Lucent Technologies Inc.
Corporate Governance Guidelines

Overview

Lucent's Corporate Governance Guidelines set forth below provides the framework for the governance of Lucent. The Board periodically reviews its corporate governance practices and guidelines to determine whether these guidelines should be updated based upon the then current best practices and recent developments. In addition, the Board has embraced the recent governance rule changes for companies listed on the New York Stock Exchange and those contained in the Sarbanes-Oxley Act of 2002.

In establishing its corporate governance guidelines, the company took into account certain guiding principles. The primary guiding principles can be summarized as follows:

1. The paramount duty of the board of directors of a public company is to select and oversee competent and ethical management to run the company on a day-to-day basis. The board should ensure that senior management is setting the appropriate "tone at the top" for the company.

2. Management has the responsibility to operate the company in a competent and ethical manner in order to produce value for shareowners. Shareowners and the board have the right to expect senior management to know how the company earns its income and the risks the company undertakes in the course of carrying out its business.

3. Personal interests of directors and management should never take precedence over, or conflict with, the interests of the company.

4. Management, with oversight from the board and its audit committee, must produce financial statements that fairly present the financial condition of the company and make sufficient disclosures to investors to permit them to assess the financial and business soundness of the company.

5. The board and its audit committee must engage an independent accounting firm to audit the financial statements prepared by management and to issue an opinion on those statements based on Generally Accepted Accounting Principles. The board, its audit committee and management must be vigilant to ensure that neither the company nor its employees take any action that compromises the independence of the independent accounting firm.

Corporate Governance Guidelines

The following are the primary areas the company has reviewed and established guidelines within the framework of the principles set forth above.

A. Directors' Responsibilities

The primary responsibilities of the Directors are to select management and oversee their performance on behalf of the shareowners, to promote that the long-term interests of the shareowners and generally to perform the duties and responsibilities assigned to the Board by the laws of Delaware, the state of incorporation of the company, the New York Stock Exchange rules and other relevant legal requirements.

Directors fulfill these functions by, among other things:

- Selecting, evaluating and compensating the officers of the company and planning for senior management succession;
- Reviewing and monitoring implementation of Lucent's business plans and strategy;
- Reviewing and approving significant corporate actions and major transactions;
- Reviewing assessments of, and advising management with respect to, significant risk and issues facing the company; and
- Overseeing the establishment of, and monitoring of compliance with, processes designed to provide reasonable assurance of
  - the integrity of the company's actions, including the accuracy of its financial statements and financial reporting,
  - the company's compliance with law, and
  - adherence to the company's Business Guideposts by all employees.

Directors are expected to act with integrity and demonstrate a commitment to the success of the company in the exercise of their responsibilities as stewards of the shareowners' interests. In performing their oversight responsibilities, directors expect that management will act with integrity and operate the company in an effective and ethical manner.

Furthermore, Directors are expected to devote significant time and attention to company business, which includes active participation in Board and committee meetings, careful review of relevant meeting materials, service on committees of the Board and preparation for meetings and discussions with management. Directors are also expected to be willing to challenge and engage one another and senior management on critical issues facing the company.

Directors are expected to notify the Chairman and CEO and the Corporate Secretary and General Counsel prior to accepting a seat on a board of another corporation to avoid the possibility of conflicts of interest.

B. Director Qualification Standards

Requisite Skills and Characteristics: The company looks for directors with significant experience and demonstrated superior performance in high-level professional endeavors. Directors should have expertise in technology, finance or governance or experience as a CEO, COO, CFO or other high-level business or leadership role. The Board endeavors to balance the qualifications of Board members to ensure sufficient expertise in financial, corporate governance, technological and general business matters.

Independence: The company desires to have at all times a substantial majority of directors who are independent under relevant New York Stock Exchange and SEC guidelines. The Board and the company review any relationships between the company and a director to ensure no impairment of independence, including any charitable giving by the company to any organization with which a director is affiliated. Reviews are performed annually, or more frequently if the need arises.

Occupations and Memberships on Other Boards: The company places no specific limitations on the number of directorships an individual member of the Board may hold. In selecting nominees for membership, the Board takes into account the other demands on the time of a candidate, including respect to current directors, their attendance, preparedness and participation in Board and committee meetings.

C. Access to Management, Employees and Independent Advisors

Directors have free and unrestricted access to the company's senior management. Similarly, management may seek advice and counsel from directors both at and anytime between Board and committee meetings. The Board and committees may also seek advice from independent legal experts or other advisors as desired or required.

D. Compensation of Directors

The company's general philosophy behind director compensation is:

- Fairly compensate directors for the significant time commitment and attention to company business expected of them and the personal risks they incur serving on the board of a public company; and

- Ensure that directors are stakeholders in the future of the business and aligned with shareowners by requiring that 50% of the retainers are paid in shares of the company's stock. Directors are also required to hold at least 50% of equity received until retirement or resignation from the Board.

The Leadership Development and Compensation Committee and the Corporate Governance and Nominating Committee annually review and determine the form and amount of compensation for directors. Compensation is looked at in comparison with director compensation at other large public companies. The director compensation program is designed to attract and retain highly qualified directors by offering compensation for directors in line with peer companies and to address the increased time, effort, expertise and accountability required of active Board membership in light of evolving corporate governance requirements.

E. Director Orientation and Continuing Education

Continuing Education: The company endeavors to provide the directors with frequent updates on corporate governance practices and the legal requirements of board members. In addition, the company works with the directors to provide meaningful, relevant educational opportunities to enhance their effectiveness on the Board. The company offers directors various educational possibilities or will pay for courses directors deem appropriate to help them in their role as Board members.

New Director Orientation: Each new director receives an orientation which includes a review of the company's products and portfolio, a tour of the Bell Laboratories facility, and meetings with members of senior management.

F. Management Succession

The Leadership Development and Compensation Committee establishes guidelines and criteria for evaluating CEO performance and selection, such as achieving financial goals, operational goals, personnel management objectives and customer satisfaction goals. The Board periodically reviews with the current CEO and, as appropriate, other members of senior management succession planning. This review includes evaluating managers' experience, background, strengths, weaknesses and readiness to step into expanded roles.

In the event of an emergency retirement of the CEO, the Board, lead by the Leadership Development and Compensation Committee, will meet to select a new CEO or establish a process for selection. The lead director of the company is authorized to call a meeting of all non-management directors, including for this purpose.

G. Annual Performance Evaluation of the Board

On an annual basis, the Corporate Governance and Nominating Committee has the responsibility to oversee the evaluation of the Board. The evaluation seeks the opinion of directors as to sufficiency and timeliness of briefing materials provided to them, the content and conduct of meetings, the adequacy of time allocated to, and quality of, presentations and discussions, access to senior management, the Board's understanding of issues, Board's consideration of shareowners' interests in making decisions, overall characteristics and mix of skill sets of Board members, as well as other areas. These assessments include a review of any areas identified by board members as requiring improvement. The Board endeavors to use these evaluations to improve its performance and effectiveness.