Letter from the Chairman

At Lucent, our stated core values define not only how we do business, but also who we are. They remind us of our priorities while providing a blueprint for our success in the global marketplace. One of those core values is a strong sense of social responsibility. As such, we are committed to serving and enhancing the communities in which we live and work, safeguarding our employees, and, of course, protecting the environment.

Lucent and its predecessors have a long history of sound environmental management, and we continually strive to do even better. Our environmental efforts are based on the concept of sustainability – meaning we aim to meet the needs of the current generation without compromising the future. Therefore, we view designing for the environment – the practice of incorporating the protection of the earth’s natural resources into our design plans – just as important as designing for high performance, reliability and quality. That’s why we view “reduce, reuse and recycle” as more than a slogan; we view it as a way of life. And by putting it into practice, each Lucent employee can have a measurable positive impact on our local communities as well as the global environment.

Going forward we remain dedicated to promoting sustainability. This will help ensure a health and safe environment for future generations and will better position the company for success.

This 2005 EH&S Annual Report summarizes some of the recent progress Lucent has made with regard to our environment, health and safety practices. As you read it, I am confident you will find that we are continuing to live up to our core values.

Lucent Corporate Environment, Health & Safety (EH&S) 2005 Goals and Results For FY2005

We will improve safety performance:
While continually improving our health and safety management systems, we strive for zero accidents/injuries. Our fiscal 2005 target for Lost Workday Case Rate is 0.33. For results click here.
Additionally, where Lucent utilizes product and service suppliers, their EH&S performance will be reviewed and considered during the vendor selection process. Further, the suppliers’ ongoing safety performance will be monitored and evaluated to ensure that it is sustained and effective. For results click here.

We will use energy efficiently:
For Lucent Operations: Decrease greenhouse gases (GHG) associated with Lucent operations by avoiding 8,000 metric tons of GHG. For results click here.
For Lucent Products: Demonstrate continuous environmental performance improvement in the power consumption of Lucent’s products by comparing a product’s functionality relative to its power consumption for each product generation.
• Business units will identify products for evaluation.
• Production functionality and energy use will be quantified.
For results click here.

We will minimize EH&S impacts of Lucent products over their lifecycles:
By July 2006, Lucent will develop and implement methodologies to produce products, in support of market requirements, that are free of lead, hexavalent chromium, mercury, cadmium, and certain brominated flame retardants. Such products are designated “X-free”. For results click here.
By January 2006, we will develop and implement methodologies, in support of market requirements, to achieve a 75 percent level of recovery and a 65 percent level of recycling for Lucent products. For results click here.
Letter from the Vice President

Last year we reported that Lucent was in the process of implementing a global management system that will be ISO 9001, TL9000 and ISO 14001 compliant. In April 2005, Det Norske Veritas (DNV) certified the Lucent Environmental Management System (LEMS) to the ISO14001 standard. As a result of this approach, decisions regarding product and operational matters jointly consider EH&S implications and opportunities, with a “line of sight” to our board of directors. Throughout 2005, we worked on expanding the scope of the LEMS to include additional country operations, as well as, integrating health and safety to create a multi-site Environment, Health and Safety Management System.

As our chairman wrote in her letter, one of Lucent’s core values is a strong sense of social responsibility. To this end, in 2005 we expanded the EH&S Champions program to recognize employees who have successfully demonstrated socially responsible behavior, in addition to addressing environment, health and safety issues in business practices, workplaces and communities. Employees responded with the submission of 40 projects that demonstrate their commitment to social responsibility.

Additionally, being a socially responsible company extends to our suppliers. As you review this annual report, you will see examples of how we have continued to drive EH&S awareness through our supply chain. Included among the positive steps we have taken are contract clauses, eco-roadmaps, material declarations and the adoption of a code of conduct that ensures working conditions in the supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible.

Of particular note is the culmination of significant effort across the company that enabled Lucent to be compliant with the European Union’s Waste Electrical and Electronic Equipment Directive on product take-back that was effective in August 2005. I’m also happy to report that this same cross-organizational project approach has continued to keep us on track for providing compliant Lucent products in accordance with the European Union’s Restriction of Hazardous Substances by July 2006. We also have taken steps to ensure these substances are restricted from new products on a global basis.

As you will notice, we built on last year’s annual report in terms of the Global Reporting Initiative Sustainability Reporting Guidelines. It is in this spirit that we have included additional EH&S performance information, which we believe is most relevant to Lucent’s business model and stakeholders. As always, we welcome feedback to ensure we are on track in meeting their expectations.
Environment, Health and Safety Policy

The policy is further reinforced through specific references in our code of conduct, Lucent’s Business Guideposts - A Personal Commitment, where expectations regarding employee integrity and ethical behavior are spelled out.

Lucent Technologies
environment, health and safety policy

Lucent Technologies is committed to protecting the environment and the health and safety of our people, our customers and the communities where we operate. Meeting this commitment is a primary management objective and the individual and collective responsibility of all Lucent employees and Lucent Business Partners worldwide. To that end, we shall:

comply with all applicable environmental, health and safety laws, regulations and Lucent's Global EH&S standards

continue improvement in our environment, health and safety performance by implementing management systems

ensure that our products are safe, and work with suppliers and customers to promote responsible use throughout their life cycles

reduce environmental impact of our operations and products by: conserving natural resources; striving to eliminate waste, emissions and use of hazardous materials; reusing and recycling materials; and responsibly managing energy use

motivate and prepare all employees to take personal accountability for protecting the environment and creating a safe and healthy workplace

be a leader in deploying and promoting innovative, cost-effective environmental, health and safety technologies and procedures.

We will regularly review and improve this policy, communicate it to all employees, and make it available to all stakeholders.

Patricia Russo
Chairman and
Chief Executive Officer

Roy Femenella
Environment, Health and Safety
Vice President
Operations


Lucent is committed to protecting the environment and the health and safety of its employees, customers, and communities where we operate. One element of this commitment is demonstrated through our Lucent Environment, Health and Safety (EH&S) Management Systems.

2005 was a pivotal year for the deployment of environmental management systems in Lucent Technologies. The individually certified environmental management systems, which were distributed around the globe, were brought together under a single common certified management system known as the Lucent Environmental Management System (LEMS). The LEMS covers manufacturing, design and service activities in Australia, China, Germany, India, Ireland, Korea, Poland, Russia, Spain, the United States and New Zealand. The LEMS is an important step toward the full integration of all Lucent's business management systems aligned with one common quality system framework, the Lucent Management System (LMS). The LMS is one of the most extensive multi-site certification in the Information and Communication Technologies (ICT) Sector.

By uniting the individual environmental systems under a single third-party certified global multi-site system, various benefits were accrued. These benefits included: a simplification of the Lucent approach to environmental management systems, which aligned with Lucent’s desire to simplify its processes and reduce complexity; a reduction in costs and a higher efficiency in the use of company’s resources to maintain the customer-mandated environmental management system standard. The certifier, Det Norske Veritas (DNV), conducted a series of audits in January and February 2005 that resulted in the objective being achieved in April when the LEMS was certified to the ISO14001 standard.

Work is already under way to further expand the scope of the ISO14001 certification to include operations in Saudi Arabia, Egypt, the United Arab Emirates, Portugal, the United States and China. The work done in the original rollout of the LEMS will be leveraged further to gain efficiencies at the new locations. The next group of sites will undergo formal audit in mid-2006 and are targeted to be included under the single multi-site certification before the end of 2006.

The LMS provided a tool for simplification and efficiency from which the LEMS was built, sharing, where applicable, common processes to generate an integrated system. Continuing to build on this, a team has been set up to expand the framework to include environmental and/or health and safety management systems. Under this framework, individual Lucent organizations may implement an EH&S management system that best suits their local business conditions. They have the flexibility to adopt these common processes into their local procedures and participate in an independently certified management system program or they may operate a non-certified system unique to that specific organization. As a first step, a team has initiated the multi-site certification for the various certified occupational safety management systems so opportunities for further efficiency will be realized as with the LEMS.

Occupational Health & Safety

Lucent operations in China (Qingdao), Korea, and Australia/New Zealand have obtained third-party certification to the OHSAS 18001 standard. Operations in Spain, Russia and Poland have systems based on OHSAS 18001 principles. Work is under way to achieve a single multi-site certification to OHSAS 18001 that will include these organizations and allow for future expansion. In the United States, five major Research & Development locations are “STAR” participants in the Occupational Safety and Health Administration Voluntary Protection Program (VPP).
Safety at Lucent

Under the LMS framework, Lucent global facilities/operations have established numerous safety committees to provide employees a forum to discuss and resolve important safety issues. Safety committees are composed of both management and represented employee who meet on a periodic basis to address pertinent EH&S issues at the facilities/operations. For example, safety committees at Lucent:

- Review, evaluate and recommend action on EH&S practices currently used by or recommended for the facility/operation.
- Help ensure compliance with applicable EH&S regulations.
- Encourage management commitment and employee involvement in EH&S activities.
- Promote compliance with EH&S Management System policy, goals and objectives.

Local and regional regulatory requirements for the establishment of safety committees also are followed. Approximately 90 percent of all global Lucent employees in facilities/operations have functional safety committees. In addition to using safety committees to promote EH&S initiatives at our facilities/operations, safety huddles and newsletters are provided periodically to Lucent employees to inform them of important EH&S issues.

Lucent Worldwide Services (LWS) Recognition Program

In an effort to build upon the safety culture, trying to mitigate accidents and reinforcing positive safety behavior, the EH&S Recognition Program for our Installation work force was developed. The objective of this program is to recognize individuals and teams for their efforts and accomplishments that make Installation work safer. The program consists of four levels of recognition with higher levels of recognition given for greater efforts and accomplishments. It leverages existing recognition programs, such as the Lucent Recognition Card, LWS Gold Award, and the Lucent Corporate Social Responsibility and EH&S Champions Award, along with existing organizational structures such as Local Union Management Safety Committees, to maintain a simple, streamlined process.

A planning team representing Installation management, union officers from Communications Workers of America (CWA) and Lucent EH&S professionals began meeting in May 2005 to develop the program. Management and union cooperation was critical in developing the program because the target audience was the approximately 1,500 CWA members who comprise the U.S. Installation work force. The team agreed on the principles on which the program would be built, identified the constraints within which the program had to operate, and then developed the program's details and implementation strategy. The initial program was tested in August and September 2005 in Georgia and Colorado to identify any unexpected problems or unintended consequences.

Program implementation across the United States began in September. The LWS Installation Director of Operations, the CWA Co-Chair of the National Union Management Safety Committee, and the LWS EHS Officer published a joint letter of support. Local Union Management Safety Committees across the country were briefed on the program's goal and details because these committees were key to successful implementation. A Web page was established on the LWS-EHS Web site to summarize the program, provide guidance on doing EHS recognitions and publicize the names and achievements of those recognized.

Work Related Injuries and Illnesses

Lucent implements a global process to record work-related injuries/illnesses as required by the Lucent EH&S Worldwide Standard “Serious Incident Reporting & Recordkeeping.” In addition to the Lucent requirements for recording work-related injuries/illnesses, local and regional regulatory requirements are followed. Injury/Illness data (such as lost workday, medical treatment, work restriction, first aid) are maintained on the Corporate Health Services database for all worldwide operations.
Lucent’s fiscal 2005 Lost Workday Case Rate (number of lost workday cases per 100 employees) was 0.28, which was significantly below our target of 0.33. Additionally, Lucent had a global injury/illness Total Case Rate (number of recordable cases per 100 employees) of 0.61.

There were two motor vehicle work-related fatalities in fiscal 2005: one in the United States and the other in Brazil. Both accidents were thoroughly investigated and corrective actions were determined, including focused training as necessary. Appropriate safety alerts were developed and issued.

**Incidents**

Lucent was not involved in any incidents such as spills or regulatory non-compliances during 2005.

**Lucent Health Services**

Lucent Health Services is dedicated to providing integrated services that improve employee health, increase productivity, enhance morale, and reduce Lucent health costs. We offer our employees a diverse menu of medical services, including: on-site clinics that provide a variety of clinical services and resources, a consolidated Health Center to support the occupational health needs of U.S. employees who do not have access to an on-site clinic, and our Employee Assistance Program (EAP), through which Lucent employees or family members can receive assessment, guidance or counselling for such problems as alcoholism, substance abuse, interpersonal or relationship difficulties, psychological or emotional disorders, and stress. On a global platform, Lucent Health Services is pleased to provide our employees with reliable health information and health improvement tools from the Mayo Clinic, which provides specific information on a variety of diseases and conditions, as well as programs to help them improve their health. Lucent Health Services also grants medical support to Lucent employees who go on temporary assignments in other countries by providing advice and guidance, including maintaining and making available a global listing of available certified physicians.

**Avian Flu**

Based on rising concern in the worldwide medical community about a possible pandemic flu, documents were drafted related to corporate emergency preparedness from a Health Services perspective.

These documents included a Health Emergency Management Plan, which set forth 5 key goals:

- Population education to mitigate exposure and transmission.
- Contain the spread of infectious disease outbreak within its jurisdiction.
- Meet the needs of the people.
- Provide timely and accurate information.
- Return the operations of the organization to normal as quickly as possible.
The plan also outlined a Medical Preparedness Framework that included Medical Risk Level Assessment based on a model from the Centers for Disease Control (CDC) and the World Health Organization (WHO), Medical Risk Response and a Medical Preparedness Grid. Based on this foundation, a cross-functional team was created representing all functional groups within Lucent. A global corporate emergency preparedness plan for pandemic flu is being developed.

**Ozone Depleting Substances**

Lucent has mandatory requirements for the use and emissions of ozone depleting substances, which includes chlorofluorocarbon / hydrochlorofluorocarbon (CFC/HCFC) refrigerants. Since 1997, Lucent has had in place a global CFC/HCFC refrigerant management plan that prohibits the purchase of non-hermetically sealed air conditioning and refrigeration systems that use these substances, and restricts the transfer of any remaining amounts of these substances outside the company.

In addition, Lucent requires all of our suppliers certify that CFCs and other specified chemicals of concern are not used as components of, or utilized in the manufacturing operation of, any product provided to Lucent.

**Greenhouse Gas Emissions**

Total greenhouse gas (GHG) emissions have been reduced as a direct result of the implementation of energy efficient projects, fuel substitution and recycling activities. Since becoming a member of the United States Department of Energy "Voluntary Reporting of Greenhouse Gases" program in 1993, Lucent has achieved GHG emission reductions of more than 465,000 metric tons. Lucent has established an emission reduction program, and is committed to using energy efficiently to exceed program goals to avoid the emission of 8,000 metric tons of greenhouse gases, annually. In addition, Lucent has recently become a partner in the USEPA Climate Leaders Program, which is a voluntary industry-government partnership designed to develop long-term comprehensive climate change strategies.

![Greenhouse Gas Reductions](image)

**Energy Use**

Both electrical and natural gas annual usage rates have decreased in assessed Lucent facilities, from 2003 through 2005. Review of energy use from 22 facilities, located across North America, indicated a reduction of 8,668,176 therms of energy during that three-year time period.

To report going forward, we are introducing an energy efficiency metric defined as therms utilized per square foot of facility floor space (therms/ft²), which will accommodate changes in the business, as well as provide a consistency of reporting. Over the 2003 to
2005 time period, there was a 33% improvement in energy efficiency, as documented by the reduction of 0.67 therms/ft².

As a result of Lucent’s becoming a partner in the USEPA Climate Leaders Program, which is a voluntary industry-government partnership designed to develop long-term comprehensive climate change strategies, we have committed to establishing an aggressive corporate-wide GHG emissions reduction goal to be achieved over five to ten years. In obtaining this goal, Lucent is developing a corporate-wide inventory of the six major greenhouse gases, and a GHG inventory management plan. This commitment includes the documentation of fuel use at specific domestic facilities that encompass more than 90 percent of Lucent’s real estate portfolio, on a square footage basis. Since, all future assessments are to be compared against electrical and fossil fuel use during this 2005 baseline period, only the 2005 baseline results are listed below. Thus, subsequent annual reports will document purchased electricity and usage rates of natural gas/fuel oil at designated Lucent facilities.

**2005 Energy Use:**
- Purchased Electricity (Indirect): 427,493,152 kWh
- Natural Gas (Direct): 3,074,027 therms
- Fuel Oil (Direct): 2,822,564 gallons

<table>
<thead>
<tr>
<th>Air Contaminant</th>
<th>Indirect Emissions</th>
<th>Direct Emissions</th>
<th>Total Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂</td>
<td>247,539</td>
<td>48,938</td>
<td>296,477</td>
</tr>
<tr>
<td>CH₄</td>
<td>4.8</td>
<td>1.7</td>
<td>6.5</td>
</tr>
<tr>
<td>N₂O</td>
<td>3.7</td>
<td>0.0</td>
<td>3.7</td>
</tr>
<tr>
<td>HFCs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>PFCs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>SF₆</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Waste Generation & Management**
Hazardous waste refers to materials deemed hazardous wastes in their country of origin, or by international convention or treaty, which is being discarded, sent off-site for recycle/recovery, treated or stored. Hazardous waste requires special handling as
prescribed, mandated, and regulated by the country in which the material is being generated and the country to which it is being shipped for final disposition.

Contaminated scrap refers to all obsolete, excess inventory, off-specification, used, irreparable, reverse distribution (customer returned) product, by products, equipment, and/or apparatus that is being recycled, reused or processed for the recovery of intrinsic value, and/or disposed of as unregulated waste, and which contain toxic materials. Items containing these constituents include waste electrical and electronic equipment (WEEE) such as printed wiring boards and assemblies using lead-based solders, mercury relays, polychlorinated biphenyl capacitors, lead-bearing cathode ray tubes, solder dross, and any products or components containing the aforementioned items or any quantity of a hazardous substance regulated by the generating or disposal state, province or country.

Lucent Technologies’ North American product and operations derived waste management:

- 4,918 metric tons of hazardous waste and contaminated scrap was generated in 2005.
  - Product derived waste management: 4,856 metric tons generated in 2005.
  - Operations derived waste (chemical waste, oil, fluorescent lamps, non-lead-acid batteries) management: 62 metric tons of hazardous waste and contaminated scrap generated in 2005.

**Basel Convention Compliance**

An understanding of the legal controls on a particular transboundary shipment of hazardous and other wastes often requires an understanding of one or more of the following international controls: the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; the OECD Council decisions governing the transboundary movement of wastes destined for recovery; and the European Community regulations.
In 1989, a conference of more than 115 countries adopted the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. Parties are generally prohibited from exporting covered wastes to or importing covered wastes from non-parties to the convention and from exporting or importing hazardous or other wastes if the exporting or importing country has reason to believe that the wastes would not be managed in an environmentally sound manner. Additional conditions include: prior consent and confirmation, notification, tracking documents, packaging and labelling requirements, and reporting and record-keeping requirements.

The Lucent EH&S Policy includes a commitment to comply with applicable EH&S regulations and Lucent’s global EH&S standards. Lucent Worldwide Standards (WWS) establish the minimum mandatory EH&S design and operating requirements for all of Lucent’s worldwide facilities and operations. The Hazardous Waste & Contaminated Scrap Worldwide Standard requires all Lucent and Joint Venture facilities and operations to use only those hazardous waste and contaminated scrap dealers whose facilities have undergone an EH&S liability assessment and been included in Lucent’s Worldwide Hazardous Waste and Contaminated Scrap Approved Facilities Regional Listings, as issued by the Lucent Environmental, Health and Safety (LEH&S) organization, for the disposal of hazardous waste and contaminated scrap. The liability assessment process includes an assessment of compliance with international controls of transboundary waste movement and applicable national laws of exporting, importing and transit countries. Electronic scrap and used batteries are waste types that may require a compliance assessment for import/export shipping requirements.

All Lucent or joint venture facilities or operations that act as a shipper or transporter of hazardous materials or wastes must also ensure that the materials are prepared for transportation according to nationally or internationally accepted regulations (for example, International Maritime Dangerous Goods Code for shipments by water; International Civil Aviation Organization Technical Instructions for shipments by air).
Products

Product Compliance - Compliance by design

Lucent’s Worldwide Standard for Product Conformance requires that developers use Product Conformance (PC) and Design for Environment (DFE) principles in the design of Lucent products through the use of Lucent’s checklist tools.

PC and eco-environmental requirements have been incorporated in the Process Management Architecture (PMA) process. PMA is Lucent’s approach to new product development that brings technical and business focus together to improve the way products are developed, designed, deployed, and decommissioned. PMA consists of a series of plans and checklists used to standardize product realization from concept through end-of-life. Eco-Environmental requirements, including the WWS Product Conformance requirement to complete DFE and PC checklists for hardware products, country-specific product eco-environmental requirements, eco-roadmap and alerts are incorporated into Lucent’s PMA.

Lucent products are developed with state-of-the-art technology that is designed to meet applicable customer, country-specific and legal product conformance requirements, including product safety, electromagnetic compatibility, radio frequency and laser safety, and eco-environmental impact. Lucent uses its development experience and continuous stringent quality checks to incorporate operational safety features into the designs of our products. Work began in 2005 toward the Product Compliance.com initiative within Lucent to develop a Web-enabled communications tool to standardize compliance requirements across Lucent.

Lucent employs product compliance tools to ensure regulatory compliance where products will be marketed. The OnePC (Product Conformance) Checklists and Guidelines and the Country-Specific Conformance Requirements Web site are examples of our extensive online tools that ensure complete product conformance compliance. These tools enable Lucent designers to identify all applicable international standards and regulations affecting the sale and marketing of Lucent products early in the design cycle. They also provide a means of ensuring that all necessary documentation and testing data are maintained for the period of time as mandated by standards or regulations.

They also facilitate timely development, sale and deployment of safe and compliant products worldwide. Lucent continues to refine and enhance its online tools used by designers in identifying and assessing product compliance of customers, regions and countries where our products may be marketed or sold.

We provide our customers with product documentation that includes energy consumption data, equipment modularity or expansion capabilities and applicable product safety, radio frequency safety and laser safety information for all products. Material safety data sheets are provided to our customers for any applicable materials that may be brought onto a site through our installation services activities.

The OneDFE Checklists are online forms that designers submit for each product. They ensure that the OneDFE information, including energy efficiency, materials for equipment, apparatus, and circuit packs, product end-of-life considerations, reuse, recycling and disposal product packaging has been considered during product design and serves as a checkpoint in the hardware development processes to verify:

- Inclusion of, and compliance with, Lucent’s banned and restricted substances requirements;
- Inclusion of, and compliance with, applicable country and customer eco-environmental requirements;
- Awareness and implementation of the material content requirements;
• Collection of the DFE “Eco-Metric data” (link here) that are used as a basis for evaluating the environmental performance of products and for establishing objectives and targets for eco-environmental performance improvement.

The checklists provide an internal record for environmental and quality management systems (for example, ISO9001, TL9000) auditing purposes (see below for integration into hardware development processes).

Radio Frequency (RF) Environment Exposure Assessments

Compliance with governmental regulations forms the basis for determining safe operating requirements for both site (wireless base station deployment) and worker (occupational) compliance. Lucent participates on regional and international standard committees concerned with both human RF exposure and RF measurement techniques. Contributions from technical experts within Lucent provide input to these committees to ensure scientific-based RF guidelines are developed and used globally. To this extent, in 2005, Lucent members played a prominent role in the complete revision of the IEEE C95.1 standard on human RF exposure and in the development of the new C95.7 recommended practice for RF safety programs. The C95.1 standard provided a major review of the scientific literature published after 1991 standard cut-off date to provide the rational, scientific-based limits to protect against established adverse health effects associated with exposure to RF energy. The C95.7 recommended practice represents a unique product for IEEE in that no single document has been available that provided guidance for the development of RFSPs (Radio Frequency Safety Programs).

Environmental Impact

Lucent continues to identify the environmental aspects of its products and associated activities. For hardware products, we employ a proactive multi-criteria product life cycle approach to evaluate the significant environmental aspects. This approach is in accordance with environmental management system procedures using methodology consistent with draft standard ISO 14062, Integration of Product Aspects into Product Design. Integrating environmental aspects into product design and development involves consideration of a range of potential impacts helping to ensure that reduction of one impact does not result in an increase in another impact. When using a multi-criteria life cycle approach in designing and developing a product, different criteria may be applied while maintaining the product's function. The aspect evaluation process is to establish an eco-environmental baseline for current products and gather the data necessary to influence future product designs.

Environmental Aspects include managing banned and restricted substances, product energy use, and product energy use, and product take-back, recycling and recovery.

Transportation for logistical purposes

Since 2000 Lucent has performed extensive environmental aspect life cycle assessments on our products in an effort to determine where the significant impacts occur. These studies have included the measurement of significant environmental impacts of the transportation mode used to move manufacturing materials and finished products from their sources to their final destination for installation and operation.

The analysis to date has shown that only a fractional portion (about 1 percent) of the total significant environmental impact, for example, global warming from fuels burned for these logistical purposes, was produced from transportation of these materials and products. The product's energy consumption during its long-term use stage accounts for the largest portion of environmental impact associated with global warming from electric utility
greenhouse gas emissions. As such, Lucent focuses on product energy efficiency measures in their product designs to contribute the maximum benefit to reducing environmental impact.

ManagingRestrictedSubstances
Lucent Technologies maintains a program to ensure compliance with the market and regulatory requirements for product material content. Substance/material information is obtained, evaluated, managed and made accessible to stakeholders in Lucent to ensure only compliant hardware products are placed on the market.

Lucent has defined a corporate requirement on materials/substances that are globally banned from use in certain applications regarding Lucent products. In addition, Lucent is actively implementing the necessary procedures, guidelines and process changes to comply with the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive [2002/95/EC] for those products put on the market in the European Union (EU) effective July 1, 2006.

The RoHS Directive restricts the use of lead, mercury, cadmium, hexavalent chromium, and certain brominated flame-retardants in electrical and electronic equipment. This directive applies to electrical and electronic equipment placed on the EU market after July 1, 2006, with various exemptions, including an exemption for lead solder for use in network infrastructure equipment for switching, signalling or transmission as well as network management for telecommunications. Lucent intends to use this exemption for network infrastructure equipment for the products listed above, until lead-free solder alternatives have been demonstrated to fulfill high reliability requirements for this mission-critical equipment.

Lucent products shipped to the EU from July 1, 2006 will comply with the RoHS Directive. Lucent is also actively participating in consultations with the European Union and the Technical Adaptation Committee in an effort to ensure that the final implementation requirements of the directive consider the quality and long-term reliability needs of telecommunications network infrastructure equipment. Again, Lucent is committed to comply with the RoHS Directive while continuing to provide the quality and reliability our customers expect.

Following on developments in other regions, including China, it is Lucent’s policy that new Lucent product offerings developed after January 1, 2006 will be compliant with the RoHS material content requirements, regardless of the final point of distribution/sale, unless a business case stipulates otherwise.

Product Energy Use
Based on our analyses to date, for our products, the life cycle stage with the greatest environmental impacts is the product's use stage (typically 15 to 20 years). This is a function of the amount of energy consumed over the life of our products. Consequently, improved energy efficiency of our products results in a significant decrease in greenhouse gas emissions over their life cycles. Our customers have increasing concern about the use of energy in telecommunications systems, and the associated resulting impacts (global warming from electric utility greenhouse gas emissions) from their operations. To help focus on solutions to reduce this network energy usage, Lucent has joined with other telecommunications industry leaders in the European Union to develop a Broadband Code of Conduct that will implement voluntary measures for efficient energy-saving features and efficiency targets for broadband equipment.

Lucent's FY2005 corporate energy goal states “Lucent has committed to demonstrate continuous environmental performance improvement in a product’s power consumption. This is demonstrated by comparing a product’s functionality with its power consumption, for each product generation. This primarily reduces greenhouse gas emissions and
promotes the development of more sustainable products.” Processes used to meet this goal include:

- The One DFE Checklist process ensures the consideration of energy efficiency in the product development process.
- Business Units annually select new products for detailed energy evaluation.
- An energy metric is used to quantify the environmental performance of a product by considering its functionality (for example, call capacity / voice calls, carrier sector capacity / number of sectors and carriers, bandwidth capacity expressed in terms of G (Gigabits or 1 billion bits), and energy use in watts.

Lucent uses a management system approach to ensure that energy efficiency is considered in a product's design. Performance-based optimization from increased service effectiveness results in capital expense avoidance for the customer, which provides Lucent with a competitive advantage. Operating Expenses to the customer are also proportionally reduced by the floor space and power consumption reductions realized.

The concept of considering performance based optimization of a system and also considering business value is a unique basis to improve the environmental performance of a product. The end result is less materials and energy used, while at the same time realizing cost savings.

**Product Take-Back, Recycling & Recovery**

The European Union (EU) Waste from Electrical and Electronic Equipment (WEEE) Directive was implemented in August 2005. It requires producers to take back equipment at the end of its useful life and sets targets for recycling and recovery, beginning with products placed into the EU market after the implementation date.

During 2005, Lucent registered as a producer in those countries where legal obligation existed and a national register was in place, including Germany, Spain, Ireland and the Netherlands. In addition to initial registration, Lucent maintained registration by meeting obligations for activities such as reporting of quantities placed on the market. Lucent will continue to maintain compliance in those countries in which it is registered, while monitoring developments in other relevant countries, ensuring registration where applicable and when possible.

Lucent has established a take-back program in accordance with WEEE. The capability to take back products is fully implemented for all products and customers globally. In 2005, Lucent informed European customers about the terms and conditions under which take-back obligations will be executed.

We have recycling programs for our products throughout the world that are capable of meeting WEEE requirements, similar contracted services, and currently proposed legislation to be enacted in the near future. We continue to assess and analyze our product designs and recycling programs to achieve higher efficiencies. For example, Lucent has determined from its existing key contractors the current levels or baseline of recycling, and has established processes and metrics to calculate compliance and meet reporting requirements that take effect starting in 2006.

In compliance with the WEEE Directive, Lucent is cooperating with its approved recyclers in an ongoing effort to understand their requirements for improving the recycling efficiency of our products. We also have completed life cycle assessments of some of our products to define key design-for-environment features that were then incorporated into tools that support design and supply chain processes.

**Handling Take-back Requests**

Lucent’s Supply Chain Network organization has put in place the necessary processes to deal with any request for take-back and will coordinate such requests within Lucent. This support function will not only deal with take-back legal requirements but also will support
“swap-outs” or other business opportunities in the "services" business segment where Lucent would manage the displacement of obsolete equipment for the customer.

A take-back help desk is the one stop for any take-back requests. The first step in the process is a review of the product to see if there is an opportunity to resell valuable used equipment through the Special Customer Operations (SCO) organization, extending the useful life of these products.

Lucent's second option is to direct the equipment to approved contractors to be recycled, using the most efficient methods for "environmentally responsible" recovery. Each recycler we work with is audited on a regular basis to ensure that it follows accepted practices. Lucent receives reports as to the quantity and type of materials recovered, and we make sure that the materials are directed to the appropriate destination for reuse or disposal.

While our capability to take back equipment was previously put in place, our main focus in 2005 was to assess various options to arrange for taking back equipment, extending the useful life of the products or shipping it to appropriate recyclers. Our target is to identify the most efficient process, while ensuring appropriate waste handling, recycling and reporting according to the various requirements of individual EU member states.

As we look ahead, it is expected that other countries around the world will adopt legislation similar to the EU directives during the next few years. The work being done now to comply with the EU mandates will prepare Lucent for future customer and legal requirements globally.

Recycling & Recovery

In accordance with the EU WEEE Directive, by January 2006, Lucent must ensure that a minimum level of 65 percent recycling (metals and recyclable plastics) by weight can be attained by recyclers at the end of the product's life. The Lucent corporate environmental goals to minimize the impacts of our products help meet these recycling targets. As a result Design for the Environment guidance has been established which promotes the use of easily disassembled large plastic parts (for example, polycarbonate housing) and metal parts (including copper, steel, aluminum, non-ferrous metals, reclaimed precious metals) that can readily be separated by the recycler. The Lucent environmental management system (LEMS) incorporates eco-metrics that require baseline evaluations for Lucent products to quantify product-recycling improvements.

This year Lucent completed the recycling evaluation of our product portfolio. For most products, based on metal content alone, recycling rates were determined to be greater than 75 percent, which exceeds the EU target. Due to advances in recycling technologies and the long life cycles of our products, the actual results at end of life will be met, and most likely exceed, our current predictions. The ability to recycle a product’s materials improves its environmental performance (for example, reducing global warming potential as CO₂ equivalents per year) including energy use & other environmental life cycle considerations (for example, avoided raw material extraction impacts on groundwater and air quality).
Lucent makes reuse and treatment information available to treatment facilities following the Joint Position Guidance Document (see sidebar) for each new product within one year after the equipment is put on the market. This information identifies the relevant components and materials in the electronic equipment, as well as the location of any restricted substances and preparations.

Lucent has implemented a practical method to ensure compliance with these requirements by tracking data during the design phase. As part of the hardware development process, designers complete OneDFE checklists, which include the capture of “eco-metrics” data (click here) related to the new hardware product. The eco-metrics include the capture of recycling data to demonstrate that our products can meet the EU regulatory recycling targets.

However, Lucent does not stop there, as we continue to identify areas where future recycling improvements should be focused. For example, we are working with our preferred global recyclers to identify materials that they need to separate for further treatment and recycling efforts. With the implementation of our eco-metrics, we are effectively encouraging our designers to avoid any components or materials that need to be reported. We also are working with our suppliers to determine the presence and use of these materials in our supply chain, and to evaluate better life cycle alternatives.
Supply Chain

Supply Chain Performance
Lucent’s business model in 2005 is radically different from what it was when Lucent began in 1996. Then there were numerous manufacturing plants, hundreds of warehouses, and billions of dollars of inventory. Today, Lucent has a streamlined, out-sourced supply chain that focuses on delivering customer solutions. Ensuring that our supply chain meets EH&S requirements is key to ensuring that our compliant designs are realized. Lucent continues to drive implementation of EH&S requirements through integration into the supply chain – from our major manufacturing partners, component providers, and services contractors.

Lucent’s eco-roadmap reflects the numerous key ecological drivers that could affect Lucent’s ability to sell compliant products in the global marketplace. These drivers include such critical topics as product materials content, end-of-life product take-back, producer responsibilities, batteries, product packaging, and ISO 14001. While Lucent tracks these drivers, they must be integrated into our products, including these requirements being passed along to Lucent’s suppliers.

Lucent sets a high standard of EH&S performance for its suppliers, requiring each to meet specific EH&S requirements. Standardized EH&S clauses are made part of general agreements negotiated with each major supplier. The EH&S contract clause requirements include having an Environmental Management System in place that meets ISO 14001, using Design for Environment practices, and certifying material content to meet Lucent’s banned materials, the EU RoHS Directive, and WEEE according to Lucent’s Supply Chain Requirements for Control and Reporting of Material Content.

Lucent Supplier Capability Assessment
Lucent’s Global Quality organization conducts Lucent Supplier Capability Assessments (LSCA) of our suppliers. The LSCA evaluates the supplier’s performance in many critical areas. EH&S is one of the specific elements evaluated as part of those assessments. The assessment verifies that strong EH&S programs and practices are in place and that suppliers are meeting contractual requirements. If an area of improvement is noted, the supplier must implement a corrective action plan to close the gap identified. The LSCA is led by Lucent Global Quality (LGQ). Often an EH&S representative participates in the supplier’s on-site assessment.

Lucent EH&S in Asia Pacific and China (APAC) actively participates in LSCAs for product suppliers. This is to ensure that the product suppliers, including Electronic Manufacturing Services (EMSs), Original Equipment Manufacturers (OEMs), Original Design Manufacturers (ODMs), and other component suppliers, are complying with the applicable legal and Lucent Supplier EH&S requirements, which minimizes potential business interruption and legal liability to Lucent.

The process begins with the issuance of the Supplier Environmental Status Questionnaire Form, which is fully integrated with the LSCA tool by LGQ. A review of the Supplier Environmental Status Questionnaire Form determines whether a follow-up on-site visit is warranted.

During the assessment follow-up the LEH&S organization is closely involved in the review of solutions offered by the supplier for resolution of any EH&S related findings during the assessment. Although corrective action is the sole responsibility of the supplier, EH&S professionals may be consulted by the supplier for support on identification of methods for resolution.

This process was deployed globally. As an example, in APAC, we have applied this process during 32 LSCAs performed at four EMSs, 15 critical suppliers and 13 other suppliers.
Material Data Collection from Suppliers

Lucent is proactively collaborating with suppliers, manufacturing partners, and industry consortia to achieve compliance with the EU RoHS Directive, and other substance-related requirements.

Lucent has developed a robust material content data collection process that leverages industry standards. To that end, Lucent has established supply chain requirements for control and reporting of material content, identifying specific materials that are banned in products or packaging provided by Lucent. Suppliers are required to report material content information to Lucent in line with the Joint Industry Material Composition Declaration Guide for Electronic Products. Documentation in regard to this requirement may be viewed on Lucent's external Supply Chain Portal (www.scportal.lucent.com, select “General Use Documents” then “Eco-Environmental Alerts and Requirements”).

Suppliers to Lucent are required to declare the presence of specific materials/substances. Since these documents will be used as the basis for determining the RoHS compliance of Lucent’s products, it is imperative that the supplier provides valid information. To assure the validity of this information, suppliers will be assessed through Lucent’s Supplier Capability Assessment (LSCA) program. The LSCA process will determine if Lucent should continue to utilize a supplier based on audit findings.

As part of Lucent’s rigorous data review process, material changes proposed by our suppliers are evaluated to ensure that the supplier and components used in Lucent products are in compliance with RoHS and are identical to form, fit and function of existing products.

Contract Manufacturing

Lucent uses contract manufacturers as providers of electronic manufacturing service (EMS), which are required to maintain third party certified ISO14001 environmental management systems. Further demonstrating Lucent’s commitment to environmental excellence in the supply chain, Lucent requires "goods" suppliers to establish and maintain an environmental management system that conforms to a recognized international standard such as ISO14001.

Electronic Industry Code of Conduct (EICC)

Lucent has a large, global supply chain touching upon virtually every aspect of our solutions and our business. Our supply chain is managed both directly by Lucent as well as indirectly through third parties. Lucent recognizes that we have a responsibility to ensure that the suppliers we utilize directly, as well as those that we utilize through third parties, conduct business in an appropriate manner. That responsibility is evident in the wording of our contracts as well as in our embracing of the Electronic Industry Code of Conduct.

The code outlines standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. The Code may be voluntarily adopted by any business in the electronics sector and subsequently applied by that business to its supply chain and subcontractors.

Using the code, and associated standards, we will communicate to our suppliers what we expect from them, and how they can play their part.
Initiatives

Eco-metrics

As legal and customer product-based eco-environmental requirements have continued to become more stringent, it became apparent that a systematic approach would be needed to address product eco-environmental compliance in a formal and consistent manner. Since 2001, Lucent's product-based environmental management system team has worked to identify a practical method to identify, communicate and comply with product eco-environmental requirements in a manner that supports compliant products while providing value to the business.

In 2004, a cross-functional team developed a process to systematically manage product eco-environmental performance improvement data (DFE eco-metrics). This facilitates the "green" evolution of products and compliance with regulatory requirements. In 2005, eco-metrics became formally integrated with the DFE Checklist tool. Completion of DFE checklists became required as part of the wireless hardware product development process to close the gap for Lucent designed products, and is expanding to all Network Solutions Group hardware products in 2006.

The purpose of the DFE eco-metrics is to practically gather information that:

- Can be used to demonstrate compliance with regulatory requirements. (For example, recycling targets, information for recycler as required under the WEEE directive.)
- Can be used during product evolution planning and competitive benchmarking.
- Supports product eco-environmental performance improvements in line with the product-based environmental management system.

Data is collected for products and subassemblies:

- Materials and substances: reductions in the use of banned, restricted or environmental substances of concern, the weight and volume of the product, material breakdown by metals, plastic and other materials.
- Information on type of batteries, if present.
- Energy usage and performance data.
- Improvements made to the design of the product with respect to reuse and recycling.
- Any improvements in generation or suppression of noise from the product.

Support and Relief Initiative – Hurricane Katrina

Immediately after the devastation of Hurricane Katrina, Lucent's Customer Emergency Center (CEC) kicked into high gear to help our customers in the affected area to restore communications services. The horrible conditions in the area introduced the enormous challenge of how to get the job done while keeping our employees safe.

The CEC immediately recognized that it needed to reach out to Lucent's Environment, Health and Safety (EH&S) organization and Lucent Health Services for support. Just as the CEC members had planned ahead and anticipated the customers' needs and concerns during (and even prior to) the landfall of Hurricane Katrina, EH&S and Health Services were working behind the scenes to assess all the potential hazards and to develop safety and health precautions that should be taken when working in the affected areas.

To ensure that restoration efforts could begin as quickly as possible, it was necessary to immediately provide on-site Lucent teams with appropriate personal protective gear and safety equipment. EH&S worked closely with an installation equipment supplier to identify safety equipment (for example, gloves, respirators, flashlights, coveralls, and other emergency supplies), and ship them overnight to the area for immediate use by local teams. As the devastating effects of the storm became clearer over time and as conditions
changed, health and safety precautions were updated and posted daily on the EH&S Web site.

The CEC worked tirelessly, day and night, through Labor Day weekend and several weeks beyond. During regularly scheduled conference calls, team members worked to anticipate possible customer requests, process orders, efficiently organize shipping and logistics through affected transportation zones, all the while ensuring that those deployed to the area were aware of the proper safety precautions and had received the proper vaccinations. Health Services issued recommended guidelines for employees deployed to the area and further coordinated with local clinics to provide necessary vaccinations. Affected employees also were reminded that Employee Assistance Program services were available to them.

The efforts of the team paid off. Although more than 100 installers, engineers and technicians worked on-site under deplorable conditions in the aftermath of the storm, the conscientious efforts of the CEC helped to ensure that all the necessary work could be performed and that employees were provided with training and equipment to perform the work in the safest possible manner.

In the months after the hurricane response, the excellent work done by the CEC and lessons learned were captured, further evaluated, improved and simplified to ensure that future disasters will be handled even more efficiently and effectively.

Remediation

The Remediation Group within Lucent oversees the investigation, design, construction and operation of environmental remediation and restoration projects. In taking its legacy environmental responsibilities seriously, Lucent makes every effort to achieve a cleanup standard that addresses human health and the environment and does so in a financially responsible manner.

Our remediation activities fall into two broad categories associated with Lucent owned (or formerly owned) facilities and third-party waste disposal and reclamation facilities. In certain cases, the liability may be related to a business or property acquisition. Projects may be regulated under one or more local, state or federal programs such as CERCLA (Superfund), RCRA (hazardous waste), state cleanup programs or the international or country-specific regulations.

When Lucent sold its manufacturing operations to contract manufacturing service providers or property developers, wherever possible, we sought to identify prospective purchasers that would reuse or redevelop the properties in a manner that is beneficial to the community and the environment. In most instances, Lucent has retained responsibility for managing any pre-sale environmental issues. Lucent works closely with the buyer(s) and regulatory agencies to ensure a smooth ownership transition and to facilitate redevelopment. This includes innovative contracting relationships with our environmental consultants and remediation contractors to complete site cleanup and closure on an expedited schedule. This approach provides benefits to the buyer, the community and Lucent.

For waste disposal and reclamation facilities, these Superfund sites are usually shared liability sites with multiple parties participating in the management, operations and funding. Funding is typically based on the respective party's share of the total volume of waste that went into the site. At a few sites, Lucent has the primary responsibility for operations and funding.

Where there is a potential for disruption of wetlands or impacts have already occurred, the remedial design is modified to ensure the wetlands area is protected, restored or replaced with an equivalent wetlands resource. As a result of ongoing remediation operations and maintenance, Lucent restored more than 479 million gallons (1.82 billion liters) of groundwater to productive use in fiscal 2005 and removed more than 34,000 pounds (15.4 metric tons) of volatile organic compounds from soil and groundwater. Groundwater
remediation systems are closely monitored to ensure the effluent quality meets applicable standards, which, in many cases, are the drinking water standards.

In 2005, Lucent entered into a fixed price remediation contract and procured insurance to help facilitate the redevelopment of a former manufacturing facility, no longer owned by Lucent, under the North Carolina Brownfields program. Lucent and its contractors are investigating innovative in-situ remedies, including the use of nanoscale iron particles that would reduce aboveground equipment and thereby help facilitate the redevelopment efforts.

In addition to our efforts to remove contaminants from the environment, Lucent also participates in supplemental programs designed to assist the communities affected by past operations. Lucent co-sponsors an ongoing program in East St. Louis, Ill., to identify and remove lead-based materials from residences.

Total Remediation expenditures for FY2005 were $17.3 million (this includes offsets for cost recoveries and credits from other parties).

**Implementation of Contractor Management Program in APAC**

Beginning in early 2005, the Lucent EH&S organization in the Asia/Pacific region initiated the deployment of a Contractor Management Program by conducting several training sessions for all relevant organizations (Supply Chain Networks, project managers, LRE and facility managers). The EH&S organization developed the Contractor Management Program to ensure that all requirements from the Lucent Worldwide Standard on Contractor EH&S Management are consistently met.

As part of the initial evaluation, and similar to the LSCA process, Lucent requires contractors to provide the status on their EH&S management through completion of a questionnaire. The response is then evaluated and an assessment is made whether Lucent can engage the services of the contractor. In that case, Lucent requires the contractor to sign the Lucent EH&S clauses to acknowledge that it understands Lucent’s EH&S requirements. Before actual work starts, the contractor is required to sign a briefing document that details the rules and regulations while working on Lucent premises.

Once the work of the contractor has begun, Lucent will conduct site inspections using a pre-defined checklist to ensure that all work in progress does not violate any of our requirements. This will ensure the safety of Lucent personnel and all others on site.

The Contractor Management Program also ensures that the past EH&S performance of a contractor is taken into consideration when the renewal of a service contract of a contractor is being considered.

In 2006, we will be commencing an assessment to standardize the program on a worldwide basis.
Recognition

External Recognition

Lucent Technologies continues to maintain five "Star status" locations in the Occupational Safety and Health's (OSHA) Voluntary Protection Program (VPP). These sites encompass a range of activities and operations, including research and development (R&D), product management, supply chain management and corporate administrative services. Star status is the highest level of recognition in the OSHA VPP and only companies that implement exemplary health and safety programs are eligible for enrollment/retention under the program. As required by OSHA's periodic re-evaluation process, all five locations safety management systems were reviewed by OSHA within the past two years and were recommended for continued participation as OSHA VPP Star sites. Lucent's participation in the OSHA VPP is testimony to its commitment toward the health and safety of our employees.

Climate Leaders Partnership Program

At the request and invitation of the USEPA (United States Environmental Protection Agency), Lucent became a partner in “Climate Leaders” during 2005. Climate Leaders is an USEPA industry-government partnership that works with companies to develop long-term comprehensive climate change strategies. Partners set a corporate-wide greenhouse gas (GHG) reduction goal and inventory their emissions to measure progress. By reporting inventory data to the USEPA, partners create a lasting record of their accomplishments. Partners also identify themselves as corporate environmental leaders and strategically position themselves as climate change policy continues to unfold.

Corporate Social Responsibility (CSR) and Environment, Health and Safety (EH&S) Champions Program

Lucent teams around the world showed their commitment to making a positive impact in the world. Fourteen of those teams were selected as the 2005 Corporate Social Responsibility (CSR) and Environment, Health and Safety (EH&S) Champions. This is a new name for the program and reflects the program’s expanded focus on corporate social responsibility.

Formerly known as the EH&S Champions Awards, the CSR and EH&S Champions program recognizes employees who have successfully demonstrated socially responsible behavior and addressed environment, health and safety issues in their business practices, workplaces and communities. The Lucent Foundation and Lucent's EH&S organization co-sponsor the Champions Program. Forty projects were nominated in the social responsibility category this year, compared with eight last year, and nine of the 14 selected projects are in the social responsibility category.

A total of 70 project teams, comprising more than 550 employees, were nominated this year. The 14 champions were selected by a group of independent judges from the business and government sectors, providing a wide range of expertise and professionalism. These judges were organized by a third-party nonprofit organization. Nominations were judged based on criteria that looked at the nominated program's benefits and cost savings, social responsibility benefits, ease of replication, program effectiveness and innovation.
Program Effectiveness

Projects in the Program Effectiveness category, chosen for improving our operations and products in the areas of pollution prevention, waste reduction and energy efficiency, or affecting accident prevention and the reduction of on-duty injuries or illnesses, are:

Energy Saving in China

A cross-functional team of employees in Qingdao, China, helped achieve energy savings for the country and cost savings for Lucent by introducing new processes to reduce energy consumption at Lucent's facility. After studying energy usage in the facility, team members implemented several solutions, such as rewiring the electrical circuit so that lights could be turned off individually in unoccupied areas. They also reset the thermostat for the heat, ventilation and air conditioning system to use less energy and installed more energy-efficient boilers.

Team Members: Kevin Hui Chen, Guangxu Fu, David Wei Gao, Xian Zhi Huang, Randy Tao Lang, Gary Tao Lin, Jitong Lin, Xuemin Ma, Chen Wang, Peiwen Wang, Weimin Yang, Annie Andi Zhan, Bob Zhang and Yuxin Zhang.

Reducing Pollution — X-Free Program

A cross-functional team from Hilversum, the Netherlands; Nuremberg, Germany; North Andover, Mass.; Columbus, Ohio; Bydgoszcz, Poland; and various locations in New Jersey and Illinois developed processes that will allow Lucent to meet the European Union requirement that manufacturers eliminate certain hazardous substances from their products by July 2006. The team created and implemented a product design and development process — called the X-Free Program — that restricts the use of six substances (cadmium, mercury, lead, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ethers) in all of our products. The work of the team ensures that Lucent can deliver X-free products to customers in the European market and globally.

Team Members: Roger Ackerman, Judy Arnold, Marc Benowitz, Terry Bradley, Roger Carlson, Andy Chiango, Richard Coyle, Jeannie Cseri-Martin, Susan Giangrossi, Martha Gulotta, Sue Holman, Wim Jansen, Nancy Jaster, Gabe Joseph, Sherwin Kahn, Blaina Kaplan, Michal Kralakiewski, Ganesan Krishnamurthy, Gina Kucker, Beth Kujan, Vinod Kumar, Xiaotong Li, Todd Lustig, Mark Marcelonis, Michael Massetti, Kevin McGowan, Butch Morel, Tom Okrasinski, David Philips, Mark Purvis, Enrique Redondo, Arjen Salemink, Dick Sanderson, Kimberly Switalski, Ruut Verheyden, Gary Wong and Sylvia Yang.

Reducing Expenses While Increasing EH&S Performance

In 2005 Supply Chain Networks’ Supplier Management Group (SMG) in Brazil, working with the EH&S and Lucent Worldwide Services organizations, initiated a cost-reduction program that reduced the number of Lucent’s services suppliers in Brazil from 30 to seven strategic suppliers. In the process, the team identified opportunities where suppliers could improve their EH&S procedures and initiated processes to help them do so. The team’s efforts resulted in an 8.6 percent reduction in expenses for Lucent and a significant increase in the EH&S performance of suppliers.


Management Practices

Projects chosen in the Management Practices category, for achievements in developing effective EH&S management programs within Lucent or in partnerships with strategic business partners, government agencies or outside organizations are:

Lucent Remanufacturing

Lucent’s Special Customer Operations (SCO) Organization team members in Columbus, Ohio; North Andover, Mass.; Charlotte, N.C.; and Bydgoszcz, Poland helped the
environment and increased Lucent’s revenue stream through the organization’s product remanufacturing program. Lucent remanufactures products by inspecting, cleaning, testing, repairing or upgrading older equipment and reselling it. In 2005 through the SCO program, Lucent remanufactured and sold more than 8,000 pieces of configured network equipment (bays and panels) and more than 100,000 circuit packs. This effort helped reduce waste by keeping more than 2.9 million pounds of material out of landfills and generated several millions in revenue for Lucent.

Team Members: Roger Harding, Martin Lauterwald and Jeff Rice.

Focus on Safety

Since 2000, the Services China EH&S Management System Implementation team in Qingdao has developed and implemented EH&S work plans, conducted compliance reviews and provided training for employees. In 2005 alone, the team provided 558 hours of EH&S training, achieving a 100 percent participation rate. The team conducted 333 inspections to help ensure the safety of the site. This continuous focus on EH&S compliance has helped to elevate employees' awareness about safety issues and has resulted in a significant reduction in injuries and the costs associated with them. The Qingdao facility has gone a record 1,155 days without a lost workday due to injury.

Team Members: Tony Wendi Qi, Andrew Jian Wang and Xiao Yu.

Social Responsibility

The projects chosen for social responsibility, demonstrating outstanding achievements in business ethics, community involvement, philanthropy, corporate governance, human rights, marketplace and workplace environment, are:

VALOR Community Service Projects

Members of VALOR (Veterans at Lucent Organization) in Charlotte, N.C., served several community organizations and social causes throughout the year, all paid for through fundraising activities sponsored by the group and supported by Lucent employees in Charlotte. For example, the group fed 700 homeless people during Thanksgiving; raised money to help a local soldier who lost both legs in Iraq and a young girl with a rare form of muscular dystrophy; bought school supplies for children evacuated during Hurricane Katrina; provided sporting equipment to the local Veteran’s Administration Hospital; and sponsored 12 children orphaned during the Asian tsunamis in late 2004.

Team Members: Gene Armstrong, Don Blake, Richard Miller and Don Wilson.

AT&T Customer Team Community Service Projects

AT&T Customer Sales Team members based in San Antonio participated in numerous community service projects during 2005 – from helping Hurricane Katrina evacuees sent to San Antonio by volunteering at shelters where the evacuees were housed and donating food, clothing and other supplies; enlisting family members to help build a Habitat for Humanity home; cleaning up a playground; assembling supplies for the homeless; sorting clothes and donating furniture to those in need; and providing food, clothing and toys to a family over the holidays.


Helping Homeless Families

For the past four years, Steve Paddock, senior manager, North America Sales, in Overland Park, Kan., has been a champion of Community LINC, a nonprofit organization dedicated to helping homeless families in Kansas City regain self-sufficiency. Paddock has rallied the support of Lucent employees at the Overland Park facility to help. During the past year,
for example, Lucent employees and their families, helped make repairs and improvements to Community LINC's temporary housing facilities, donated furniture to Community LINC families, gave monetary donations and provided gifts during the holiday season.

Team Member: Steve Paddock

Reducing Waste to Help the Environment

Collaborating with a non-government organization focused on improving waste management systems in Bangalore, the local Mobility 1xEV-DO product team implemented a program at the Lucent facility to switch from throwing away its shredded paper waste to recycling nearly 30 kilograms of paper waste each week. The program is being enhanced to include processing of other dry waste, such as plastic and packing material, and organic waste that can be composted.

Team Members: Swapnil Shambhu Kulkarni

Customer Emergency Center Hurricane Katrina Response

Lucent's Customer Emergency Center team in such locations as Georgia, Louisiana, Mississippi and New Jersey, kicked into full gear to help customers restore communications services after the devastating effects of Hurricane Katrina. Springing into action even before Hurricane Katrina hit the United States, the team of representatives from EH&S, Health Services, Supply Chain Network, Global Sales and Lucent Business Continuity handled logistics ranging from addressing health and safety needs of Lucent response teams working in hazardous areas to anticipating and responding to customer requests. As a result, Lucent teams met or exceeded customer needs during the crisis while working safely under difficult conditions.


Team Finance Global Days of Caring Project

A small group of employees from across the Lucent Finance organization organized a series of volunteer activities to support Lucent's 2005 Global Days of Caring event. The team recruited colleagues to develop, implement and participate in volunteer projects. Some of the projects included sponsoring Habitat for Humanity events in New Jersey, organizing blood donation drives in Dublin, Ireland, assisting with a children's charity event in Madrid, Spain, and helping with activities at a center for children with disabilities in Mumbai, India. In the end, the global Team Finance organization participated in 30 volunteer projects in 16 countries during Global Days of Caring.


Lucent and Junior Achievement Partnership Project

A small group of employees from various organizations in the Murray Hill and Whippany, N.J., locations launched a yearlong partnership between the New Jersey Junior Achievement (JA) organization and Lucent. The goal of the partnership was to touch the lives of 1,000 elementary and high school students by involving Lucent employees in JA's business education and mentoring programs. Among the activities held during the year was a job shadow day that brought 25 high school students to Bell Labs facilities in Murray Hill to see how technology is turned into products. Another project took a team of Lucent, Verizon and Verizon Wireless employees to an elementary school in Newark, N.J., where they taught lessons about business and the community to 300 students. As a result,
Lucent Junior Achievement team surpassed its goal, reaching more than 2,000 students and raising more than $30,000 to help Junior Achievement fund future class programs and reach more children.

Team Member: Glenn Coleman

**Young Science Achievers Program**

As board members for the Young Science Achiever's Program, Lucent employees Desiree Castillejos in Whippany, N.J., and Jorge Valdes in Murray Hill, N.J., have helped nurture an interest in science and technology among hundreds of female, African-American, Hispanic and Native American students. The Young Science Achievers Program provides female and minority students with practical experience in science and engineering under the guidance of mentors from Bell Labs and AT&T scientific communities. The Lucent team members, along with the other Young Science Achievers board members, have helped the program expand to serve more students and involve more schools and partners.

Team Members: Desiree Castillejos and Jorge Valdes.

**Lucent Connects Global Employee Volunteer Program**

The Lucent Connects team supports the company's commitment to social responsibility by helping employees to coordinate team volunteer activities around the world. Through initiatives such as the Global Days of Caring, Global Youth Volunteer Project and the Connects Employee Volunteer Grant Program, the team engages thousands of Lucent employees in volunteerism. One example: the Pillow Project started with a handful of employees in Murray Hill who came together at lunchtime to create colorful, easy-to-make pillows for children at a local cancer treatment center. The project grew to 155 employees and family members from New Jersey, Florida, Virginia and Ohio, resulting in 295 volunteer hours and 307 pillows. In response to continuing employee requests, the Lucent Connects team plans to make the lunchtime project a standard option for future volunteer activities.

Team Members: Diane Dalrymple and Sharon Methuen.
## Global Reporting Initiative (GRI) Index

The performance indicators from the Environment, Health & Safety; Customer Health & Safety; and Products & Services sections of the GRI Guidelines that we have determined to be relevant and feasible for reporting are summarized below. We will continue to assess the appropriate GRI performance indicators for future reporting.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN3</td>
<td>Direct energy use segmented by primary source</td>
<td>Energy Use</td>
</tr>
<tr>
<td>EN8</td>
<td>Greenhouse gas emissions</td>
<td>Greenhouse Gas Emissions</td>
</tr>
<tr>
<td>EN9</td>
<td>Use and emissions of ozone-depleting substances.</td>
<td>Ozone Depleting Substances</td>
</tr>
<tr>
<td>EN10</td>
<td>NOx, SOx, and other significant air emissions by type.</td>
<td>Energy Use</td>
</tr>
<tr>
<td>EN11</td>
<td>Total amount of waste by type and destination.</td>
<td>Waste Generation &amp; Management</td>
</tr>
<tr>
<td>EN13</td>
<td>Significant spills of chemicals, oils, and fuels in terms of total number and total volume.</td>
<td>Incidents</td>
</tr>
<tr>
<td>EN14</td>
<td>Significant environmental impacts of principal products and services</td>
<td>Environmental Impact</td>
</tr>
<tr>
<td>EN15</td>
<td>Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed</td>
<td>Recycling &amp; Recovery</td>
</tr>
<tr>
<td>EN16</td>
<td>Incidents of and fines for noncompliance with all applicable international declarations/conventions/treaties, and national, subnational, regional, and local regulations associated with environmental issues</td>
<td>Incidents</td>
</tr>
<tr>
<td>EN18</td>
<td>Energy consumption footprint of major products</td>
<td>Product Energy Use</td>
</tr>
<tr>
<td>EN27</td>
<td>Objectives, programs, and targets for protecting and restoring native ecosystems and species in degraded areas.</td>
<td>Remediation</td>
</tr>
<tr>
<td>EN31</td>
<td>All production, transport, import, or export of any waste deemed “hazardous” under the terms of the Basel Convention Annex I, II, III, and VIII.</td>
<td>Basel Convention Compliance</td>
</tr>
<tr>
<td>EN33</td>
<td>Performance of suppliers relative to environmental components of programs and procedures described in response to Governance Structure and Management Systems section (Section 3.16).</td>
<td>Supply Chain Performance</td>
</tr>
<tr>
<td>EN34</td>
<td>Significant environmental impacts of transportation used for logistical purposes.</td>
<td>Transportation for logistical purposes</td>
</tr>
<tr>
<td>EN35</td>
<td>Total environmental expenditures by type.</td>
<td>Remediation</td>
</tr>
<tr>
<td>LA5</td>
<td>Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.</td>
<td>Work-related injuries and illnesses</td>
</tr>
<tr>
<td>LA6</td>
<td>Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.</td>
<td>Safety at Lucent</td>
</tr>
<tr>
<td>LA7</td>
<td>Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers).</td>
<td>Work-related injuries and illnesses</td>
</tr>
<tr>
<td>LA8</td>
<td>Description of policies or programs (for the workplace and beyond) on HIV/AIDS.</td>
<td>Lucent Health Services</td>
</tr>
<tr>
<td>PR1</td>
<td>Description of policy for preserving customer health and safety during use of products and services</td>
<td>Product Compliance</td>
</tr>
<tr>
<td>PR2</td>
<td>Description of policy, procedures/management systems, and compliance mechanisms related to product information and labeling.</td>
<td>Product Compliance</td>
</tr>
<tr>
<td>PR4</td>
<td>Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches.</td>
<td>Incidents</td>
</tr>
<tr>
<td>PR5</td>
<td>Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.</td>
<td>Incidents</td>
</tr>
<tr>
<td>PR6</td>
<td>Voluntary code compliance, product labels and awards</td>
<td>(a) Environmental Management Systems (b) Occupational Health &amp; Safety (c) Electronic Industry Code of Conduct</td>
</tr>
</tbody>
</table>