

2012

SUSTAINABILITY REPORT
A BUSINESS IMPERATIVE

ETHICS

BE THE COMPANY YOU WANT TO DO BUSINESS WITH

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

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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.



OUR COMMITMENT

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



HIGHLIGHT

Alcatel-Lucent was selected as the Dow Jones Sustainability Index (DJSI) Industry Supersector Leader in the Technology Sector, achieving a score of 99/100 in the Codes of Conduct, Compliance, Corruption and Bribery category.

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

Key elements of the Ethics & Compliance Management System include:

- A comprehensive compliance governance structure
- The Alcatel-Lucent Code of Conduct
- Policies, procedures and controls
- Monitoring and auditing practices
- Annual compliance risk assessment (with related mitigation plans and processes for continuous improvement)
- Education and training
- Ethics and compliance communications focusing on maintaining a ‘speak-up’ culture
- Consolidated Compliance Hotline and other reporting venues
- Global compliance resolution process



2012 ACHIEVEMENTS

- 99% participation by employees globally in the annual Code of Conduct review and acknowledgment process
- 97% participation in ethical leadership training for people managers

In 2012, we focused 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 people 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.

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 2012, Alcatel-Lucent paid no fines (significant or otherwise) for non-compliance with laws and regulations concerning the provisions and use of its products and services.

1.2 Communicating ethics and compliance

In 2012, 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 people managers, who have a significant impact on the behavior of employees in dealing with customers, vendors, government authorities and others.

1.3 Competition

Alcatel-Lucent has a clear policy to obtain business solely on the merits of its products, services and people. Compliance with laws that promote and protect competition in the marketplace ('competition laws' or, in the U.S., 'anti-trust laws') is carefully spelled out in our Code of Conduct and in our competition/anti-trust law policy and guidelines.



HIGHLIGHT

In 2012, there were no findings of competition/anti-trust law violations by the company or an employee, and no allegations had been reported.

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.

Alcatel-Lucent employees are instructed to avoid contact with competitors except for participation in certain types of activities reviewed in advance by the Alcatel-Lucent Law Division (e.g., industry forums, standards-setting organizations, research and development projects). Employees are not permitted to participate in any agreements or exchanges of information with competitors that could avoid or reduce competition. 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 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, Alcatel-Lucent 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 A global compliance governance organization

Our global compliance governance structure defines responsibilities for designing the company's ethics and 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, as well as defined accountabilities to ensure alignment with business requirements.



HIGHLIGHT

Alcatel-lucent ethics and compliance council

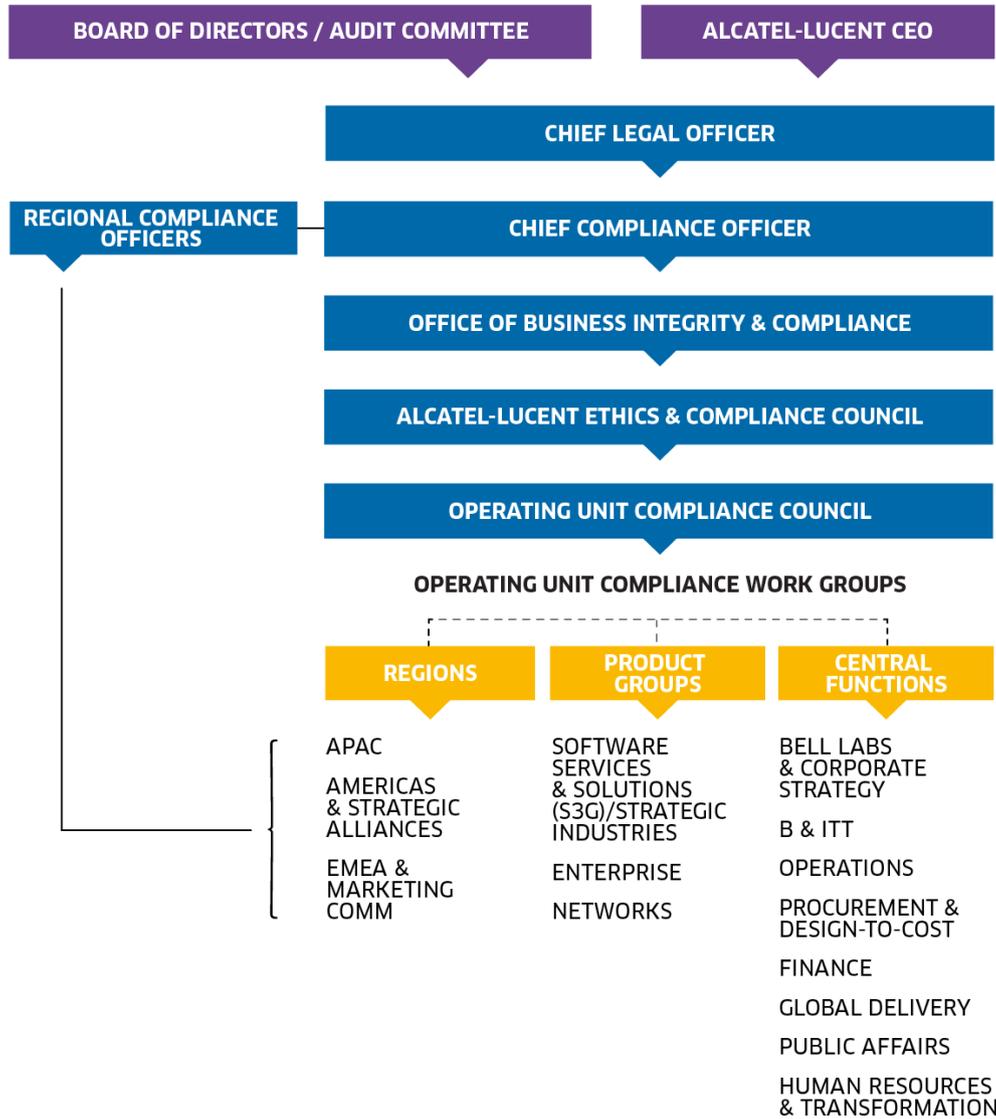
The Alcatel-Lucent Ethics and Compliance Council was established in February 2007 and is composed of the Chief Compliance Officer and representatives from Law, Audit and Finance, Human Resources & Transformation, Communications, Business & Information Technology Transformation, Procurement & Design-to-Cost, Corporate Security, Global Delivery and the Office of Business Integrity & Compliance. This Council meets bi-monthly and is responsible for overseeing the company-level design and implementation of an integrated ethics and compliance system.

In 2012, we formed a new, centrally managed Compliance organization to enhance existing compliance resources and consolidate key compliance functions under the Chief Compliance Officer (including the regional compliance leaders, the Anti-Corruption Compliance Program, the Privacy and Data Protection Program, and the Corporate Investigation Services organization).

Key elements of our compliance governance structure include:

- **Chief Compliance Officer (CCO):** Established as a full-time position in 2012 reporting directly to the Chief Legal Officer, with direct access to the CEO, the Board of Directors and, in particular, the Audit & Finance Committee. The CCO is a member of the Sustainability Council and is responsible for overseeing the ethics and compliance management system (including Human Rights, Freedom of Expression, Privacy and Anti-Corruption), setting strategic direction and ensuring Alcatel-Lucent operations are consistent with a culture of integrity.
- **CEO:** 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 compliance management system by developing and supporting implementation of key compliance initiatives, while 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, 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 Work Groups):** With representation from each business unit, 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 that programs are fully integrated into business operations, effectively managed and consistent in quality across the organization.
- **Law Division:** Supports the enforcement of company policies by the 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



Supported by Law Division and the functional owners of key compliance program areas.

2.2 The role of the Board of Directors

Separate from but aligned with the governance mechanisms established through the Ethics and 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 Legal Officer provide periodic updates to the Audit & Finance Committee and to the entire Board on the status of ethics and compliance activities at Alcatel-Lucent. These status reports occur quarterly, and 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 OUR ANTI-CORRUPTION COMPLIANCE PROGRAM

3.1 Anti-corruption approach

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 *Bribery Act*.

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

1. Policy on Travel, Lodging, Meals, Entertainment Gifts and Sponsorships, and the accompanying online hospitality pre-approval process
2. Policy on Facilitation Payments
3. Policy on Third-party Risk Management, Screening and Selection and the accompanying approval process

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.

In line with Alcatel-Lucent's 2008 decision to phase out the use of commercial agents and consultants and to prohibit the engagement of former agents and consultants in any capacity, the Global Process for Selection and Management of Agents and Consultants is now a managed process for the use of agents and consultants only in those few countries where legally required. The Anti-Corruption Program also supports other departments in implementing additional anti-corruption policies including the Policy on Charitable Contributions; the Global Procurement and Sourcing Policy Directive on Subcontracting; and the Policy Directive on Mitigating Supplier Risk.

2012 anti-corruption 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 tool to ensure gifts, travel and hospitality events are granted in accordance with anti-corruption policies
- Continued risk management of sales third parties by applying our third-party screening and selection process
- Developing our first all-employee online anti-corruption training course to supplement existing targeting training, scheduled for deployment in Q2 2013

In 2012, 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. In addition, unit compliance leaders provide quarterly status reports to the Office of Business Integrity & Compliance on how their units are implementing their action plans.

We also 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 business groups most heavily engaged with third-party resellers and suppliers, helping them assess compliance with existing policies and identify areas for improvement. The focus on third-party risk management will continue in 2013 with the revision of third-party risk management policies and processes and the deployment of improved compliance tools for managing third-party engagements.

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 a global anti-corruption risk assessment. This assessment identifies high-risk Alcatel-Lucent legal entities based on a set of predetermined anti-corruption risk attributes. The results of the risk assessment 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 the corporate 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 2012, it drove the development and implementation of anti-corruption policies and administered and implemented the gifts, travel and hospitality approval process and the third-party screening and approval process.

The Law Division handled any disputes that arose with terminated sales agents and consultants, and actively monitored sales practices to ensure company policy was 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 Alcatel-Lucent USA have formed a voluntary political action committee (PAC) through which political contributions were made to candidates for federal office in 2012. The Alcatel-Lucent USA employee PAC operates in accordance with all U.S. laws and Federal Election Commission regulations.

In addition to legal proceedings incidental to the conduct of its business (including employment-related collective actions in France and the United States) that management believes are adequately reserved against in the financial statements or will not result in any significant costs to the company, legal proceedings involving Alcatel-Lucent are listed online.

[Listing of legal proceedings](#)

This content is based on Section 6.10 of our 2011 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. Those agreements were related to violations of the anti-bribery, internal controls, and books and records provisions of the *Foreign Corrupt Practices Act*.

4 ALCATEL-LUCENT CODE OF CONDUCT



2012 ACHIEVEMENT

In 2012, all employees were required to review the Code and acknowledge their understanding of their obligation to abide by it. The company achieved 99% compliance 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.

Alcatel-Lucent has implemented and is continuing to enhance a compliance and ethics program involving a set of methods, principles and controls to ensure, to the extent possible, that the current legislation and regulations, as well as the Group guidelines, principles and policies are respected.

Alcatel-Lucent's Chief Compliance Officer oversees the implementation and continuous enhancement of this program to reflect current and evolving legal requirements, international standards and the standards of behavior set forth in the Alcatel-Lucent Code of Conduct.

In 2009, the Group published a revised Alcatel-Lucent Code of Conduct with the requirement for all employees and members of the Group's Board of Directors to review the document and acknowledge their understanding of its provisions.

The revised Code of Conduct establishes, in a streamlined manner, the Group's standards for ethical business conduct and is binding on all employees globally in their daily activities, as well as in our relations with our 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 on the notions of integrity, respect, equity, diversity and ethics.



KEY FIGURES

The Code of Conduct is available on the Group Intranet website in twenty-two languages and can be viewed by third parties on the Alcatel-Lucent external website.

[Read more](#)

In February 2004, we adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Financial Officer and Corporate Controller. This Code supplements the Code of Conduct mentioned above, which also applies to these senior financial officers. In these ways we comply with the rules of the New York Stock Exchange (NYSE) for U.S.-listed companies. (Although these rules are not mandatory for Alcatel-Lucent, our Code addresses all aspects of them with the exception of specifying a mechanism that allows the Chairman, CEO, executive officers or employees to obtain a waiver of the application of any aspect of the Code.)

5 COMPLIANCE HOTLINE

5.1 Compliance Hotline principles



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.

The success of our Ethics and 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. 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 also have other options available to report suspected violations of company policy or the law, including contacting their human resources business partner or regional compliance leader.

Employees can report incidents online through our secure website at <http://www.alcatel-lucent.ethicspoint.com>.

Local laws may limit the types of matters for which the Hotline and website are used in certain countries. Regardless of location, persons wishing to report a suspected violation of law or 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 a corporate investigation team with assistance from other corporate organizations, as appropriate (e.g., Law, Regional Compliance, Human Resources, Corporate Audit Services).

Our investigation protocol includes the following steps:

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

If an investigation determines 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

Data and metrics on Code of Conduct violations

A total of 531 issues/allegations were reported to the Compliance Hotline in 2012. Of these:

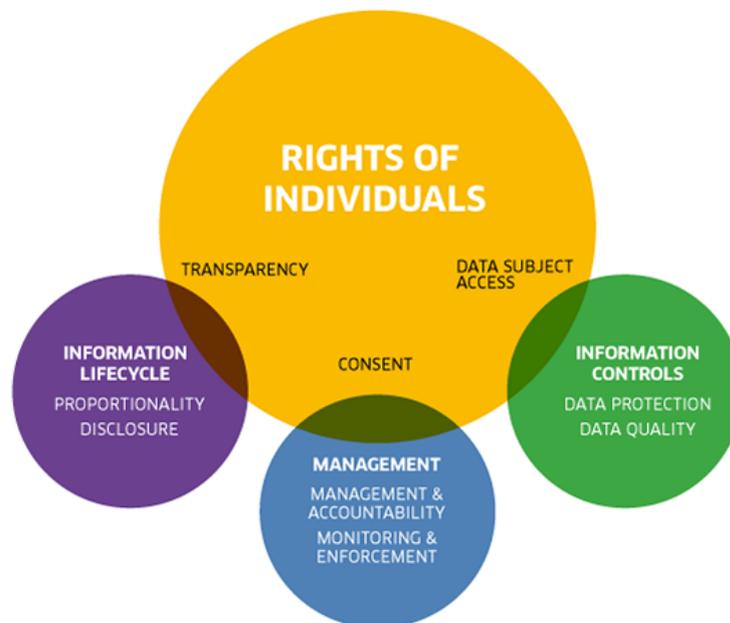
- 89 allegations were substantiated in 2012 with 'cause found' after investigation was completed. (33 of these 89 were opened prior to 2012.) 88 of the 89 resulted in disciplinary action up to and including termination.
- 55 cases involved allegations of potential harassment or discrimination (including those categorized as sexual harassment). Of these, 11 cases of harassment or discrimination resulted in a 'cause found' determination.

6 PRIVACY PROTECTION AND INFORMATION SECURITY

6.1 Commitment to privacy principles

Alcatel-Lucent is committed to respecting individual privacy rights and expectations, and to protecting personal data against unauthorized access, use, retention/storage or disclosure. In 2012, we completed the rollout of privacy training for Human Resources (HR), Information Technology (IT) and Procurement; developed a training module for Sales and Marketing; and continued to review all systems before they go live to ensure compliance with our global privacy policy and applicable laws.

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 and with 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.

[Read more](#)

The compliance program owner for the Privacy and Data Protection (P&DP) Compliance Program is responsible for leading the development and implementation of processes and procedures designed to ensure global compliance with defined strategies and policies. Other key stakeholders in this program include:

- **The P&DP Steering Committee**, which provides cross-functional leadership and direction to the P&DP program and is chaired by the functional owner of the P&DP program. It meets quarterly and also includes the Chief Privacy Officer, the Chief Privacy Counsel, and members of corporate support functions such as Human Resources and Information Technology Transformation.
- **The Chief Privacy Counsel**, who ensures the Chief Privacy Officer, the functional owner of the P&DP Compliance Program and all other personnel with responsibilities for privacy and data protection have the necessary legal advice and support.
- **The Data Privacy Network**, which consists of legal, human resources and other specialists representing countries in which Alcatel-Lucent operates.

In 2013, the Privacy & Data Protection Compliance Program will focus on designing a three-year plan for privacy compliance aligned with the company's new business model and strategy – combining the needs and expectations of our customers with the evolving regulatory landscape (in particular, the new EU regulations to come).

7 INFORMATION SECURITY

7.1 Governance of information security-related activities

Alcatel-Lucent has established an information security (IS) compliance function under the direction of the Director of Information Security Compliance, who is a member of the Global Information Security department led by the Chief Information Security Officer. This department 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 IS/IT services.



HIGHLIGHT

In 2012, we conducted more than 360 project reviews and more than 250 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. Compliance assessments were also conducted on more than 130 applications, 85 databases, four labs, 250 servers and 250 suppliers.

The Information Security Steering Committee ensures corporate-wide implementation of strategies focused on the following areas: security governance, service hardening, compliance management, threat and incident response, data protection, access and collaboration, security awareness and cultural transformation.

Risk mitigation plans are also developed at the operating-unit level, in alignment with the overall information security strategy. Compliance assessments are used as a core management practice to drive accountability and awareness of compliance and security risk management into all areas of the company. Executive-level information owners provide additional focus on protection measures for customer data, personal data, and technical information on our products and financial data. A strong investment and gating process ensures that new service and system designs comply with approved security architectures and include appropriate protection measures.

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 are accessible to all employees on internal web pages; communications related to specific information security topics are delivered on a regular basis.

The company regularly audits implementation of these policies, using both internal and external 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.

Targeted cyber attacks, known as advanced persistent threats, use a high degree of stealth over a prolonged period to avoid detection while compromising systems and obtaining sensitive information from them. Alcatel-Lucent has implemented a variety of measures to counter this type of threat and will continue to enhance its defenses in 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.

8 COMPLIANCE RISK ASSESSMENT, ENHANCEMENT AND MITIGATION

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

In 2012, compliance experts supported by the Office of Business Integrity & Compliance worked closely with management to assess and enhance 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 included 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 work groups were responsible for developing, implementing and monitoring remedial action and ongoing enhancement plans. To ensure full alignment throughout the company, every risk assessment was reviewed and approved by a member of the appropriate senior management team. In 2012, Alcatel-Lucent achieved 100% alignment across this review and validation process.

To ensure accountability for results, Operating Unit Compliance Leaders are required to periodically provide status updates on the implementation of their enhancement plans to the Office of Business Integrity and Compliance (OBIC). These reports are reviewed by the OBIC team and the appropriate subject-matter experts to ensure timely and effective implementation of identified risk mitigation and enhancement plans. All risk assessment information (including action plans and related resource material) is posted on a SharePoint website to promote the exchange of information and best practices among various operating units – ensuring stakeholder access to important information and ongoing connectivity between the business and compliance experts.

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. It provides employees with a general introduction to the company's major compliance areas as well as specialized training based on job function.

Courses are updated annually and as needed to reflect current business requirements and evolving regulations. All training is documented on our annual Compliance Training Roadmap and tracked to verify full participation through our Compliance Dashboard.



2012
ACHIEVEMENT

Per our commitment to increase transparency around disclosure of potential conflicts of interest, in 2012 we developed and raised awareness of new conflict of interest disclosure training and a related web-based disclosure process scheduled for deployment in 2013.

In 2012, we also continued to implement a comprehensive global ethics and compliance training program, deploying eight specialized compliance courses targeted to key stakeholders. Topics included:

- An overview of our information security policy, access control and new services related to the National Security Agreement (NSA)
- Intellectual property rights
- Ethics and integrity
- Preventing harassment and discrimination in the workplace

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

[Read the Alcatel-Lucent Code of Conduct](#)

[Read the Alcatel-Lucent Global Human Rights Policy](#)

In recent years, we have focused on delivering targeted training to help people managers be effective compliance role models and ethical leaders. In 2012, we deployed a web-based ethical leadership training module for people managers, targeting more than 11,000 globally. This was supported by an extensive communications plan to inform people managers of their role in continuing to enhance 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 2012, we updated our existing anti-corruption training to reflect recently enacted regulatory requirements and resulting changes to corporate policy, procedures and internal controls. This training will be 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 in 2012

Under the leadership of the Office of Business Integrity & Compliance, we deployed a broad range of communications through various media to help establish and maintain a corporate culture of integrity. Directed primarily at middle management, last year's communications initiatives informed employees about their responsibilities, emphasized the importance of integrity, and promoted a 'speak-up' culture.

Specific key messages included:

- The value of compliance and the consequences of lapses both to the business and to employees
- The imposition of consequences consistent with our zero tolerance policy
- Management's role in operating with integrity, holding employees personally accountable for wrongdoing, and actively monitoring to ensure compliance
- The importance of supporting the business in finding compliant solutions
- Where employees can find resources to support them in reporting potential violations without fear of retaliation

By consolidating essential compliance and business conduct resources in one central location, the website of the Office of Business Integrity & Compliance is an important component in our communication efforts. In 2012 there were 23,034 visits to this site.

10 HUMAN RIGHTS

We consider the United Nations (UN) 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 eco-system.

In 2012, Alcatel-Lucent updated its Human Rights policy in line with the UN Guiding Principles on Business and Human Rights and designed internal processes to ensure its implementation. We are now working with other stakeholders in the telecommunications industry (e.g., operators and vendors) to define how the Protect, Respect and Remedy Framework should be applied in our sector, especially as it relates to privacy and freedom of expression.

[Read more about our Global Human Rights approach](#)

[Read the Alcatel-Lucent Global Human Rights Policy](#)

Finally, as part of our commitment to human rights, we designated the Chief Compliance Officer as the company's representative on human rights in 2012 and agreed to design and implement the following initiatives in 2013:

- Human rights due diligence requirements for future material proposals
- Employee training program on human rights principles

11 INTERNATIONAL INITIATIVES

Alcatel-Lucent participates in numerous cooperative anti-corruption initiatives to contribute to an ethical business environment and keep abreast of evolving requirements and best practices.

11.1 World Economic Forum

Our former CEO Ben Verwaayen, was the first chief executive in the ICT sector to sign the World Economic Forum's Partnering Against Corruption Initiative (PACI) in 2009. PACI brings together companies across industries and regions to fight bribery and corruption. A multistakeholder initiative, PACI works with organizations such as the Basel Institute on Governance, the International Chamber of Commerce (ICC), the Organisation for Economic Co-operation and Development (OECD) and the United Nations Global Compact, as well as multilateral development banks and select international financial institutions.

Alcatel-Lucent is one of the financial sponsors of and contributors to the development of an online training module based on the WEF's RESIST anti-corruption tool that will be made available free of charge in both English and French on ICC France's portal in early 2013.

[Read more
about the World
Economic Forum](#)

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11.2 Industry/trade associations

11.2.1 Human Rights & Industry Dialogue group

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

The Industry Dialogue on Human Rights was initiated during the summer of 2011 to explore the interactions and boundaries between the duty to protect and the responsibility to respect human rights.

In 2012, participating companies jointly developed broadly accepted principles to ensure respect for privacy and freedom of expression in their activities. As a founding member of Industry Dialogue, Alcatel-Lucent actively participated in defining the Telecommunications, Freedom of Expression and Privacy Principles in 2012.

The Industry Dialogue also opened discussions in late 2012 with the Global Network Initiative to serve as a future host for the initiative and principles in 2013. Alcatel-Lucent has also joined the GeSI Human Rights Working Group to ensure open discussion on best practices for human rights in the telecommunications sector. The company also participated in the European Commission's open consultation to establish sector guidance on freedom of expression and privacy.

11.2.2 Ethics & Compliance Officer Association

In 2011, Alcatel-Lucent continued its leadership in ethics and compliance through active representation on the Board of Directors of the Ethics & Compliance Officer Association (ECO) – 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 ICC's international and French commissions on sustainability and anti-corruption, as well as of the ethics committee of the MEDEF (French trade association of large French companies).