large customers.

- **Financial**: *The Shift Plan* aims at restoring the company's profitability and competitiveness in the marketplace. This will include a reduction of its fixed-cost base by €1 billion between 2013 and 2015 through the adoption of direct-channel operations, additional consolidation of SG&A (sales, general and administration) functions, and a refocusing of its R&D capacity. Other actions will be undertaken to reduce the company's real estate footprint and drive efficiencies in project delivery, back-office IT systems, supply chain management, manufacturing and procurement.

This will lead to a reduction of 10,000 jobs by the end of 2015 (compared to a year-end 2013 baseline) with the following geographic breakdown: 4,100 positions in Europe, Middle East and Africa, 3,800 in Asia-Pacific and 2,100 in the Americas.

Further exceptional cash inflows of at least €1 billion are expected from the selective monetization of assets, including potential disposals, over the period of *The Shift Plan*. On a cash basis, *The Shift Plan* is expected to be self-funding over the 2013–2015 period. The plan also includes a €2 billion reprofiling of the company's debt over 2013–2015 by actively capitalizing on attractive international debt market opportunities. Once the company has clearly demonstrated the successful execution of *The Shift Plan*, it plans to seek a reduction of its debt by approximately €2 billion.

- **Operational**: A new operating model has been put in place with full profit and loss (P&L) and cash accountability for businesses.

Since the launch of *The Shift Plan*, all employees have received monthly emails from Alcatel-Lucent management to update them on its implementation. All information communicated to employees is also accessible on the company's intranet site. In addition, two employee surveys were launched in August and October 2013 to measure the extent to which employees understood and embraced *The Shift Plan*. Approximately 50% of respondents said the company's new operating model and the business benefits of its new direction were clear, they understood how to prioritize their work, and they had access to all the necessary information about *The Shift Plan*.

2.2 2013 highlights

The 2013 targets of the Performance Program have been replaced by new targets as part of *The Shift Plan*. At the end of 2013, the company is on track to achieve its 2015 targets as part of *The Shift Plan*:

- With regard to headcount reductions envisaged by *The Shift Plan*, the process of information and negotiation with the unions is ongoing and we are on track with our target. At the end of 2013, our Group workforce comprised 62,311 people, a decrease of 10,033 compared to the previous year. **Q**

- Repositioned as a specialist of IP and cloud networking, and ultra-broadband fixed and mobile access, with key wins and market share gains.

- Key achievements in innovation: 20 IP core contracts; 400G in Optics; three SDN first commercial wins; virtualization roadmap and eight proofs of concept in NFV; Qualcomm strategic partnership on small cells; carrier aggregation and eMBMS in wireless; 17 vectoring contracts; G.fast.

- Fixed costs savings for the year of €363 million, of which €104 million was in Q4, significantly above the €250–300 million target for the year as a whole.

- Announcement of the sale of LGS in December and announcement of receipt of binding offer from China Huaxin for the acquisition of Alcatel-Lucent Enterprise.

- Balance sheet strengthened, with 2013 closing on a net cash position of €149 million, on the back of:

  ¬ Capital increase of €1 billion through a rights issue, and conversion of the remaining stub 2015 OCEANE

  ¬ Debt reprofiling largely completed with various financing actions undertaken in second half of the year

  ¬ Pre-financing or reimbursement of short- and mid-term debt maturities

For further information, please refer to Section 6.8 "Strategy and outlook through 2015" of the 2013 Annual Report on Form 20-F. >

3. Our Values

As part of *The Shift Plan*, we have defined four new values for our company that will support the vision, shape the culture and define Alcatel-Lucent over the coming years:

- We require **speed** because focused analysis, rapid decision making and diligent execution will give us the agility and flexibility we need to win in a fast-paced industry.

- We strive for **simplicity** because we need to remove complexity and challenge existing practices that create waste and unnecessary efforts.

- We act with **accountability** because we must all take responsibility for our objectives, our actions and the consequences of our results.

- We demonstrate **trust** because we believe in the expertise, reliability and integrity of everyone we work with.

Implementing and sharing these values will give us the means to achieve our shift and become a company admired for excellence. A guide has been provided to help employees implement our values, associating specific behaviors with each value and outlining best practices.

4. Our Employees

Our total worldwide employee headcount at the end of 2013 was 62,311. **Q** The tables below show the breakdown by business segment, geographic area, age and gender of our employees for the years 2011 through 2013. The figures take into account all employees who worked for fully consolidated companies as well as companies in which we own 50% or more of the equity.

Breakdown of employees by business segment

YEAR	CORE	ACCESS	ENTERPRISE & LGS	OTHER	TOTAL GROUP
2011	27,527	42,449	3,292	1,098	74,366
2012	27,814	39,797	3,480	1,256	72,344
2013	24,128	33,156	3,415	1,612	62,311 **Q**

Breakdown of employees by geographic area

YEAR	FRANCE	OTHER WESTERN EUROPE	REST OF EUROPE	ASIA-PACIFIC	NORTH AMERICA	REST OF WORLD	TOTAL GROUP
2011	9,541	11,697	5,757	22,697	16,914	7,760	74,366
2012	9,483	11,022	5,292	22,339	16,507	7,701	72,344
2013	8,904	10,259	2,853	19,706	15,382	5,207	62,311 **Q**

Breakdown of employees by age

YEAR	GEOGRAPHIC AREA	BELOW 30	30–50	ABOVE 50
2010	Europe, Middle East and Africa	14%	67%	19%
	Americas	8%	63%	29%
	Asia-Pacific	33%	64%	3%
	Total Group	18%	65%	17%
2011*	Europe, Middle East and Africa	12%	67%	21%
	Americas	7%	60%	33%
	Asia-Pacific	28%	69%	3%
	Total Group	15.5%	66%	18.5%

YEAR	GEOGRAPHIC AREA	BELOW 30	30–50	ABOVE 50
2012	Europe, Middle East and Africa	8%	69%	23%
	Americas	6%	58%	36%
	Asia-Pacific	23%	74%	3%
	Total Group	12%	67%	21%
2013	Europe, Middle East and Africa	6.6%	68.8%	24.7%
	Americas	4.9%	55%	40%
	Asia-Pacific	19.2%	76.4%	4.3%
	Total Group	10.2%	67.3%	22.5%

*2011 data have been restated due to better accuracy in our reporting system.

Breakdown of employees by gender

YEAR	GEOGRAPHIC AREA	FEMALE	MALE
2010	Europe, Middle East and Africa	21%	79%
	Americas	23%	77%
	Asia-Pacific	21%	79%
	Total Group	22%	78%
2011	Europe, Middle East and Africa	21%	79%
	Americas	22%	78%
	Asia-Pacific	21%	79%
	Total Group	21%	79%
2012	Europe, Middle East and Africa	19%	81%
	Americas	21%	79%
	Asia-Pacific	22%	78%
	Total Group	21%	79%
2013	Europe, Middle East and Africa	19%	81% Q
	Americas	23%	77% Q
	Asia-Pacific	23%	77% Q
	Total Group	21%	79% Q

Attrition* by region and gender

Attrition by Gender	2011		2012		2013	
	# of losses	Attrition rate	# of losses	Attrition rate	# of losses	Attrition rate
Americas	2309	10.11%	1416	6.75%	4031	21.34%
Female	596	11.49%	245	5.40%	656	15.84%
Male	1708	9.68%	1171	7.13%	3375	22.89%
Information not available	5	45.45%	0	0.00%	0	0.00%
Asia-Pacific	3651	15.36%	2504	11.07%	6908	34.34%
Female	583	11.69%	463	9.61%	703	15.11%
Male	3068	16.33%	2041	11.49%	6205	40.13%
Information not available	0	0.00%	0	0.00%	0	0.00%
Europe, Middle East, and Africa	2021	6.66%	2153	7.52%	5390	20.47%
Female	363	6.16%	407	7.39%	1111	22.16%
Male	1657	6.78%	1746	7.55%	4279	20.07%
Information not available	1	76.47%	0	0.00%	0	0.00%
Total Group	7981	10.37%	6073	8.41%	16329	24.99%
Female	1542	9.60%	1115	7.50%	2470	17.89%
Male	6433	10.57%	4958	8.65%	13859	26.89%
Information not available	6	48.45%	0	0.00%	0	0.00%

Note: 2012 data excludes Genesys

* Attrition includes all termination activity, including resignation, retirement, death, spinoff, outsourcing, layoff, redundancy, rule violation and other miscellaneous payroll/company terminations.

Contractors and temporary workers

In 2013 the average number of contractors and temporary workers was 5,072 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, employees of third parties seconded to perform work at our premises due, for example, to a short-term shortfall in our employees or in the availability of a certain expertise.

5. Exchanging with employees

5.1 Communication at Alcatel-Lucent

5.1.1 Internal communication and dialogue

Our success depends on our ability to build the strongest possible commitment from our workforce. Doing so requires an ongoing exchange between employees and management to ensure broad dedication to our strategic goals and a shared understanding of how each employee can contribute to those objectives.

As part of our ambition to build a corporate culture of high performance and accountability, we are working to strengthen our approach to performance management and employee engagement. This starts with our top leaders to ensure alignment of strategy and execution; adoption of best practices in performance management; recognition of employee high performance; and role-modeling of the company's newly defined values of speed, simplicity, accountability and trust. Implementing and sharing these values gives us the means to achieve our "shift" and become a company admired for excellence.

We continue to build our digital workplace to support ongoing dialogue among employees. This includes, for example:

- Our **intranet homepage** — which serves as the portal to our digital workplace — was viewed more than 23 million times in 2013; other pages across the entire intranet were viewed almost 40 million times in total. To date, nearly 6,000 videos have been uploaded to ALU TV, and more than 62,000 comments and ratings have been posted on news stories and messages.

- The award-winning **Engage social networking platform**, which was upgraded for the seventh time in its three-and-a-half-year history to add new capabilities such as personalized activity streams and a search function optimized by an employee's social profile. Approximately 22,000 employees actively used the Engage platform in 2013. Tools like Engage allow our global team to easily collaborate and share knowledge online in an open, interactive manner company-wide while, decreasing our carbon footprint by promoting virtual working tools in real-time.

- The **OurTalent Dialogue tool**, which enables dialogue between managers and employees to establish objectives and discuss achievements related to career planning and development opportunities. Each year, the company reviews best practices and implements enhancements to the tool as appropriate.

We also continue to look at the ways in which our communication tools can help keep employees informed on the latest news about the company. In 2013 we launched Text-Me, a new SMS service developed in cooperation with MNC, an Alcatel-Lucent company. Text-Me enables employees to quickly and easily access the most important information about Alcatel-Lucent, in a few words and at anytime, via text messages on their mobile device. We also launched a new radio program for employees called "On the Air" to further highlight the topics, technologies and people that are driving Alcatel-Lucent forward.

Face-to-face communications with our employees is equally valued:

- A few days after the announcement of *The Shift Plan* in June 2013, the leadership team traveled around the world to introduce the company's new direction and discuss the plan with employees.
- A high-impact leadership meeting called "Believe" was held on November 12, 2013 in Basking Ridge, New Jersey, bringing together 200 of our top leaders to discuss the progress of *The Shift Plan* and to set the tone for a successful 2014.

Highlight

We have defined new values for our company – speed, simplicity, accountability and trust – that will support our vision, shape our culture and define Alcatel-Lucent. Implementing and sharing these values gives us the means to achieve our shift and become a company admired for excellence.

5.1.2 Employee engagement

Building on the momentum of our 2012 Employee Engagement initiative, we leveraged the results of its survey of 30,000 Alcatel-Lucent employees to launch the following initiatives in 2013:

- The "High-Impact Change Leadership" blended learning program for 30 of the highest profile leaders within the Global Customer Delivery (GCD) division
- A change-management cascade process within GCD to roll out the vision, strategy and tactical plan
- The "Change Done Right" program, which uses a series of webinars to help employees and managers in the Americas effectively deal with and manage change

A Leadership Index (measuring leadership effectiveness) was also piloted in tandem with a series of "LeaderSHIFT" workshops for our top 200 leaders and will be launched in 2014.

In addition, two employee surveys were launched in August and October 2013 to measure the extent to which employees understood and embraced *The Shift Plan*. Approximately 50% of respondents said the company's new operating model and the business benefits of its new direction were clear, they understood how to prioritize their work, and they had access to all the necessary information about *The Shift Plan*.

5.2 Recognizing and rewarding our employees

We highly value employee recognition and are always looking at new ways to shape a culture of performance and accountability. In 2013 we introduced the Award of Excellence, which gives managers a tangible tool to reward outstanding employee achievements in support of corporate- or organization-level business objectives. Up to 8% of Alcatel-Lucent employees are eligible for this award with an average payout equivalent to one month's salary. The Award of Excellence completes a strong corporate recognition ecosystem that also includes:

- The annual CEO Recognition Award, which recognizes individuals and teams who provide exemplary models of our corporate values of speed, simplicity, accountability and trust
- The Night Out Awards, which offer a one-time cash award in recognition of superior employee achievements
- Thank-you e-cards, which enable employees and managers to show appreciation for effort and support in a friendly way

5.3 Discussing with our unions

We strive to foster an open dialogue with employees on the decisions that directly affect them. Discussions with employee representatives concerning organizational changes and workforce reductions are managed on a regional and/or country basis. During the launch of the Alcatel-Lucent Performance Program in 2012 and *The Shift Plan* in 2013, we regularly engaged with our social partners on the impact of these initiatives in full compliance with local rules and regulations.

5.3.1 Dialogue with trade unions

We inform or consult with union representatives before making any major change in the organization. Matters affecting individuals, particularly those involving relocation or the transfer of work to a new location, may require up to six months of discussions.

European Committee

The European Committee for Information and Dialogue (ECID) is a dialogue body where senior management and European employee representatives can share their views. Composed of 30 members as well as a Coordinating Committee led by the ECID Secretary (France) and four other representatives (Germany, Italy, Belgium and Romania), the European Committee meets at least twice a year; in 2013, it met on April 11 and October 8 to discuss the Alcatel-Lucent Performance Program and *The Shift Plan*. Four additional meetings were organized between Alcatel-Lucent management and the Coordinating Committee for January 30, February 18, June 27 and December 16. These meetings focused on the details of the strategy laid out by the Performance Program and *The Shift Plan*, the foreseen headcount reductions by country and by function, and the objectives of these initiatives for countries within ECID's scope. In addition, the official consultation process with union representatives from all European countries was launched in parallel to these meetings. Further details about *The Shift Plan* presented to ECID in October 2013 are being communicated at a country level following due process.

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 (usually in June and December); in 2013, it met five times (January 17, July 3, October 23, November 28 and December 11) due to the implementation of the Performance Program and the announcement of *The Shift Plan*.

5.3.2 Review of collective agreements

Some of the major collective agreements signed in 2013 include the following:

Germany:

• Area-related collective bargaining agreements binding Alcatel-Lucent Deutschland AG on salary increases and increases of apprentices' remuneration in 2013 (and 2014) concluded in May 2013 between employers associations and the union (IG Metal). Company-related collective bargaining agreements existing for Alcatel-Lucent Deutschland AG (Nuremberg, Bonn and Neu-Isenburg establishments), Alcatel-Lucent Digitalfunk Betriebsgesellschaft GmbH (Berlin and Hannover establishments) and Alcatel-Lucent Network Services GmbH (North, South, Middle, East and West establishments), all of them regarding the salary increases referred to in the area-related collective bargaining agreements, have been adjusted accordingly.

United States:

- On February 15, 2013, Alcatel-Lucent USA Inc. entered into the Postretirement Medical and Dental Benefits and Group Life Insurance for Retired Employees Extension Agreement for 2015 and 2016 with the Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW). This agreement extended the existing Postretirement Medical and Dental Benefits memorandum while reducing the company subsidy by $40 million annually, and extended the coverage provided under the Group Life Insurance Plan for Retired Employees until December 31, 2016.

- On November 19, 2013, Alcatel-Lucent USA Inc. entered into the Lewisville, TX, 2013 Effects Agreement with the CWA. This agreement provided certain benefits to eligible employees as a result of the outsourcing of special customer operations in Lewisville, Texas.

- On December 12, 2013, Alcatel-Lucent USA Inc. entered into the December 2013 Year-End Working Bonus Agreement with the CWA. This agreement provided incentive pay to eligible employees to forego vacation and other time off during the last three weeks of 2013 to be available to complete customer orders.

Italy

- Two agreements signed in July 2013 on social tools: CIGO (Cassa Integrazione Ordinaria) and "voluntary mobility".

- An agreement on outsourcing with AT&T Rieti.

- An agreement on temporary workers with the Province of Trieste and temporary agencies.

- A report signed in July 2013 with safety worker representatives and safety managers about "work-correlated stress — risk assessment" (mandatory every two years).

France

- Accord Engage is a new collective agreement for improved social dialogue within the Group. This collective agreement allows unions to use Engage to inform employees about social dispositions and social dialogue.

- *Plan d'actions SENIORS* is a three-year commitment from the Alcatel-Lucent Board of Directors in France on employment for younger and older workers as well as the transmission of knowledge and skills. Each subsidiary in France must enter into negotiations in 2014 to sign a collective agreement on these subjects.

5.3.3 Review of agreements signed with trade unions or staff representatives on workplace health and safety

Example of collective agreement signed in 2013 in Germany

The 2012–2013 pilot project on the execution of risk assessment according to the 1996 *Occupational Safety and Health Act* has been continued with the participation of the Works Councils by identifying and implementing relevant actions based on the surveys and workshops conducted. A review of results and the creation of proposals for follow-up projects are expected in 2014. Negotiations on works agreement on medical and technical safety services according to the Act in connection with relevant accident-prevention regulations were finalized for the Stuttgart establishment and are ongoing for the Nuremberg establishment.

6. Employee health and safety

6.1 Commitment to employee health and safety

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

Highlight

Our Zero-Tolerance Safety Principles, which extend not only to our employees but also to subcontractors and their subsequent tiers, are a reflection of our commitment to health and safety – and to see our staff go home uninjured at the end of each and every workday. Circumventing safety procedures and not utilizing safety equipment or personal protective equipment will not be tolerated. Under these Principles, a breach of safety requirements can be deemed a breach of contract with Alcatel-Lucent.

6.2 Zero-tolerance approach to safety

As businesses look to optimize their operations and make them more sustainable, safety of the workforce becomes a critical success factor. This is a significant step in ensuring that safety is a "zero-tolerance" approach that applies to all employees, directly supervised contractors and subcontractors, requiring them to strictly observe legal safety requirements, all Alcatel-Lucent EHS requirements and any mandated safety requirements of the end customer, without exceptions. EHS hazards need to be identified and risks need to be properly assessed, appropriate controls put in place, and only competent, experienced and, if required, appropriately certified employees may perform certain specified activities. Harmonizing global requirements, setting clear expectations and establishing leading KPIs rather than chasing lagging indicators is how we like to honor our commitment.

Employees who violate our zero-tolerance safety principles are subject to consequences, which can be disciplinary in nature up to and including dismissal.

Honoring our commitment to employee health safety means:

- EHS hazards are identified and risks properly assessed
- Appropriate controls are put in place
- Competent, experienced and, if required, appropriately certified employees are assigned to perform specific work activities
- EHS requirements are harmonized globally, setting clear expectations and establishing key performance indicators (KPIs) across the entire company

6.3 Absenteeism

We track and manage employee absenteeism at the country level according to all relevant local legal requirements and regulations. This ensures the fastest, most appropriate actions can be taken to respond to fluctuations outside the norm for that country. At a global level, we publish the number of days of absence due to work-related accidents (including occupational diseases) per employee. For further information, please refer to Section 4.3.8 "Social indicators".

6.4 Reporting on and addressing occupational accidents

Our reporting requirements for serious incidents and occupational accidents ensure all business groups provide the information to support effective trend analysis and root-cause identification — data that is used to continually improve our safety performance as we strive to reach our goal of zero lost workdays due to injury or illness. **Q**

	2011	2012	2013
Frequency rate for work-related accidents (including occupational diseases)	1.42	1.21	1.19
Number of days of absence due to work-related accidents (including occupational diseases) per employee	0.08	.07	0.06* **Q**

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

Our high risk work is connected to field activities, but we also stress proactive safe work procedures and ergonomics for our office employees.

Within Alcatel-Lucent we revised our ergonomics guidelines to better suit today's work environment for our office employees (e.g., the increasing use of laptop versus desktop computers). In keeping with the changing work environment, where we encourage telecommuting, virtual ergonomic evaluations are only a natural next step. Because we do not have heavy industrial manufacturing processes, we are not required to calculate or follow an indicator on the severity of occupational accidents. Global occupational accident trends focus on an employee's professional activity and the corresponding risks associated with it. Improvements are made at the program level based on trends identified, irrespective of the number of lost workdays. It has always been our approach to view the potential of the occurred accident and what we can learn to prevent its further occurrence. **Q**

6.5 Integrating SA 8000 Assessments

As part of our 2011 corporate responsibility targets, Alcatel-Lucent put forward the objective to achieve SA 8000 certification in Brazil and Mexico by year-end 2012 and to extend certification to other countries worldwide by 2014.

In 2012, Alcatel-Lucent worked with our local experts to roll-out SA 8000 assessments in our major facilities in Brazil and Mexico, most notably Sao Paulo and Cuautitlan Izcalli.

In 2013, Alcatel-Lucent further rolled out an SA 8000 assessment program in six major facilities in China, India, Mexico, Poland, Romania and Turkey. Alcatel-Lucent's internal auditors also received training on the SA 8000 standard and the skill sets to successfully implement the assessment with the help of our partners Business for Social Responsibility (BSR) and Social Accountability International (SAI).

In 2014, Alcatel-Lucent will integrate SA 8000 as part of its Quality Business Management framework and continue a targeted roll-out in key country locations globally.

6.6 Increasing employee awareness of health and safety

To increase the availability and speed of delivery of EHS training, a series of health and safety courses were offered through our online learning portal in 2013. To deliver these courses we use Skillport, an off-the-shelf product with many applicable EHS titles that is hosted in the Alcatel-Lucent Learning Management System. To make health and safety information more readily available, our corporate EHS

office created a common EHS SharePoint platform that allows local EHS coordinators to input, utilize and customize course content according to their specific needs. Additionally, our travel services website is used to keep employees informed of any risks associated with serious diseases.

6.6.1 EHS and electromagnetic environment training

To ensure a healthy and safe work environment for our employees, we place high priority on training and guidance.

In 2013, Alcatel-Lucent University delivered more than 16,636 training hours on EHS issues. (Note: These training hours do not take into account other EHS awareness channels such as workplace ergonomic guidelines, EHS topics covered in mandatory Code of Conduct training, or other communication vehicles as mentioned above.)

For example, we provide dedicated employee training to support the safe deployment of wireless products in the field. We have also initiated an internal program in all EU countries to address the key principles of EU Directive 2013/35/EU on electromagnetic fields exposure at work, which will be translated in EU Member States by July 2016.

Local initiatives: China

We engaged in a number of local EHS initiatives over the past year, including the following in China:

Worker Safety Standard Award

Alcatel-Lucent Shanghai Bell successfully passed the Chinese government's "Work Safety Standard" assessment, which reviews 194 items and is similar in scope to a capability maturity assessment of a health and safety management system. A joint project team within Alcatel-Lucent Shanghai Bell worked across six campuses and more than 8,000 employees in preparation for the site assessment.

Cleaner Production Assessment

Alcatel-Lucent Shanghai Bell successfully passed the second round of assessments in China's "Cleaner Production" program, which aims to reduce pollution and save natural resources through the use of new technologies, materials, equipment and management measures. Based on this success, we can now apply for government refunding for environmentally related improvement programs, which has amounted to more than ¥1,500,000 since the initial assessment was conducted in 2008.

Environmental Credit Corporation Award

On World Environment Day in June 2013, Alcatel-Lucent Shanghai Bell was presented with the Environmental Credit Corporation Award by the Shanghai Pudong Municipal Government for its significant contributions to environmental protection. Only 10 corporations (out of more than 10,000) were chosen for this prestigious award.

7. Diversity and equal opportunity

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

> ## Highlight
>
> Our corporate diversity strategy is to adhere to the principles of inclusivity worldwide, with an initial focus on gender diversity at the global level. Individual countries and regions are accountable for addressing diversity relevant to their local contexts.

7.1 Gender diversity

7.1.1 Our gender diversity strategy

While women make up more than 50 % of most talent pools and represent a large contingent of Alcatel-Lucent's end users, they are not equally represented among our management; as such, we have made it a business imperative to correct this misalignment.

At the end of 2011, we implemented a global strategy and action plan that assigned responsibility for gender diversity at the organizational, corporate and country levels, and identified actions to be carried out in five focus areas:

- **Awareness building:** In 2013 we continued our work with a series of interactive sessions on gender diversity, addressing more than 400 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. **Q**

> ## Highlight
>
> In 2013, gender dynamics awareness workshops were attended by more than 400 managers and leaders in China, India, France, Mexico, Germany (Nuremberg, Stuttgart), the United Kingdom (Cambridge, Swindon) and the United States (Murray Hill, Naperville, Plano, Westford).

- **Leadership Pipeline:** As of December 2013, 23 % of women are part of our Leadership Pipeline — a similar level as in 2012. **Q**
- **Staffing/recruitment:** 21 % of external hires over the past year were women, up a few percentage points from the previous period. **Q**
- **Work/life balance:** We now have teleworking policies in all key countries worldwide. Our internal networking and learning platforms are being used to educate employees on the benefits and best practices of teleworking, helping to make flexible work practices more prevalent for men and women alike. For further information, please refer to Section 4.3.2 "Work organization and management". **Q**
- **Equal pay for equal work:** We continue to comply with legal obligations, including gender-pay ones in the countries in which we operate. Our global awareness-building sessions for managers, attended by an additional 400 managers in 2013, create a foundation for renewed success in this focus area. **Q**

7.1.2 Local initiatives in gender diversity

International Women's Day

More than 1,000 Alcatel-Lucent site leaders and employees in more than 50 countries hosted a variety of debates, workshops, seminars, roundtable discussions, award ceremonies and networking sessions in celebration of International Women's Day on March 8, 2013, including:

- **Egypt:** StrongHer Award presentation attended by Alcatel-Lucent MEA President Amr K. El-Leithy; fundraiser for NGO for orphaned children

- **France:** Conference on "Defining Success, Your Way"; presentation of StrongHer Award

- **Germany:** Open dialogue on the benefits of a gender diversity network

- **Ghana:** StrongHer Award presentation and roundtable discussion on women empowerment

- **Morocco:** Storytelling event; StrongHer Award presentation; open discussions on gender diversity; donations collected for NGOs supporting orphans and children in need

- **Pakistan:** Storytelling event and brainstorming session on gender diversity

- **Qatar:** Career path development event; StrongHer Award presentation

- **South Africa:** Open dialogue on gender equality and women's rights

- **Spain:** StrongHer Award presentation

- **Turkey:** Workshop on work/life balance

- **United Arab Emirates:** Networking event and open dialogue about women in the workplace

- **Colombia:** StrongHer Award presentation

- **United States:** Women's Leadership Network conference on "Top 10 21st Century Ways to Create a Career That Soars" webcast from Westford, MA, and followed by employees in Naperville, IL; Columbus, IN; and Mexico

- **Asia-Pacific:** Two global webcasts delivered: "Insights in Leadership for Women" by Nicole Gionet, Global Human Resources Leader for Alcatel-Lucent; and "Executive Presentation Skills for Women"

- **Australia:** Open dialogue on gender diversity

- **Bangladesh:** Networking event with country managers

- **Brunei:** Networking event focused on work/life balance

- **China:** Gold Leaf Award presentation; career journey networking event; panel discussion on women involvement on boards of directors

- **India:** Video on the history of International Women's Day; keynote speech on career success
- **Indonesia:** Networking event on "Women in the Driver's Seat"
- **Japan:** External event organized by Chambre de Commerce et d'Industrie Francaise du Japon (CCIFJ) and Femmes Actives Japon (FAJ) entitled, "Can Women Save Japan?"
- **Malaysia/Vietnam:** StrongHer Award presentation
- **Singapore/Thailand:** Panel discussions on work/life balance and healthcare

StrongHer

StrongHer is an employee networking and support group created by Alcatel-Lucent women in 2011 using our internal social networking platform, Engage. The group has more 950 members in 51 countries (18% of its members are men). In 2013, StrongHer boosted its presence by establishing a new group in Turkey, and continued to organize events on topics such as work/life balance, leadership and openness. StrongHer received the 2013 Engage Award in recognition of the outstanding communities it has created within Engage — and the people who make those communities possible.

The first-ever StrongHer Awards were presented last year during the celebrations of International Women's Day on March 8, 2013. These awards recognize women, regardless of their positions in the company, for their professionalism, dedication, conviction, courage and ability to inspire others. A total of 10 talented women were honored by their peers in 2013 in the Caribbean and Latin America, Egypt, France, Malaysia, Morocco, Spain, Turkey and Vietnam.

7.2 Geographical and cultural diversity

Alcatel-Lucent operates in all continents around the world — and our workforce reflects that geographical and cultural diversity through a balanced split between Europe, the Middle East and Africa (38%), Asia-Pacific (33%) and the Americas (29%).

7.3 Commitment to non-discrimination **Q**

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

In January 2013, Alcatel-Lucent France signed a charter of commitment for lesbian, gay, bisexual and transgender (LGBT) employees with *l'Autre Cercle*, an NGO focused on LGBT rights in the workplace. This agreement was signed in the presence of Najat Vallaud Belkacem, the French Minister of Women's Rights.

For the 12th 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.

Women's Empowerment Principles

Alcatel-Lucent continues to be a signatory of the United Nations CEO Statement of Support for the Women's Empowerment Principles — 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 publication Companies Leading the Way: Putting the Principles into Practice, which lists examples of actions and initiatives that companies are undertaking to empower and advance women. Finally, we actively supported the global communication and expansion of the UN Women Empowerment Principles (WEP). This included participating in the WEP Leadership and Award committees — culminating with the presentation of a WEP award on March 6, 2013, in New York — and leading a project to help craft and launch the WEP social media strategy.

PRINCIPLE	TITLE	DESCRIPTION
1	Leadership promotes gender equality	"At the end of 2011, under the leadership of our CFO and Diversity Sponsor, we implemented a global strategy and action plan that assigned responsibility for gender diversity at the organizational, corporate and country levels.
		We established a comprehensive global strategy and accountability focused on Leadership Pipeline, Staffing/Recruiting, Work/Life Balance, Equal pay for equal work.
		We also support employee initiatives as well as leading organizations such as with UN-WEP and the Global Compact.
2	Equal opportunity, inclusion and non-discrimination	As a global enterprise, we actively seek to ensure that our employees reflect the diversity of our business environment.
		Our Global Human Rights Policy clearly confirms our responsibility to ensure equal opportunities for employees and to recognize and respect the diversity of people and ideas
3	Health, safety and freedom from violence	As stated in our Environment, Health and Safety (EHS) Policy, we are committed to operating in a way that protects the environment as well as the health and safety of our employees, contractors, customers and communities in which we conduct business.
4	Education and training	As part of our global strategy and action plan, we increased from 2011, the % of women in our leadership pipeline, from 19% to 23%. Accelerated development is offered to the employees part of the leadership pipeline including gender diversity related training to help shift overall culture. We have also fostered dedicated training in general for managers, employees through our "Global Day so Learning" as well as promoted employee driven employee initiatives such as StrongHer.
5	Enterprise development, supply chain and marketing practices	Alcatel-Lucent strives to maintain a diverse supply chain and has high expectations for performance in this area. The Alcatel-Lucent Supplier Diversity Program received in 2013, the Top Corp Award from the Women's Business Enterprise National Council.
6	Community leadership and engagement	The Alcatel-Lucent Foundation contributes to the company's commitment to digital inclusion by supporting philanthropy that serves and enhances the communities where our employees and customers work and live. Its actions are framed to support charitable activities dedicated to digital literacy, access to education and life skills/vocation training for youth especially young women from disadvantaged communities worldwide.
7	Transparency, measuring and reporting	Alcatel-Lucent 2013 Annual Financial Report on Form 20F reports on % of women in the Board of Directors, Headcount, Recruitment, Leadership Pipeline

7.4 Integration of disabled people Q

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

Mission Handicap

Designed in 2006 to better integrate disabled employees into the workplace, the Mission Handicap program in France has established training courses to educate employees on the challenges of working with a disability and the benefits of including people with disabilities in the workforce. Awareness-raising activities are hosted at Alcatel-Lucent campuses every year and trainees with disabilities are integrated into Alcatel-Lucent working teams. In 2012, the program was renewed for three years. In 2013, the program invested in structural modifications to our buildings to provide adapted equipment and computer accessibility tools, and six disabled people were recruited.

@talentEgal

A non-profit association created by Alcatel-Lucent in France, @talentEgal helps disabled post-graduate students gain employment by providing them with training, internships or other work experience. In 2013, @talentEgal helped 22 disabled students. As of December 2013, disabled employees account for 3% of Alcatel-Lucent's employee base in France.

Support for disabled employees in Spain

In 2013, Alcatel-Lucent continued its collaboration with Spain's ADFYPSE (Association of Workers and Pensioners of Standard Electrica), which creates and promotes centers and institutions that work toward the recovery and rehabilitation of those with mental, physical or sensory handicaps.

7.5 Generational diversity

In September 2013, the Alcatel-Lucent Board of Directors in France enacted Plan d'actions SENIORS (Cross Generation Action Plan), a three-year commitment to ensuring employment for younger and older workers as well as the transmission of knowledge and skills. Each subsidiary in France must enter into negotiations in 2014 in order to sign a collective agreement on these subjects.

8. Talent development

8.1 Leadership identification and development

2013 Achievements

- In 2013, 178 employees completed a leadership development track – with a significantly faster rate of completion than in 2012, despite the demands of *The Shift Plan*.

- At the end of 2013, the Leadership Pipeline included approximately 1,400 employees from around the world, a robust proportion in line with industry best practice. Of these, 23% are women – a higher percentage than the overall proportion of women in the company.

8.1.1 Leadership Profile

The Alcatel-Lucent Leadership Profile translates business priorities and company values into key competencies and behaviors required for employees and managers to excel in their jobs and act as leaders. One of its objectives is to share, across Alcatel-Lucent, a common understanding of key leadership characteristics for the success of the company. It also aims to identify strengths and development needs for individuals and organizations, and to take the necessary steps to increase individual and team effectiveness. The Leadership Profile was updated in 2013 to reflect our leadership expectations in relation to our new corporate values.

8.1.2 Leadership Pipeline

Alcatel-Lucent continues to invest in the identification and development of leadership potential. Following an extensive and thorough review of our practices, a refreshed talent identification and development process called the Leadership Pipeline was implemented in 2011. This process involves approximately 1,400 employees from around the world, 23% of whom are women. **Q**

Focusing on delivering excellence and diversity to the company's senior leadership roles, the Leadership Pipeline relies on three pillars:

- The identification of talent in a consistent way across the company.
- The movement of talent across geographical, functional or business boundaries.
- The development of leaders using a broad variety of methods.

HR professionals ensure the execution of this strategy by supporting managers and talent through the identification, movement and development phases.

Alcatel-Lucent's leadership development offer was redesigned in 2013 to better address the company's short- and long-term needs. A total of 176 high-potential employees have been involved in customized and dedicated development tracks focusing on the company's business needs as well as the individual's leadership-development needs. Talents in the Leadership Pipeline have been working on a number of business projects for company executives and have reinforced their networking activities amongst company employees and leadership.

8.1.3 Leadership development at Alcatel-Lucent

Our approach to leadership development is centered around the following principles:

- Encouraging authenticity and diversity by developing the individual's self-awareness and acknowledging his/her personal leadership style
- Building on strengths rather than focusing on gaps
- Supporting a development purpose rather than one focused on recognition
- Having each individual take responsibility and ownership for her/his own development
- Customizing leadership development to individual needs and organizational requirements
- Addressing group leadership challenges and building collective leadership capability
- Making the leadership development approach continuous and sustainable
- Diversifying the leadership development approach by expanding experiential development and relationships
- Linking leadership development to career development

Based on these principles, leadership development tracks were delivered to 178 high-potential talents and more than 30 senior HR coaches, focusing on:

- Setting up an ecosystem that customizes leadership development to individual needs, career aspirations and business priorities, while offering continuous development over time
- Addressing leadership development both at individual and collective levels
- Enhancing the "70/20/10" model (e.g., 70% experience-based development, 20% relationship, 10% residential) through concrete career development plans, peer-to-peer coaching, individual mentoring, networking and sharing experience across communities (both internal and external to Alcatel-Lucent), and giving feedback and influencing decisions at the executive level

8.2 Mentoring

8.2.1 Passeport Avenir

For the eighth consecutive year, Alcatel-Lucent took part in the Passeport Avenir program, a public/private partnership dedicated to helping young people from troubled urban areas in France. This program uses sponsorships and mentoring to help young people enter top-rated French business and engineering schools and universities. It also encourages all student participants to improve their English by arranging for them to take lessons with English-speaking mentors.

In 2013, a total of 172 Alcatel-Lucent employees volunteered their time to provide students with mentoring and networking.

Passeport Avenir workshops and events organized in 2013 included:

- With support from the Alcatel-Lucent Foundation, Passeport Avenir held its third job fair on March 21, 2013, giving approximately 100 students the opportunity to meet with recruiters to discuss internship and apprenticeship opportunities. At this event, Alcatel-Lucent HR teams met with Passeport Avenir students, providing advice on how to look for internships and prepare for job interviews.

- In June 2013, Passeport Avenir and Alcatel-Lucent organized the "We Made It" contest, which gave 10 French students the opportunity to spend one week at Alcatel-Lucent in Murray Hill, New Jersey. The students also visited several U.S. companies and universities, helping them increase their understanding of American culture, build their job skills, and discover new professions and working environments.

- In December 2013, Passeport Avenir hosted a conference on the topics of detecting high-potential talent and optimizing corporate recruitment processes. Universities and enterprises, including Alcatel-Lucent, were invited to this event to share and discuss their expectations related to recruitment.

8.2.2 Capital Filles

Alcatel-Lucent once again contributed to Capital Filles, an apprenticeship program created in 2010 by Orange in partnership with the French Ministry of Education. Capital Filles relies on female volunteers from participating companies to help girls discover the benefits of scientific, technological, industrial and business studies.

In 2013, more than 50 female employees from Alcatel-Lucent volunteered as mentors. To date, eight companies across France have joined Alcatel-Lucent and Orange to help extend Capital Filles' footprint in all regions of the country.

9. Talent attraction and retention

As a technology company, it is critical that we demonstrate how much we value expertise and that we promote technical careers for our innovators and technical experts, particularly those engaged in R&D.

9.1 Technical Ladder

The Alcatel-Lucent Technical Ladder initiative provides employees with:

- A better view of their career paths to identify where to focus to excel in their particular areas of expertise
- Career opportunities and development growth
- Recognition of the technical excellence and innovation they are delivering

Highlight

Launched in 2011, the Technical Ladder pilot program was extended to the engineering and research communities in 2012, allowing for further testing and enhancement of the concept and process. A global launch of the program is currently being evaluated.

9.2 Performance management

Launched in 2011, Alcatel-Lucent's performance-management process, OurTalent Dialogue, focuses on the importance of continuous, person-to-person dialogue between managers and employees to support direction setting, goal clarity, guidance and feedback; enable employees to drive their own career development and performance in alignment with the company's business strategy; and ensure their own performance as well as that of the company.

In 2013, we launched an additional review of our top 200 leaders, seeking to improve their level of awareness of *The Shift Plan* and evaluate their needs to help Alcatel-Lucent achieve its objectives.

Our performance-management process will continue to support manager ability to ensure a better understanding of the linkages between management and leadership attributes — and how they promote explicit and open accountability to further ensure employee performance and engagement.

GOAL PLANNING & ASSESSMENT	COMPETENCY ASSESSMENT	CAREER PLANNING & GAP ANALYSIS	DEVELOPMENT PLANNING

9.3 Employee mobility

Providing employees the opportunity to explore new career options and pursue professional development is essential to building and retaining our talent. By increasing the visibility of the skills and competencies required for career growth and advancement within Alcatel-Lucent, the Internal Job Opportunity Market creates an open and fair internal market for employees seeking roles that best fit their talents and motivations. Increased access to employee profiles that highlight key skills and competencies also allows more employees to be considered for new projects and opportunities. Since its launch in 2011, the Internal Job Opportunity Market has helped us fill more than 40% of open positions with internal talent.

Accompanied by platform upgrades, regional job market newsletters and a dedicated recruiting team, the Internal Job Opportunity Market has resulted in multiple success stories across all the regions in which we operate.

When external hiring is required, we aim to attract the most competent managerial talent while respecting our diversity hiring policies.

2013 Achievement

More than 20,000 employees have submitted their CV information and candidate details to the Internal Job Opportunity Market.

Highlight

Our goal is to continually reduce the number of expatriate employees, leveraging our local talent market and ensuring expats transfer their knowledge and skills to their host teams, allowing for both their repatriation and the enhancement of our global capabilities.

9.4 Remuneration

Our policy is for all employees to be fairly paid regardless of gender, ethnic origin or disability.

We remain committed to providing our employees with a competitive compensation package in line with those of other major companies in the technology sector. We place particular emphasis on ensuring the development of our employees, rewarding the skills that drive innovation and ensuring long-term employee engagement through appropriate policies, processes and recognition tools.

Our compensation strategy also aligns with *The Shift Plan* and strives to strike a balance among the following elements: speed, simplicity, trust and accountability.

For further information about *The Shift Plan*, please refer to the Section 4.3.2 "Work organization and management".

Our compensation structure reflects both individual and company performance. The grants of long-term incentives (stock options and performance shares) are decided by the Board of Directors upon recommendation of the Compensation Committee. Their implementation serves several purposes:

- Involve employees in the company's results and in the achievement of the business plan (*The Shift Plan*)
- Encourage and reward performance
- Attract and retain talent in a highly competitive industry where quality and employee motivation are key factors for success

Employees benefiting from equity may dispose of the shares and/or the options at the end of the vesting or the acquisition period to the extent the presence and/or the performance condition(s) are met. In 2013, Alcatel-Lucent granted almost 25 million stock options and performance shares to 2,051 employees. Employee compensation evolution (wages and salaries) over the last three years is set forth in Note 35 to our consolidated financial statements.

10. Enabling flexible work arrangements

10.1 Teleworking

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

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

In 2012, we extended the number of countries with teleworking policies by defining agreements across the Middle East, Africa and Asia-Pacific, including in China and India. Building on our expanded teleworking deployments, a global teleworking policy was developed in 2013, respecting all local laws in this matter.

Overall, 42% of our employees telework at least one day per week — and some countries have even higher rates, such as Belgium (63%), Australia (62%), the United States (61%), Argentina (57%), Spain (54%), France (54%) and the United Kingdom (49%).

10.2 Services for employees

As part of our effort to create the best conditions for our employees, we provide services at the workplace to alleviate day-to-day constraints linked to professional activities. This translates into a multiplication of company-organized or company-financed services to employees at sites across the globe.

Local initiatives: France

We provided numerous workplace services to our employees over the past year, including the following in France:

Child care

Alcatel-Lucent has a partnership with France's Crèche Attitude program, which reserves places in nearby child-care facilities for the children of our employees. In 2007, we signed an agreement reserving 26 places in a Vélizy nursery; since then, we have secured 30 places in a nursery in the suburbs of Paris as well as eight places near our Ormes location.

Concierge services

To help our employees save time and improve work/life balance, we provide a number of concierge services at our Vélizy and Villarceaux sites. Services provided include dry cleaning, shoe repair and postal services. All employees at these sites (including those of other companies) can access these services.

11. Developing our workforce

11.1 Workforce planning

In 2013, we launched *The Shift Plan* in continuation of the Performance Program launched in 2012. In line with our long-term strategy and multi-year financial direction, targets have been defined for the skills and talents necessary to execute our business strategy in the context of *The Shift Plan*.

We continue to strengthen our capacity for short- and long-term workforce planning across the different business segments of the company. With respect to our product portfolio and financial performance, it is strategically essential that we align critical talent by:

• Adopting a prospective view on the necessary employee population changes

• Enhancing our ability to conduct focused recruiting (internal and external) and targeted training

• Planning our geographic footprint consistency for the future

11.2 Employee learning at Alcatel-Lucent University

11.2.1 Alcatel-Lucent University mission Q

The mission of Alcatel-Lucent University is to leverage our technology expertise to create personalized, high-impact learning and training solutions that optimize employee and customer performance and development through:

- Common learning and training tracks across all leadership competencies
- Employee accreditation programs aligned with profiles defined by our strategic workforce plan
- Community learning programs that reduce the time it takes to acquire best-in-class skills by making it easier to learn from the most talented people in the company
- State-of-the-art learning facilities and e-learning components

The University maintains 22 training centers around the world and a body of 430 professionals who provide training. Q

All learning hours are tracked through a formal learning management system that provides auditable learning volume reports. The University recently introduced a more personal, social-networking-based learning platform called My Personal Learning Environment (or My PLE), which allows students to better drive and manage their own learning programs. Designed around learning communities, My PLE makes it easier for students to learn from their peers and from content experts internally — which, in turn, helps to make learning more relevant to the job.

11.2.2 Achievements

We now have more than 700 students in the application and completion process for training accreditation in the areas of technical job skills and project management. We have also launched community learning for critical job functions as a parallel "fast track" to learn from the best-in-class employees. Q

In 2013, Alcatel-Lucent University delivered a total of 1.4 million hours of training (43 % for customers and 57 % for internal learners[1]) to more than 107,000 total students[2] across 161 countries. In 2013, the University delivered an average of 10 hours of training per internal learner. About 70 % of 2013 internal learning was delivered online, up from 51 % the year before. Q

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(1) Internal learners includes employees and contractors.
(2) Total students is all internal learners plus external customer learners.

11.2.3 Personalized learning

In 2013, Alcatel-Lucent University shifted its training approach toward a learning model centered on the individual employee, providing students with an immersive learning experience that is focused on their own professional development objectives. In addition, by emphasizing impact (e.g., learner competence/proficiency) over volume, our investment in learning can be maximized.

At the heart of this shift is My Personalized Learning Experience (My PLE), a social-networking-based learning platform that features both self-paced and interactive training, allowing employees to better drive and manage their own learning programs. Designed around learning communities, My PLE makes it easier for students to learn from their peers and from content experts internally — which, in turn, helps make learning more relevant to the job.

Since its introduction in April, more than 14,000 employees have subscribed to My PLE, accessing 2,500 unique learning objects and more than 500 unique proofs of competency. A post-launch found that 83 % of respondents had a positive perception of the My PLE application.

11.2.4 Certification and accreditation

In an effort to drive employee development in key strategic areas, Alcatel-Lucent University offers global certification and accreditation programs focused on building competencies and skills. One such example is the Optics Certification Program, in which nearly 200 employees have completed a total of 525 certifications, with another 1,200 in progress. (In addition to Optics, certification programs for LTE and SRC are also available.)

Alcatel-Lucent University offers a global professional accreditation and development program called People@Alcatel-Lucent. In concert with our Strategic Workforce Plan, this program develops and deploys learning programs for corporate-priority jobs. It is a group-wide initiative, spanning services, pre-sales and sales, and R&D. Implementing a job-oriented approach, People@Alcatel-Lucent reinforces the links between training and workforce planning. In 2013, the program accredited more than 700 employees, exceeding its objective for the year.

11.2.5 Technology-enabled learning

In 2013, the University intensified its commitment to providing more online learning for employees. Technology-enabled learning methods (such as virtual classroom training and other self-paced learning methods) offer improved access to and affordability of training. Technology-enabled learning now accounts for more than 70 % of the total employee training hours delivered by the University.

Students have access to a variety of learning opportunities and resources, including skills-related e-learning and e-books through the SkillPort portal, the Product and Solution Course Navigator to learn about Alcatel-Lucent products, and video-based learning through the Learning2.g0 tool.

Alcatel-Lucent University maintains its global offering of training for all employees through the Learning Management System. In addition, new forms of online learning are constantly being introduced, including community learning, which is largely implemented through Engage, the company's social networking platform.

11.2.6 Learning in support of The Shift Plan

Alcatel-Lucent University is playing a key role in the implementation of *The Shift Plan*, equipping employees with the knowledge and skills necessary to execute the plan in a timely and effective manner.

Support for strategic products and programs

To enable the company's shift to a specialist provider of IP networking and ultra-broadband access, Alcatel-Lucent University is launching new learning and certification programs in business-critical areas such as software-defined networking (SDN) and network functions virtualization (NFV). The University has developed an e-learning series to educate employees on these important topics, resulting in 3,000 hits to the course introduction alone and more than 1,400 students joining the cloud framework learning community.

Support for sales teams

Soon after *The Shift Plan* was announced, Alcatel-Lucent University developed an innovative set of sales training opportunities aligned with the new focus on IP networking and ultra-broadband access. The revamped sales curriculum gives Alcatel-Lucent sales professionals the right skills to better interact with customers, articulate a stronger Alcatel-Lucent value proposition and recommend more creative proposals to win over customers' business. Global and regional learning programs teach the newest technologies and share best practices, and are complemented by collaborative sales communities where members interact with peers and subject-matter experts to share advice, experiences and expertise.

Support for the new operating model

It is vital that all Alcatel-Lucent employees be brought up to speed — as quickly as possible — on the fundamentals of the evolved operating model at the heart of *The Shift Plan*, especially with regard to its impact on employee roles and responsibilities, interfaces and general operations for the company. With this goal in mind, some 4,500 employees have already completed knowledge assessments, with an average score of 85.8%.

11.2.7 Going Green initiative

Alcatel-Lucent University's Going Green initiative includes an ecology-friendly, non-print policy. The objective is to reduce the company's carbon footprint by focusing on technology-enabled learning and providing students with course materials as electronic PDF files. By the end of 2013, more than 70% of employee student hours were delivered via e-learning (requiring no travel on the part of students) and 60% of all classes delivered were conducted using green materials.

12. Global human rights policy Q

Highlight

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

Following the 2012 update to our Global Human Rights Policy to ensure alignment with the UN Guiding Principles on Business and Human Rights (the so-called "Ruggie Principles"), in 2013 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 supports transparency on freedom of expression and privacy. In parallel, we continue to dialogue with key industry stakeholders, including our customers as well as civil society, on our common responsibilities to human rights around the world.

Excerpt of Alcatel-Lucent Global Human Rights Policy

(Full version is available at:
http://www.alcatel-lucent.com/sustainability/policies.html and
http://www.alcatel-lucent.com/sustainability/human-rights).

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.

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.

- Prohibits:

  - ¬ Actions that create an intimidating, hostile work environment, including corporal punishment, harassment, verbal, written, physical or psychological abuse, threats or intimidation, as these are inconsistent with a respect for human dignity.

  - ¬ Actions that threaten or insinuate that an employee's or applicant's submission to or rejection of sexual advances will influence any personnel decision regarding that employee's or applicant's employment, wages, advancement, job assignment or any other condition of employment or career development.

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

As a supplier of telecommunications infrastructure we:

- Offer products and services in compliance with international standards, and support transparency in the way telecommunications technology is used by sovereign countries

As a business partner we:

- Maintain the highest levels of business ethics, personal integrity and compliance with our suppliers, subcontractors and business partners — and expect them to adhere to these in their practices as well

- 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 to assure their respect throughout the supply chain

As a corporate citizen concerned about communities 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

- Respect indigenous rights and civil society where we operate, and act in full recognition of our social and environmental responsibilities

- Play an active role, via the Alcatel-Lucent Foundation, in charitable activities and support its commitment to social responsibility

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

Read more about the implementation of our Human Rights Policy in the Ethics section of this report. >

Society

65,600

people have benefited from the work of the Alcatel-Lucent Foundation

1

of 49 signatories to UN Broadband Commission manifesto & member of Alliance for Affordable Internet, championing affordable broadband for all

65

small-cell customers in 45 countries – leading the market in extending connectivity as far as it can go

1. Our approach to digital inclusion

Our commitment

Realize the potential of a connected world and digital inclusion by developing and deploying affordable communication solutions for citizens, and by expanding their social and economic opportunities. We will address digital inclusion through our innovative products and solutions in ultra-broadband access, IP and cloud, enabling global connectivity. This will change the way billions of people live and work, and connect economies to new opportunities.

Digital inclusion is about giving people everywhere access to information, education and economic opportunities while encouraging environmental sustainability.

Digital inclusion and broadband universal access are key pillars of our product and solution portfolio, reinforcing our vision of "realizing the potential of a connected world". Our approach to digital inclusion focuses on:

Technology

Our new company focus on IP networking, cloud and ultra-broadband access under *The Shift Plan*, along with the innovation assets of Bell Labs and our partners, enable us to continue to shape the future of the industry and to make communications more sustainable, affordable and accessible. Specific technology areas of advancement include wireless and fixed access (e.g., VDSL vectoring, small cells), IP routing and transport and IP platforms. Q

Research

In 2013, Alcatel-Lucent conducted research into the ways cities around the world engage with citizens to tackle social, economic and environmental challenges. Through targeted research, citizens shared their views on new services that would make their daily lives better — for example, by reducing wait times, delivering healthcare and education remotely, reducing energy costs and more. **Q**

They also expressed their interest in actively helping define how to make their cities smarter — a finding published in our study of four urban centers focused on becoming 'smart': Chattanooga, U.S.; Zurich, Switzerland; King Abdullah Economic City, Saudi Arabia; and Wuxi, China. Alcatel-Lucent also conducted a joint study with GSMA Mobile Services on the topic of youth employment.
Read our smart cities study >
Download our free smart cities ebook – free with subscription >

Ultra-broadband access

In 2013, 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 international organizations and institutions. **Q**

Education and promotion: We continued our strong leadership in mLearning through work with GSMA, UNESCO, the mEducation Alliance, development banks, NGOs and international organizations such as the UN. This year we also became more involved in mHealth, actively developing projects with other partners. These public activities were reinforced by our work with governments worldwide — particularly in emerging countries — to promote the benefits of digital economies and inclusion.

Philanthropy

The Alcatel-Lucent Foundation continued to support digital literacy among youth in disadvantaged communities around the world. **Q** Its prime mission is to respond to today's global challenge of digital inclusion and sustainability, focusing on providing innovative programs for underserved communities around the world that enable youth — and particularly young women — to access educational and life skills programs.

By supporting digital inclusion, we strengthen our ties to the communities we serve — contributing to the development of new markets for our products and services and to the betterment of people's lives around the globe. Our philanthropic activities continue to target the key democratic principle of universal access through information and communications technology (ICT). Working with communities and universities in the domains of energy, health and education, we provide access to information, foster freedom of expression and encourage socio-economic development.

As a company, we have learned there is no single formula for achieving digital inclusion: it is the combination of targeting products, solutions, research and actions to different stakeholders including public authorities and NGOs, complemented by very selective philanthropy for citizens in disadvantaged communities.

1.1 Drivers of digital inclusion and universal access

Some 2.7 billion people used the Internet in 2013, representing just 39% of the world's population. In emerging markets, only 31% of the population is online, compared to 77% in the developed world. There is also a gender gap. In developing countries, 16% fewer women use the Internet than men[1].

If more people have access to mobile communications and the Internet, economies can grow and gender equality can improve through access to education, information, healthcare and more. Numerous studies

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1   ITU: ICT Facts and Figures: **http://www.itu.int/en/ITU-D/Statistics/Documents/facts/ICTFactsFigures2013-e.pdf**

have demonstrated the impact of mobile penetration on gross domestic product (GDP) growth[2]. On an individual level GDP per capita is an indicator of standard of living — used along with data on life expectancy and education to calculate Human Development Index (HDI) scores.

According to a model developed by Bell Labs and the World Economic Forum, the right combination of actions and investment can increase the GDP growth rate of a typical emerging country by 36%. Increasing the HDI by less than one percent, for example, gives 440,000 more children access to education and raises average life expectancy by 15 months. Increasing mobile penetration brings healthcare to rural areas, catalyzes business growth and expands the reach of government services. In essence, it changes the way people live.

Recognizing the social and economic benefits of broadband, by mid-2013 governments and service providers in more than 134 countries had national broadband plans with aggressive goals and timelines for affordable, universal, high-speed access and wireless services. Many set universal broadband targets of 100 Mbps per person by 2020. These plans will not only spur broadband adoption but also accelerate economic growth and increase national competitiveness.

Even in areas where ambitious objectives have been set, challenges remain. Europe has defined its digital agenda but is struggling to realize its benefits. There is a growing gap between the capabilities of the latest devices (e.g., smartphones) and the quality of the networks that support them. The European telecommunications industry is in critical need of a strategy more favorable to investment — particularly for the latest-generation ultra-broadband fixed and mobile infrastructures.

Learn more about the European Digital Divide >

1.2 Ultra-broadband access everywhere

1.2.1 Shift to the cloud

Ultra-broadband is driving a fundamental shift in our industry that will create unlimited opportunities — enabling the ultra-connected society in which everyone can connect to everything and where information, resources and experiences are available in an instant. Our ultra-broadband portfolio can enable universal access to education, healthcare, new services and other economic opportunities.

Combined with our core networking portfolio, which is based on our IP and cloud networking technologies, service providers can realize the full potential of their networks, cost-effectively extending the reach and coverage of broadband to more people — achieving national broadband goals and generating lasting social, economic and environmental benefits.

Learn more about **our solutions for service providers >**
Learn more about **ultra-broadband >**

1.2.2 Ultra-broadband for fixed operators

Our high-capacity fiber and copper access solutions — including the highest-capacity fiber solution on the market — help service providers, utilities and governments stay ahead of growing demand for ultra-broadband. We have the leading position in DSL technologies including vectoring and are present in most major fiber deployments worldwide, including more than 160 fiber-to-the-home (FTTH) projects — more than 140 of which are GPON-based. We help operators lower the risk and cost of fiber deployment to benefit communities worldwide.

Read more about our **fiber access** and **copper access** portfolios >

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2   *"Telecommunications and Economic Development,"* Christine Qiang, World Bank, 2008.

VDSL2 Vectoring

The VDSL2 micro-nodes introduced by Alcatel-Lucent in 2013 enable faster and more cost-effective deployment of VDSL2 vectoring technology, which allows operators to deliver super-fast broadband over existing copper lines. A key advantage of VDSL2 Vectoring is its ability to be rapidly deployed and meet the time-to-market challenges brought about by National Broadband Plans and Digital Agenda targets. Small and unobtrusive, micro-nodes can be passively cooled and powered remotely — meaning there is no need for local power.

VDSL2 Vectoring technology reduces broadband investment costs and risks, helping meet eco-sustainability targets and economically extending mass-market broadband for banking, healthcare, commerce, mLearning and other services.

Learn about **VDSL2 micro-nodes >**
Read more about **VDSL2 Vectoring >**
Read more in our **corporate blog >**

1.2.3 Ultra-broadband access for mobile operators

While nearly half the world's population now uses mobile technology[3], still more remain to enjoy the socio-economic benefits of mobile access. With small cells, lightRadio™ and LTE technology, our ultra-broadband access portfolio provides economically viable mobile access alternatives while combining IP capabilities that extend into the cloud, enabling more applications and services for underserved communities. We experienced 70% growth year-over-year in LTE and had 65 small cells customers in 45 countries at the end of 2013, extending broadband access to more people.

Read more about **ultra-broadband for mobile operators >**

1.3 Mobile meets cloud

Mobile Internet devices and the mobile Internet can connect more people in the developing world to cloud-based services, bringing them the benefits of the digital economy. Network operators can deploy a virtualized mobile network that supports more affordable and rapid service innovation and capture the promising new opportunities of the cloud.

Our Cloud Shift vision, the integration of the network and the cloud, is enabled by software-defined networking (SDN) and network functions virtualization (NFV). We are virtualizing our mobile portfolio applications, including evolved packet core (EPC), IP multimedia subsystem (IMS) and radio access network (RAN), and extending them to the cloud. Mobile operators can deploy these network applications to innovate more quickly, speed deployments and expand into new, underserved markets. This makes the benefits of cloud technology available to more people, driving economic growth and increasing the availability and quality in healthcare, education and other services.

Learn more about **mobile meets cloud >**
Learn more about our **Network Functions Virtualization >**
Learn more about **Nuage Networks™ Virtualized Services Platform >**

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3   GSMA Global Mobile Economy 2013

1.3.1 Working with customers to bridge the digital divide

Mobile operators are at the leading edge of today's ultra-connected world, expanding the possibilities for universal connectivity and transforming people's lives with access to services, education, healthcare and more. Our high-capacity fiber access and copper access solutions help fixed access operators bring more bandwidth to more people, supporting national broadband targets. Alcatel-Lucent engaged in several projects last year to help countries bring the socio-economic benefits of ultra-broadband access, IP networking and digital technology to citizens.

Poland

We were awarded the first broadband network project in Eastern Poland's Warmiñsko-Mazurskie region as part of the country's National Broadband Program. According to the EU, the project is expected to increase GDP by 1.38% and generate thousands of new jobs annually.

Argentina

We were also awarded a multi-year contract with Argentina's state-owned telecom company Empresa Argentina de Soluciones Satelitales (ARSAT) — including turnkey provision of its 100G DWDM network. ARSAT is tasked with building a nationwide greenfield telecommunications network that can accommodate traffic from different business divisions, give public offices access to hosted applications and a national video library, and deliver broadband applications to schools, remote areas and elsewhere.

Canada

In Canada, we worked with Eeyou Communications Network (ECN), a non-profit telecommunications utility, to provide broadband Internet access to 35,000 people living in native Cree and non-native northern Quebec communities. ECN's 1,400-kilometer fiber optic network is delivering commercial and social benefits throughout the region, including e-government projects, educational and tele-health services, tele-meetings, and opportunities for jobs, e-commerce, commercial communication and research.

Ghana

Surfline Communications is deploying the first commercial 4G LTE network enabling high-speed mobile broadband services in urban areas of Ghana as well as Western and Central Africa. Africa represents a major opportunity for growth in ultra-broadband access, and is a significant part of Alcatel-Lucent's strategy to form strategic partnerships with operators committed to making a positive contribution to people's lives.

Cameroon

Cameroon's leading high-speed Internet service provider, YooMee Africa, is set to expand into new African markets and reduce the digital divide by offering TDD LTE ultra-broadband wireless access.

"…We plan to deploy TDD LTE in other countries in which YooMee is holding the relevant licenses in the coming years. Our work at the University of Douala, giving 70,000 students and faculty access to broadband Internet at very affordable rates, is another indicator of our commitment to improving the quality of life in Africa by overcoming the digital divide."

DOV BAR-GERA, CEO
YOOMEE AFRICA

Turkey

Turk Telecom, Turkey's leading telecom operator, wants to extend its fiber broadband infrastructure to all parts of Turkey and leverage technology advantages in its backbone network, all in line with its "digital transformation" vision to meet the country's requirements today and into the future. This gave Alcatel-Lucent the opportunity to showcase the strengths of its **100G technology**, breaking a Guinness World Records™ title in the summer of 2013 with an 8 Terabit-per-second data transmission (equivalent to downloading 250 HD films per second) over a single fiber cable in a commercial network.

Read more on the **record-breaking 100G trial >**
Learn more about our **Agile Optical Networking >**

Luxembourg

The national government wants to position Luxembourg as Europe's premier digital hub, setting very aggressive broadband targets: 100 Mbps for all by 2015 and 1 Gbps for all by 2020. P&T Luxembourg is using Alcatel-Lucent's GPON and P2P-based fiber access solution and is investigating how to leverage its existing digital subscriber line (DSL) infrastructure to reach the government's 100 Mbps target faster — through the use of VDSL2 Bonding and Vectoring.

Switzerland

Swisscom is deploying our fiber-to-the-home technology to achieve its target of connecting nearly one-third of Swiss households to high-speed broadband services by 2015. The deployment is part of Swisscom's comprehensive strategy to bring the benefits of ultra-broadband to 85 percent of the country's households and businesses by 2020, using both optical fiber and existing copper infrastructure.

Submarine network solutions

Undersea cable systems provide cost-effective access to broadband connectivity, fostering social and economic development in isolated areas and addressing the growing demand for Internet, data and voice traffic around the globe. Alcatel-Lucent signed several contracts in 2013 and into January 2014 for upgrades and new turnkey deployments, including:

- Upgrading the EASSy submarine cable system — one of the largest and most modern serving Africa — with the deployment of the latest 100 gigabit-per-second (Gbit/s) technology

  Read more about **EASSy >**

- Providing technology to expand the undersea infrastructure of Vanuatu-based Interchange Limited to deliver ultra-broadband access capability

  Read more about our work in **Vanuatu >**

- Upgrading the Asia America Gateway cable system, which extends along half the length of the equator

  Read more about the **Asia America Gateway >**

- Working with Telkom Indonesia to develop a 3,000-km submarine cable system to link the islands of Sulawesi, Maluku and Papua

  Learn more about our submarine work with **Telekom Indonesia >**

- Contributing to a new 100G submarine cable system connecting Oman, the United Arab Emirates, India, Sri Lanka and Malaysia

  Learn more about the **Bay of Bengal** project

- Providing submarine technology to connect Kélibia in Tunisia to Interoute's pan-European fiber-optic network at data speeds of 100 Gb/s

  Read more about our work in **Tunisia >**

- Building América Móvil 1, the world's first 17,500-km submarine cable system specifically designed for 100G transmission, with América Móvil, S.A.B. de C.V., the leading wireless services provider in Latin America

    Read more about **AMX-1 >**

- Performing a major upgrade on 9,600 km of trans-Pacific digital submarine cable using advanced coherent technology

    Read more about our **trans-Pacific project >**
    Read more about our **submarine network solutions >**

1.3.2   Our impact around the world

A robust telecommunications infrastructure fosters equality by democratizing information and enabling the promotion of fundamental human rights. Alcatel-Lucent positively affects the communities in which it operates by following policies and procedures that emphasize hiring local personnel, evaluating local suppliers, minimizing environmental impact and, through our digital inclusion strategy, developing actions that enhance people's quality of life. We measure the impact of our actions according to a range of social, environmental and economic indicators — for instance, assessing the success of our digital inclusion initiatives based on time spent using the technology, life-quality improvement, social changes and environmental benefits in the community, reputational benefits, revenues and more.

1.3.3   Committed to human rights and democracy

Our commitment

We believe improvements to a country's communication capabilities benefit people by creating opportunities, promoting economic and cultural well-being and, ultimately, providing the capacity to support or to evolve to democracy. We also believe reliable, affordable and widely available communications services are a critical engine for economic and social development.

In countries where we operate, we respect and comply with local laws and regulations, standards, and human rights legislation. Within our scope of influence, we support and respect:

- The United Nations Universal Declaration of Human Rights
- The Guiding Principles on Business and Human Rights
- The 10 principles of the United Nations Global Compact
- The International Labor Organization Declaration of Fundamental Principles and Rights at Work
- The Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises

Our policies and procedures take into consideration hiring local personnel, evaluating local suppliers, minimizing effects on the environment, and developing programs that enhance quality of life for people in the communities where we operate.

Read more about human rights in **Our People, Supply Chain**, and **Ethics >**

To deliver on our commitment of universal access, we perform research and market studies to understand market needs.

1.3.4 Case study: Broadband in New Zealand

In February 2012, Alcatel-Lucent and key national stakeholders in New Zealand applied a Bell Labs model for assessing the impact of broadband access associated with ultra-fast broadband (UFB) and Rural Broadband Initiative (RBI) investments across the country. The study showed that by enabling applications such as teleworking, videoconferencing, remote patient monitoring, online training and even remote sheep herding, UFB and RBI will add more than $5 billion to New Zealand's GDP over a 20-year period. The study also found that the combined consumer surplus from using high-speed broadband applications significantly outstripped the GDP impact of building the UFB and RBI networks. We continued to expand on the Bell Labs model and its application in 2013.

Read more about our **New Zealand** study >

1.3.5 mLearning and mHealth for better access to education and health

With more than 90 million students enrolled in higher education programs worldwide — a figure expected to climb to 150 million by 2025 — new tools and approaches are needed to ensure educational systems have the capacity to deliver and give students access to the benefits of learning. Mobile learning (mLearning) has great potential to meet this need, especially in developing countries and rural areas where it could make educational opportunities available despite poor infrastructure and limited access to resources.

In 2013, Alcatel-Lucent maintained its active role in mLearning and became involved in mHealth as well, continuing to explore social innovation projects. We were instrumental in establishing an ambitious mobile health project in Senegal to address diabetes, partnering with the International Telecommunications Union, World Health Organization, Government of Senegal, UNFM (Université Numérique Francophone Mondiale), local partners and private sector companies in the ICT and pharma industries. Project governance and preparations are underway, with launch planned for October 2014.

Other mLearning and mHealth activities and initiatives last year included joining the Alliance for Affordable Internet, a coalition of private, public, and civil society organizations to advance affordable access to mobile and fixed-line Internet in developing countries; and signing the United Nations' Broadband Commission's Broadband Manifesto along with 48 members of the Commission and other prominent figures from industry, civil society and the UN family.

"The vital role of broadband needs to be acknowledged at the core of any post-2015 sustainable development framework, to ensure that all countries — developed and developing alike — are empowered to participate in the global digital economy."

BROADBAND MANIFESTO

2. How we give

2.1 Bringing digital literacy to all

Our Commitment

The Alcatel-Lucent Foundation is dedicated to making a difference in communities where our company and customers are present. Its prime mission is to respond to the global challenge of digital inclusion and sustainability.

With a focus on helping young people – particularly young women – contribute as citizens and community leaders of tomorrow, the Foundation's programs:

- Provide basic education and keep young people in under-served communities in school

- Help under-served youth return to school

- Provide under-served youth with life skills and vocational training to prepare them for entering the world of work

Alcatel·Lucent *Ⓐ*
Foundation

The Alcatel-Lucent Foundation contributes to the company's commitment to digital inclusion by supporting philanthropy that serves and enhances the communities where our employees and customers work and live. Its prime mission is to support charitable activities dedicated to digital literacy, access to education and life skills/vocation training for youth, especially young women from disadvantaged communities worldwide. The Alcatel-Lucent Foundation also organizes and promotes volunteerism among company employees. **Q**

In 2013, Alcatel-Lucent continued to measure results/impacts using the Foundation guidelines and the London Benchmarking Group (LBG) tool and standards to provide quantitative and qualitative assessments of the economic, societal, environmental and social impact of philanthropic investments.

LBG

2.2 Philanthropy 2013 Achievements

65,600

- Provided US $2,447,885 to carefully selected charitable programs around the world. **Q**

- 48 multi-year programs supported in 19 countries

- +4,900 Alcatel-Lucent employees who donated approximately 34,500 hours to 119 goodwill projects in 35 countries

Through all of these initiatives, the total number of those benefiting from Alcatel-Lucent Foundation activities around the world last year was 65,600 children and young adults from disadvantaged communities.

In 2013, the Alcatel-Lucent Foundation supported two global signature programs:

1. ConnectEd is a digitaled education partnership with the nonprofit organization World Education and Alcatel-Lucent Foundation to provide educational and digital skills training opportunities for youth in disadvantaged communities worldwide. Launched in April 2011, this three-year program puts a special focus on the use of technology to transform educational, work and life of youth. In 2013, ConnectEd was deployed in five countries: Australia, Brazil, China, India and Indonesia. From April 2011 to September 30, 2013, the program provided training to 17,866 youth, 61% of them girls. **Q**

2. Campus in the Cloud is an Alcatel-Lucent employee in-kind initiative that aims to bridge the knowledge gap for those who have no or little access to education by leveraging our in-house skills, talent and communications technology. Launched in 2013, this program encourages our employees to share their knowledge by creating short, educational videos on their work, advice on career advancement, and how to prepare for the world of work. These videos are then shared using communications technology with the beneficiaries of Alcatel-Lucent Foundation programs. This program will be expanded in 2014 at both employee and Foundation level. **Q**

The foundation has also created a volunteering management web tool to better monitor and structure our reporting on volunteering activities company-wide. The tool was launched in July 2013 starting with a pilot implementation in the U.S. The tool will be deployed worldwide in 2014. **Q**

2.3 Alcatel-Lucent Foundation: Governance

Funded by Alcatel-Lucent, the Foundation is organized under the laws of the U.S. State of Delaware and is a non-governmental, non-profit, private organization. It is governed by its own Board of Trustees, which includes senior executives from Alcatel-Lucent and external organizations. The Board meets on a regular basis to make funding and allocation decisions and operates four subcommittees: Executive, Grant Making, Finance and Nomination. Additional committees can be organized as needed.

Foundation Board of Trustees

As of December 31, 2013, the Alcatel-Lucent Foundation Board of Trustees included eight company executives, an employee representative, an executive director and two external trustees (one being the chairperson).

Chairperson: Janet Davidson

External trustee: William Reese (CEO of the International Youth Foundation)

Alcatel-Lucent trustees: Barbara Landmann (Vice-Chairperson), Richard Campbell (Treasurer), Alex Yip (Secretary and Legal Counsel), Sandy Motley, Theodore Sizer, Radwa Hafez, Christine Diamente (Ex-Officio), Frederic Chapelard, and Marco Malfavon (Trustees)

Director: Bishalakhi Ghosh*

* Effective February 1st, Elisabeth Eude was nominated Alcatel-Lucent Foundation Director by the Alcatel-Lucent Foundation Board of Trustees replacing Bishalakhi Ghosh.

2.4 The Foundation Grassroots Program

Working with the company's various regions, the Foundation funded 48 Grassroots programs in 19 countries last year. Most of these are longstanding at five years or more. Two new programs were launched in partnership with the regions, both linked to the empowerment of young girls through education, mentoring and social participation. These carefully chosen projects benefit individuals who are continuing their education either formally or informally and are also being trained and mentored to be work-ready.

In 2014 the Foundation will continue to support its programs and increase in-person and virtual volunteering, pro-bono skills sharing and mentoring.

Examples of the Foundation's work in 2013 include:

Life skills for underprivileged youth – Chennai, India

The Life Skills for Children program works to build children's confidence and social skills while providing educational support, books and uniforms.

Future Leaders Program – Shanghai, Beijing, Nanjing, Chengdu, China

The Future Leaders Program, a partnership between Alcatel-Lucent and Junior Achievement China, has had a profound impact on disadvantaged youth, imparting key principles of sustainable development. It supports two sub-programs: the *CareerGo Workshops* for college students; and *Green Lessons* for migrant children. Nine workshops were held in 2013 involving 170 Alcatel-Lucent volunteers and benefiting more than 1,300 students.

New Lessons, New Life – Cairo, Egypt

New Lessons, New Life addresses the needs of the 'invisible' girls of Cairo's urban slums, providing opportunities for them to come together, explore and learn. Eight classes were established in the slums of Manshiet Nasser and Masr il Quadima, enrolling 152 girls between the ages of 11 and 20 — the majority of whom had never been schooled or had dropped out.

Become their Mentor – Egypt and Morocco

Through this program, which focuses on improving public schooling, Alcatel-Lucent volunteers mentor students, helping them build their confidence and develop their skills in preparation for social interaction and becoming responsible citizens.

Boosting Confidence through Language Training – Los Angeles, USA

Undertaken with the Neighborhood Learning Center, this program supports young people who face economic disparity, linguistic challenges, immigration-related issues and a lack of opportunity — making them prime targets of organized and unorganized gangs. Eleven Alcatel-Lucent employees and three of their family members volunteered a total of 358 hours at the center in 2013.

Empowering Young Disadvantaged Girls through IT Training – Venezuela

SUPERATEC is an NGO created to transform the lives of people and communities through technology and training. Its Empowering Young Disadvantaged Girls program concentrates on building young women's skills, employability and income potential to improve their living standards and those of their families. Alcatel-Lucent volunteers have delivered educational workshops focused on public speaking, time management and social media to equip these youth for workplace success and financial independence.

3. Employee volunteering

3.1 Our approach

Employees have the opportunity to volunteer during their work time when customer priorities allow as well as during their time off. Participating in Foundation programs has helped build employee pride in the company and in their own roles, and connected the company's brand with local community activity.

Highlight

Employees in 35 countries volunteered for more than 119 projects in 2013. More than 4,900 Alcatel-Lucent employees donated over 34,500 hours to their communities at an estimated value of more than USD 1,422,289 million.

The company continued Campus in the Cloud – a signature program linked directly to Alcatel-Lucent's business objectives and community investment approach that shares skills and expertise already available within the company.

2014 Target

In 2014, we will continue our effort to provide digital training to 13,500 children. We will also focus on maximizing the impact and value of the Foundation to Alcatel-Lucent, by creating a group-wide strategy to guide corporate philanthropic activities aligned with the Shift Plan, so that the Foundation becomes a key element of business acceleration.

In July 2013, we launched a U.S.-based pilot of our volunteering management web tool to better monitor and structure our reporting on volunteering activities company-wide. The tool will be deployed worldwide in 2014.

3.2 2013 volunteering highlights

3.2.1 Global Days of Caring

In 2013, the Alcatel-Lucent annual global volunteering initiative, Global Days of Caring, ran throughout July and August. Under the 'WE CARE' signature, employees in every region volunteered with various grassroots programs and our Global Signature Program, ConnectEd.

Employees organized 34 local initiatives in 23 countries: Algeria, Australia, Colombia, Cote d'Ivoire, Egypt, Ghana, Hong Kong, India, Indonesia, Kenya, Korea, Mali, Mexico, Nigeria, Senegal, South Africa, Tanzania, Turkey, UAE, Malawi, Venezuela, Sri Lanka and USA. Volunteering activities ranged from food, clothing, toy and book drives to educational, training and career-orientation workshops. More than 478 employees gave their time and support, benefitting more than 5,525 people.

In the U.S., Alcatel-Lucent welcomed more than 120 students and teachers from seven local high schools for the annual Alcatel-Lucent Bell Labs Green Tour in Murray Hill, New Jersey on September 18th. These visitors were treated to hands-on demos, presentations, brainstorming with Alcatel-Lucent scientists on science projects and informal discussions on careers in science and technology.

In Mali, volunteers helped children at an orphanage explore the Internet through computers, tablets, phones, using applications such as Baby Explorer, La Ferme 123, TOM le chat, Angry Birds, Temple Run and others. The event was carried out in partnership with the Orange Mali Foundation. "Un livre pour deux mains" also provided 30 books to develop the children's language skills. During the day, volunteers discussed how they might continue their involvement with the children beyond the one-day event — which ended with a slice of Global Days of Caring cake for all.

3.2.2 Volunteering highlights from our regions

Egypt

Alcatel-Lucent employees supported the Food Bank's *Breaking a Fast* and *Zakat el Mal* programs to meet the food needs of underprivileged families, donated clothes to women and children living on the streets in Cairo through the Banati and Banat el Ghad foundations and made life-saving blood donations.

United Arab Emirates

In Abu Dhabi and Dubai, volunteers helped educate parents and children about safe driving — including the importance of using seatbelts in the back seat of a car. To help spread the word, Alcatel-Lucent personnel packed goodie bags for distribution in schools.

South Africa

Staff in South Africa took part in "Take a Girl Child to Work Day" on May 31, exposing girls to career possibilities and helping them make informed decisions about their futures — in keeping with Alcatel-Lucent's focus on gender diversity and recognition as an employer of choice among women in South Africa. On Nelson Mandela Day, volunteers visited Compass Home, an orphanage for abandoned or abused children and adults, donating a sumptuous lunch, goodie bags for the children, and roughly 100 blankets for the approaching winter season.

Turkey

Employees at Alcatel-Lucent Turkey (Teletas) have completed a number of noteworthy community efforts. The organization has been collecting bottle caps and metal beverage cans since 2011 as part of their "Overcome Obstacles Project." In 2013, the collection purchased wheelchairs for disadvantaged local citizens. Money and vending machine credits collected from volunteer employees helped to buy milk, chocolate and cakes for students at a low-income local primary school, helping students celebrate special holidays such as National Sovereignty Day and Children's Day. This same group of employees was also involved in providing financial support during the construction of the school, which was subsequently named Teletas Primary School in honor of the Alcatel-Lucent Turkey employees. As well, Alcatel-Lucent volunteers in Turkey donated blood every three months and guaranteed the availability of other donors for emergency situations, following a roster that ensures life-saving blood is always available when needed.

France

Alcatel-Lucent continued its participation in the Global Biking Initiative, launched six years ago by telecom industry cycling enthusiasts. The challenging, socially concerned event starts at Vodafone headquarters in Newbury, UK, and ends in in Dusseldorf, Germany. Last year, 50 cyclists joined in support of children in need.

Germany

Two fundraising and gift drives by Alcatel-Lucent warmed the hearts of children late last year: 60 children and youth in the St. Josef children's home and Stuttgart home for single mothers received Christmas gifts from Alcatel-Lucent volunteers. Also last year, the Alcatel-Lucent Shop team raised €155.70 for Stuttgart's Olgahospital, one of Germany's oldest and largest hospitals for children and young people.

Poland

From October 2012 to September 2013, the Alcatel-Lucent Foundation sponsored a project to strengthen the social, educational and vocational competencies of 15 young women from underprivileged Polish communities.

The Alcatel-Lucent Voluntary Fire Brigade (VFB) in Bydgoszcz organized blood donations from employees, contractors, third parties and neighbors three times last year — in March, June and December — in cooperation with the Regional Blood Center, collecting 68.6 liters of blood.

Volunteers once again prepared Christmas boxes for struggling families through the long-running *Szlachetna Paczka* program under the organization of Małgorzata Daszkiewicz.

China

In 2013, more than 2,000 employees gave more than 13,000 volunteer hours to their communities. Through the *Small Eyes, Big World* initiative, volunteers worked with ConnectEd students in Shanghai on an outdoor photo shoot that formed the basis of an exhibition in the Alcatel-Lucent Shanghai office lobby. In Shanghai and Beijing, volunteers launched an initiative to gift table lamps to students whose poorly lit homes were an impediment to learning.

Indonesia

Volunteers from Alcatel-Lucent Indonesia arranged workplace behavior and public speaking workshops for students through the ConnectEd program, including information on how to write CVs and cover letters and interview simulations. These workshops were so successful they are now being held almost monthly.

India

For Global Days of Caring 2013, Alcatel-Lucent hosted a day of activities for nearly 150 children being served by NGOs, including drawing/painting, indoor sports and entertainment. Participants were offered morning snacks, lunch and evening snacks. Last year as well, volunteers refurbished and donated 150 used laptops to various NGOs, and engaged in tree planting at our Bangalore campus on World Environment Day. A three-day blood donation drive in June yielded nearly 254 units of blood.

USA

The Alcatel-Lucent Foundation partnered with Oiada International to provide a videoconferencing/green screen program for *Take Our Daughters and Sons to Work Day* in Murray Hill, New Jersey, using the program to introduce employees' children to the company's global business and excite them about video production technology. Four 50-minute sessions were held over the day, involving 150 children and 21 employees.

Thirty-five cyclists representing Alcatel-Lucent rode 107 miles as part of the Gran Fondo bike tour in New Jersey on September 8th in support of The Seeing Eye, the world's oldest guide dog training school.

As well, teams from New Jersey — supported by the company's U.S. and France Human Resources teams — took part in "We Made It", which helps students from disadvantaged communities discover the professional environment and better build their job skills. Complementing *Passeport Avenir,* We Made It gives deserving students a one-week trip to the U.S. to discover a new culture, develop understanding of business, and benefit from an enriching international experience.

In Plano, Texas, approximately 400 middle school students from Frisco Independent School District spent a summer week at Mindbender Academy exploring career opportunities in science, technology, engineering and math. Students discovered engineering skills, created their own animations, designed video games, worked with robotics, and learned from Alcatel-Lucent volunteers about their careers and studies.

Canada

Volunteers at Canada's Ottawa campus participated in a range of fundraising activities in 2013 including the five-week *Inside Ride* campaign, a penny drive, and a fitness-based Spin-a-Thon that garnered TV coverage on the morning news.

Colombia

Volunteers planted trees in Bogota, made Christmas donations to the neighborhood of Codito, provided online technology training to 500 teachers and donated 30 tablets for underprivileged children through the Empresarios por la Educación Foundation.

Ecuador

As part the Global Days of Caring, volunteers bought battery-powered wheelchairs for eight children — aged six months to four years — who suffer from cerebral palsy.

Mexico

Alcatel-Lucent Mexico held its ninth annual children's drawing contest — last year with the theme of "how technology helps young people at school".

Teams also collected provisions for victims of Hurricane Ingrid and Tropical Storm Manuel as well as toys for Children's Day celebrations, staged health campaigns for employees and their families, celebrated Women's Day, and held a Christmas bazaar.

3.3 Giving in-kind

In addition to direct financial contributions and volunteering, Alcatel-Lucent provides in-kind donations under the guidelines of its Global Charitable Contributions policy. In 2013, our IT department continued the PC refresh program: employees turned in close to 2,500 old-but-still-functioning laptop and desktop computers for donation to charities around the world. Country teams also donated school items, clothes, food and other necessary items to NGOs and disaster relief measures throughout the year.

3.4 Corporate charitable contributions

Alcatel-Lucent's Global Charitable Contributions policy empowers the company's regional offices and business units to donate funds to worthwhile causes, often in alliance with customers and suppliers. The policy requires close tracking and auditing of all donations by the Alcatel-Lucent Foundation.

In 2013, we donated more than USD 2 million through various projects and employee payroll giving. Since December 2010, all requests for corporate contributions have been processed through the computerized EZ Visit Tool, which manages requested submissions, required documentation and due diligence as well as legal approval.

3.5 Global Signature Programs

2013 Achievement

Our Global Signature Program – ConnectEd – was launched in April 2011. By September 30, 2013, it had provided digital training to 17,866 youth, 61% of them girls.

2014 Target

The ConnectEd program will conclude as scheduled in four countries in 2014, continuing in Indonesia until 2015.

3.5.1 'ConnectEd' to youth

ConnectEd is a partnership between Alcatel-Lucent and World Education. Based on the United Nations Millennium Development Goals, it aims to see universal primary education for all by 2015. Since launching in 2011, the program has had a positive impact on the lives of 17,866 youth as of September 30, 2013.

Active in Australia, Brazil, China, India, and Indonesia last year, ConnectEd addresses factors that limit the work and life options of disadvantaged youth (with an emphasis on girls and women). The program puts a special focus on the use of technology to transform educational, work and life outcomes. ConnectEd will conclude as planned in four countries in 2014, continuing in Indonesia until 2015.

3.5.2 Campus in the Cloud

Campus in the Cloud is an in-kind initiative that leverages Alcatel-Lucent's in-house skills, talent and technology to bridge the knowledge gap for those who have little or no access to education. Launched in 2013, it encourages employees to share their knowledge by creating short educational videos offering perspective on their work and advice on career advancement and how to prepare for the world of work. These videos are shared using communications technology with the beneficiaries of Alcatel-Lucent Foundation programs. This program will be expanded in 2014 at both employee and Foundation levels.

3.5.3 The employee connection

Last year, 1,149 employees volunteered 4,817 hours to support ConnectEd. Foundation board members also actively participated, mostly through virtual mentoring sessions.

2013 Achievement

In 2013, 1,149 Alcatel-Lucent employees volunteered 4,817 hours of their time to ConnectEd.

Among the volunteering highlights of the year:

- Christine Diamente — Head of Brand and Corporate Sustainability at Alcatel-Lucent and an Alcatel-Lucent Foundation board member — held a Skype session with three young women in Australia, discussing her career and how she attained her current position. Follow-up session continued in 2014.

- Alexandra Birladianu and Gabriela Cano (Alcatel-Lucent Brazil) visited ConnectEd Brazil in Sao Paulo and Rio de Janeiro, where ConnectEd works with young people from low-income families between the ages of 16 and 24 who are enrolled in or have graduated from formal secondary schools.

- From Cairo, Radwa Hafez of the Alcatel-Lucent Foundation Board videoconferenced with three young women in India for a conversation about education and careers. These first-generation learners were among a hundred others from their locality supported by ConnectEd.

Supply Chain

77%

of our active
suppliers rated
"satisfactory"
or above

350

suppliers surveyed
to determine the
origin of conflict
minerals in their
components

1,515

suppliers
screened in our
anti-corruption
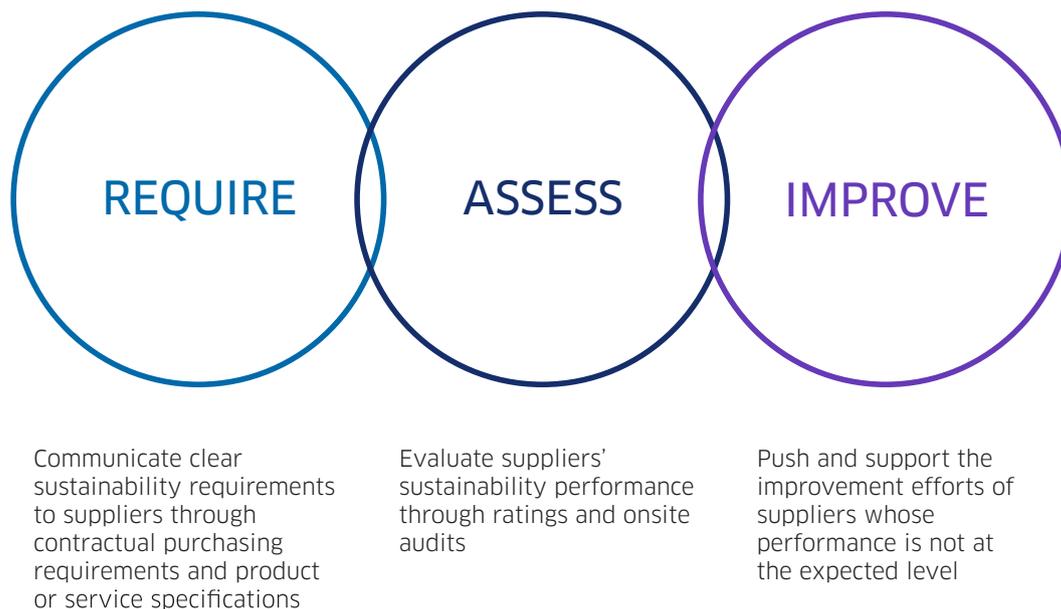program

1. Our comprehensive supply chain approach

Our Commitment

We are committed to promoting sustainability throughout our supply chain and, in particular, among the third-party suppliers that provide us with components, products, software, support or services. 🔍

2014 Priorities

- Achieve our objective of having 80% of suppliers assessed as "satisfactory" or above.

- Publish our 2013 conflict minerals report and raise expectations for our suppliers with regard to conflict minerals traceability.

- Deploy our anti-corruption screening program in all regions.

REQUIRE	ASSESS	IMPROVE
Communicate clear sustainability requirements to suppliers through contractual purchasing requirements and product or service specifications	Evaluate suppliers' sustainability performance through ratings and onsite audits	Push and support the improvement efforts of suppliers whose performance is not at the expected level

2. Our requirements for suppliers and subcontractors

2.1 Adherence to the Electronics Industry Citizenship Coalition (EICC) Code of Conduct

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. **Q**

All suppliers who sign business agreements with Alcatel-Lucent are required (through contractual templates) to commit to the EICC Code of Conduct and cascade its requirements throughout their own supply chains and to adhere to the Ten Principles of the United Nations Global Compact (UNGC).

2.2 Adherence to international standards

Alcatel-Lucent encourages its suppliers to meet certified international standards such as ISO 14001 for environment and OHSAS 18001 for health and safety. We track supplier compliance with these standards as part of our risk analysis and supplier assessment processes, and strongly encourage suppliers to implement or enhance their sustainability approaches based on them.

> ## Highlight
>
> Sustainability is increasingly a key consideration in the way we select and manage our suppliers. For example:
>
> - Suppliers must have a "satisfactory" sustainability rating to become a preferred production supplier.*
>
> - General or product/service-specific sustainability requirements are integrated into suppliers' bids and tenders, and account for a portion of the total scoring and selection criteria.
>
> - Sustainability performance is one of the eight areas of the supplier scorecards used during business reviews with our suppliers (see section 4.2).

* "Preferred" suppliers are those sources for a given purchasing family that we consider first for new projects. Our objective is to concentrate our spending on these suppliers. Preferred suppliers take priority for incorporation into new designs and must be used for purchase orders whenever possible.

2.3 Commitment to strong environmental performance

Our suppliers and contractors must take the necessary steps to protect the environment when producing the goods and materials they deliver to us. We systematically monitor critical indicators of environmental impact for our manufacturing subcontractors, measuring aspects such as energy efficiency, materials usage, and the efficient distribution and transport of materials. We also expect major suppliers to report on emissions generated in support of Alcatel-Lucent activities so we can incorporate their data into calculations of our own Scope 3 emissions.

Environmental criteria are critical elements in the selection and management of suppliers. Recent supply chain initiatives have helped us improve our efficiency as well as that of our suppliers while reducing our collective impact on the environment.

Environment, health and safety (EHS) manual for subcontractors >
Form on product EHS characteristics >
Form on component EHS characteristics >
Form on services EHS characteristics >
Supplier requirements on substance restrictions >

Suppliers interested in learning more about our list of preferred hazardous preferred hazardous waste and electronics scrap facilities can do so in our secure Supply Chain portal.

2.4 Anti-corruption screening

To strengthen our anti-corruption requirements, we implemented the following processes: **Q**

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

- We continue to screen our existing suppliers, beginning with those who present the highest corruption risk.

- We continually track our supplier base for corruption risk via a subscription-based monitoring service.

2.5 Working with local and regional suppliers

Our policy is to manufacture products regionally wherever possible, avoiding the need for overseas shipments from our factories to our customers. Similarly, we intend to establish regional suppliers for each manufacturing site to provide selected commodities; our sourcing strategy is to have at least one preferred supplier per region. This strategy enhances local development while reducing our inventory requirements, costs and carbon emissions related to transportation. It also makes our supply chain more flexible.

As regional suppliers are managed at the regional level with manufacturing subcontractors, we have no metric to measure progress in this area.

2.6 Product traceability and conflict minerals

Components and parts containing minerals such as tin, tantalum, tungsten and gold are commonly used in the manufacturing of electronics and telecommunications equipment. The exploitation and trade of such minerals originating in the eastern region of the Democratic Republic of the Congo and its neighboring countries is, in some instances, helping directly or indirectly finance or benefit armed groups — with serious social and environmental consequences. The minerals involved are called conflict minerals.

In 2013, we surveyed nearly 350 suppliers on conflict minerals to determine the origin of the tin, tantalum, tungsten and gold included in their components. This traceability program aims at pushing our supply chain to use legitimate sources and address the human rights and environmental violations occurring in Africa's Great Lakes region mining and trading activities. We combine mineral smelters' conflict-free audit status (provided by the industry associations GeSI and EICC) with traceability information from our suppliers to determine mineral origin status. We report annually on this program's progress on our website. **Q**

More detailed information can be found in our 2013 report on conflict minerals.

2.7 Maintaining supplier diversity

Alcatel-Lucent strives to maintain a diverse supply chain and has high expectations — and in many cases, specific customer requirements — for performance in this area. The Alcatel-Lucent Supplier Diversity Program broadens our business relationships across North America and provides bidding opportunities for a wide range of suppliers, driving inclusion throughout our supply chain. Complying with U.S. legislation such as the *Small Business Act*, *Public Law 95-507* and the *Federal Acquisition Regulations*, our Supplier Diversity Program has been recognized as best-in-class by the North American telecom industry.

|	
250 of 400	We currently have 250 active diversity suppliers and more than 400 diversity suppliers in our database. • In 2012, 20.9% of our U.S. region spend was with minority- and women-owned businesses • In 2013 we maintained a spend of over 20% with minority- and women-owned businesses.

3. Assessing supplier sustainability performance

Our fully integrated assessment approach for evaluating suppliers' ethical, social and environmental practices includes risk analyses, sustainability management systems ratings and onsite sustainability audits.

3.1 Risk assessments

We perform risk assessments when evaluating new suppliers. We also reassess the risk levels of our major suppliers on an annual basis. These assessments measure levels of risk according to a supplier's type of activity, location and other factors. If the overall risk level is excessive, either the supplier may be rejected or actions such as a formal sustainability rating process may be taken to ensure the supplier's practices meet our requirements. **Q**
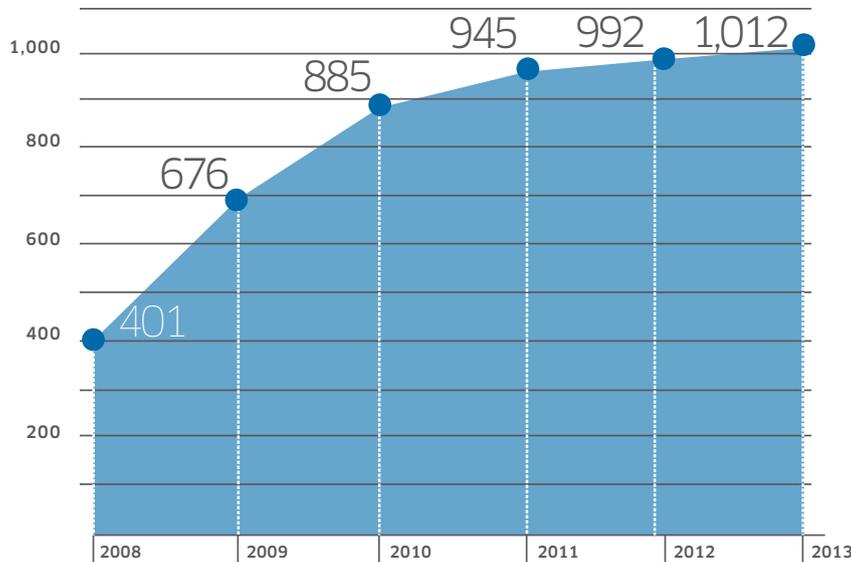
Sustainability Assessment Process
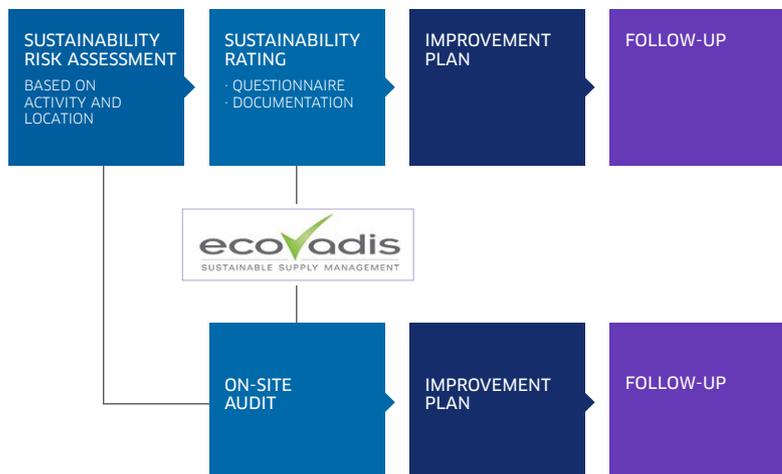
3.2 EcoVadis sustainability ratings

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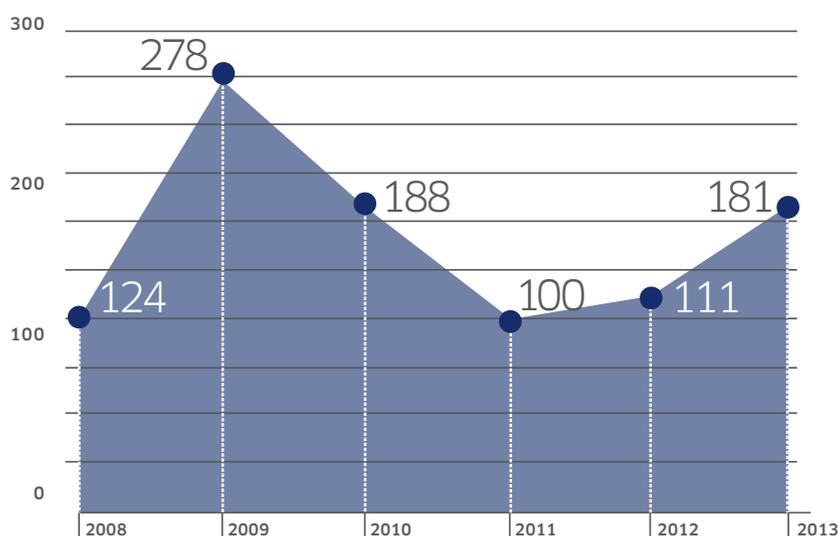
social, ethical, environmental, health and safety and human rights practices, and on how they manage their own supply chains. Ratings are determined by EcoVadis experts based on supplier questionnaire responses, supporting documentation, third-party information and risk factors mapped according to industrial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

All of our main contractors are covered by assessments. The sustainability practices of 94% of our key and product preferred suppliers were assessed by the end of 2013. Q

## Total number of suppliers assessed on sustainability

Year	Value
2008	401
2009	676
2010	885
2011	945
2012	992
2013	1,012

Number of Ecovadis sustainability assessments performed

Year	Value
2008	124
2009	278
2010	188
2011	100
2012	111
2013	181

Highlight

In 2013, the percentage of spend assessed on sustainability increased to 68%. Alcatel-Lucent assesses its suppliers against 21 Global Reporting Initiative criteria across several sustainability areas, including freedom of association, collective bargaining, human rights, child and forced labor, and practices related to environment and health and safety. Suppliers' management of their own supply chains is also considered during the assessment.

Alcatel-Lucent sustainability assessments spend situation
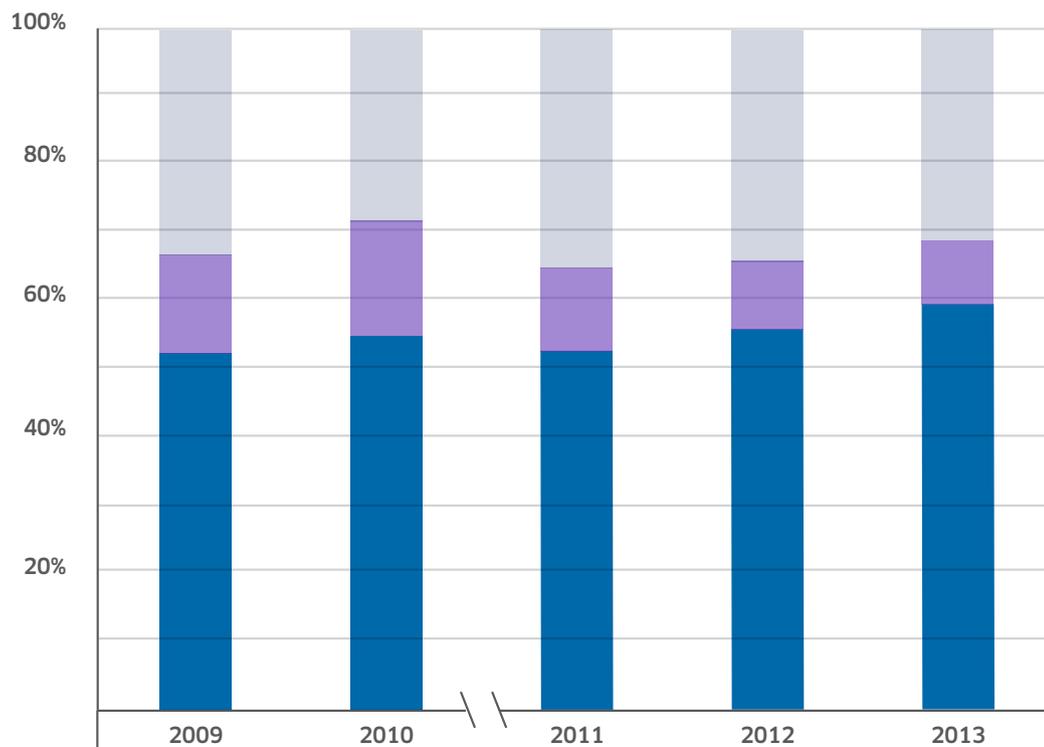
	2009	2010	2011	2012	2013
Spend not assessed	34%	29%	35%	33%	32%
Spend unsatisfactory	14%	15%	13%	10%	9%
Spend Satisfactory	52%	56%	52%	57%	59%
Total Spend Assessed	66%	71%	65%	67%	68%

3.3 Sustainability audits

We conduct two types of audits of our suppliers: quality audits (which include sustainability criteria) and more comprehensive sustainability-dedicated audits. These sustainability-dedicated audits cover environment, labor practices and human rights, fair business practices and sustainable procurement fields. **Q**

On-site sustainability audits are typically conducted for suppliers with unsatisfactory EcoVadis ratings and high sustainability risk profiles. Quality audits are a supplier selection element performed by our Supplier Quality team. **Q**

41

In 2013, 41 quality and sustainability audits were conducted with suppliers in Asia (including China) and Europe. In total, 68% of these were audits of suppliers providing products; the remaining 32% were of suppliers of services or software.

4. Improving supplier sustainability performance

2013 Achievement

In 2013, 77% of our active suppliers were rated "satisfactory" or above in their sustainability assessments – exceeding our target of 76%. At the same time we performed 181 new assessments or reassessments.

This strong result is due to greater supplier awareness of the positive impact sustainability performance has on business, and the positive and efficient dialogue we maintain with our suppliers on sustainability improvement actions.

We require suppliers with unsatisfactory EcoVadis ratings or audit results to draft and implement remedial plans addressing the identified weaknesses. In support, we provide recommendations and determine if the overall improvement plan is sufficient. **Q**

Both high-spend and high-risk suppliers are covered by assessments and pushed to improve: 77% of active suppliers assessed on sustainability by EcoVadis were rated "satisfactory" or above by the end of 2013, versus 70% by the end of 2012. ("Active" suppliers refer to key, preferred and other suppliers who may require assessments because of their risk level.) **Q**

The most effective way to develop the sustainability performance of our suppliers is to help them strengthen their sustainability management systems (rather than simply seek compliance), as this addresses the root causes of non-compliance and sets the groundwork for further improvement. The EICC Code of Conduct highlights the key role of management systems in sustainability, while the EcoVadis methodology assesses these management systems and identifies their weaknesses (which, when corrected, yield both short- and long-term improvements).

We are also an active participant in the GeSI Supply Chain Working Group, which is developing global responses to sustainability issues such as the use of conflict minerals and supply chain education.

4.1 Implementing supplier improvement plans

Suppliers with unsatisfactory EcoVadis ratings are required to develop a sustainability improvement plan. As part of this process, we first explain to the supplier our expectations and the rationale for improving sustainability performance. We then act as an advisor throughout the process to help the supplier identify and carry out the most relevant actions. When the supplier's overall progress meets our expectations, our Sustainable Purchasing team elevates the supplier to a "satisfactory" rating and initiates a reassessment with EcoVadis.

Our supplier improvement process is built on constant dialogue and exchange. For example, the Sustainable Purchasing team gives suppliers a toolkit containing sample documents matching the EcoVadis criteria. This toolkit is updated on a regular basis with new examples, which are provided to us by top-rated suppliers looking to help other companies reach the EcoVadis "satisfactory" level — and improve the sustainability of our supply chain as a whole.

4.2 Monitoring sustainability performance with supplier scorecards

We bring a partnering mindset to supply chain management, working closely with our suppliers to support their improvement and share best practices. Because maintaining an open dialogue is essential, we regularly engage suppliers in business reviews to discuss and manage their ongoing performance across a broad set of criteria, including sustainability.

The scorecards used during these business reviews ensure we are clearly communicating our requirements and priorities to suppliers and subcontractors. We also have specific project-level scorecards that differentiate performance at subcontractor work locations in addition to determining the overall performance of the subcontractor.

Depending on the supplier commodity area, sustainability accounts for 10 – 20% of the scorecard's total weighting. Sustainability scores are based primarily on EcoVadis ratings, complemented in some instances by other parameters such as supplier diversity performance or onsite compliance to Alcatel-Lucent's environment, health and safety (EHS) guidelines.

Sample supplier scorecard using during business reviews
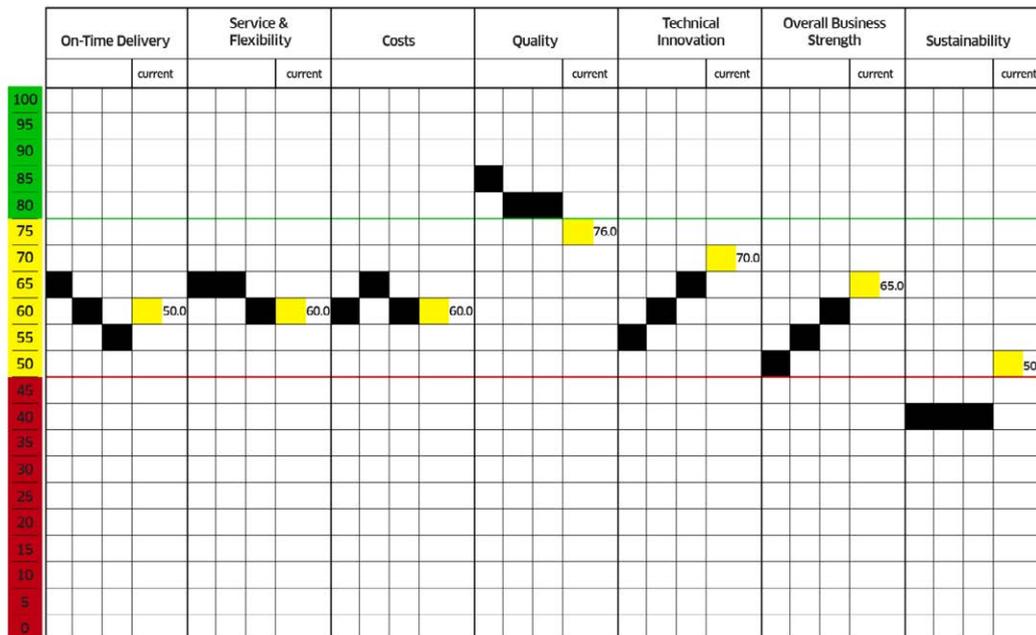
Glossary

ABSOLUTE CARBON FOOTPRINT

The total amount of greenhouse gas emissions created by an organization, product or entity measured in tons of CO_2e.

ALCATEL-LUCENT FOUNDATION

A charitable foundation that contributes to the company's commitment to digital inclusion by supporting philanthropy that serves and enhances the communities where our employees and customers work and live.

CARBON DISCLOSURE PROJECT (CDP)

The CDP is an independent, not-for-profit organization that has created the largest database of primary corporate climate change information in the world. Representing some 550 investor groups with combined assets of $71 trillion, its mission is to "accelerate solutions to climate change by putting relevant information at the heart of business, policy and investment decisions."

CLOUD SHIFT

Our vision for building a better cloud with high performance, reliability and greater scalability using open carrier-grade virtualized networks that leverage the flexibility of the cloud.

CONNECTED

A digital education partnership between Alcatel-Lucent Foundation and the non-profit organization World Education to provide educational and digital skills training opportunities for youth in disadvantaged communities worldwide.

CORPORATE RESPONSIBILITY (CR)

Integrating the interests of stakeholders into the company's business policies and actions by embracing two main concepts: accountability and transparency. CR focuses on social, environmental and financial activities — the triple bottom line — to ensure the company exerts a positive impact on society while achieving business success.

DOW JONES SUSTAINABILITY INDICES (DJSI)

The first global indices that measure the performance of the leading sustainability-driven companies worldwide.

ECOVADIS

A company that specializes in Corporate Social Responsibility annual assessments based on ISO 26000, UN Global Compact and GRI.

ELECTRONIC INDUSTRY CITIZENSHIP COALITION (EICC) CODE OF CONDUCT

The EICC Code of Conduct provides guidelines for performance and compliance with critical CR policies, and can be voluntarily adopted by any company. The Code of Conduct was established to ensure worker safety and fairness, environmental responsibility, and business efficiency, and provides guidance in five critical areas of CR performance: labor, health and safety, environment, management system, and ethics.

ENTERPRISE RISK MANAGEMENT (ERM)

Enterprise Risk Management (ERM) at Alcatel-Lucent is built on a comprehensive framework that covers risks in the areas of operations, finance, legal and compliance, HR and security, and strategy. ERM includes risk identification and evaluation as well as the setup and capture of mitigating actions for key risks.

ENVIRONMENTAL INVESTMENT ORGANIZATION (EIO)

The EIO is an independent, not-for-profit organization that researches, promotes and implements investment systems designed to incentivize global corporate emissions reduction.

THE EUROPEAN TELECOMMUNICATIONS STANDARDS INSTITUTE (ETSI)

A not-for-profit organization with more than 700 member organizations that produces globally applicable standards for Information and Communications Technologies (ICT), including fixed, mobile, radio, converged, broadcast and internet technologies.

GLOBAL E-SUSTAINABILITY INITIATIVE (GESI)

Created in 2001 to further sustainable development in the ICT sector, GeSI fosters global and open cooperation, informs the public of members' voluntary actions to improve their sustainability performance, and promotes technologies that foster sustainable development.

GLOBAL REPORTING INITIATIVE (GRI)

GRI is a non-profit organization that has pioneered and developed a comprehensive Sustainability Reporting Framework that is widely used around the world. The Framework enables all organizations to measure and report their economic, environmental, social and governance performance — the four key areas of sustainability.

GREENTOUCH™ CONSORTIUM

A body of leading industry, academic and non-governmental research experts dedicated to fundamentally transforming communications and data networks, including the Internet, and significantly reducing the carbon footprint of ICT devices, platforms and networks.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The technologies used to transmit, manipulate, and store data electronically.

INTERNATIONAL TELECOMMUNICATIONS UNION (ITU)

The leading United Nations agency for information and communication technology issues, acting as the global focal point for governments and the private sector in developing networks and services.

ISO 14001

The international environmental standard that identifies the elements of an Environmental Management System needed for an organization to manage its impact on the environment effectively. Compliance with this standard can be certified by an accredited third party on a voluntary basis.

ISO 9001:V2008

International quality management standard that meets regulatory and statutory standards as well as customer requirements.

LIFECYCLE ASSESSMENT (LCA)

The methodology developed to assess a product's full environmental impact — from raw material to final disposal — with the aim of increasing resource efficiency and decreasing liabilities. LCAs can be used to study the environmental impact of either a product or the function the product is designed to perform.

OCCUPATIONAL HEALTH AND SAFETY ASSESSMENT SERIES (OHSAS) 180001

The international specification for identifying the elements an organization requires to manage occupational health and safety risks effectively. Compliance with this specification can be certified by an accredited third party on a voluntary basis.

ROBECOSAM SUSTAINABLE ASSET MANAGEMENT (ROBECOSAM)

An investment group focused exclusively on sustainability investing. Through its index activities, ROBECOSAM has partnered with Dow Jones Indices for the publication and licensing of the globally recognized Dow Jones Sustainability Indices (DJSI) as well as customized sustainability benchmarks.

SA8000

Social standard based on the principles of international workplace norms focused on improving working conditions around the world, contained within the ILO (International Labour Organization) conventions, the UN's Universal Declaration of Human Rights and the Convention on the Rights of the Child.

SARBANES-OXLEY

United States law enhancing accounting standards in public companies.

THE SHIFT PLAN

An industrial, operational and financial plan to refocus Alcatel-Lucent as an IP networking and ultra-broadband specialist, working with the technologies at the heart of next-generation networks and delivering innovation that shapes the future of the industry while ensuring profitable growth.

TL9000

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

UNITED NATIONS MILLENNIUM DEVELOPMENT GOALS (MDGS)

International development goals that all United Nations member states and at least 23 international organizations have agreed to achieve by 2015. The eight goals include: eradicating extreme poverty, reducing child mortality rates, fighting disease epidemics such as AIDS, and developing a global partnership for development.

ULTRA-BROADBAND ACCESS

Lightning-fast fixed and wireless broadband connections that provide market-leading IP capabilities to support HD video, cloud services and a rich user experience.

UNITED NATIONS GLOBAL COMPACT (UNGC)

Strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption, benefiting economies and societies everywhere.

WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE) DIRECTIVE 2002/96/EC

A directive to minimize waste electrical and electronic equipment and promote reuse, recycling and other forms of recovery to reduce the disposal of waste. It also seeks to improve the environmental performance of all operators involved in the lifecycles of electrical and electronic equipment (e.g., producers, distributors and consumers) and in particular those directly involved in the treatment of waste electrical and electronic equipment.

WORLD RESOURCES INSTITUTE (WRI)

A global environmental think tank that works with governments, companies and civil society to build solutions to urgent environmental challenges. The WRI's mission is to move human society to live in ways that protect the environment and its capacity to provide for the needs and aspirations of current and future generations.

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