



Control Number: 30240



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**Southwestern Bell Telephone, Inc.'s, d/b/a AT&T Texas
Five-Year Plan to Enhance Supplier and Workforce Diversity
Project 30240**

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Texas Regulatory

AT&T Texas
400 W. 15th Street
Suite 950
Austin, TX 78701-1600

2008 DEC 17 PM 1:35

December 17, 2008

Filing Clerk
Public Utility Commission of Texas
1700 N. Congress Avenue
Austin, Texas 78701

RE: Project No. 30240- Annual Progress Report on Five-Year Plan to Enhance Supplier and Workforce Diversity

Dear Mr. Galloway,

Pursuant to §26.85(e), enclosed for filing are four (4) copies of Southwestern Bell Telephone, Inc.'s, d/b/a AT&T Texas, Annual Progress Report on the Implementation of the Five-Year Plan to Enhance Supplier and Workforce Diversity.

Consistent with the requirements of the rule, copies of this report are also being provided to the following: (1) Governor; (2) Lieutenant Governor; (3) Speaker of the House; (4) Chair- House Legislative Black Caucus; (5) Chair- Texas Senate Hispanic Caucus; (6) Chairman-House Mexican-American Caucus.

If you have any questions concerning this report, please contact me at (512) 870-2107.

Sincerely,

Emily Steele
Area Manager-Regulatory Relations

cc w/ attachment

The Honorable Rick Perry
The Honorable David Dewhurst
The Honorable Tom Craddick
The Honorable Senfronia Thompson
The Honorable Juan "Chuy" Hinojosa
The Honorable Trey Martinez Fischer

AT&T

Data as of October 1, 2008

NUMBER OF TEXAS FULL-TIME EMPLOYEES FOR REPORTING YEAR

Occupational Categories	Combined Total	Company Totals		Caucasian		African American		Hispanic		Asian		American Indian	
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Officials and Managers	824	505	319	355	201	58	61	84	53	6	1	2	3
Professionals	1217	836	381	592	238	83	84	144	48	10	7	7	4
Technicians	316	25	291	13	138	6	80	6	71	0	1	0	1
Sales Workers	774	312	774	201	250	51	122	51	85	7	1	1	4
Office and Clerical	6380	1474	4906	668	1737	315	1747	315	1379	14	25	6	18
Craft Workers (Skilled)	7319	6569	750	3959	378	769	208	769	148	151	12	36	4
Operatives (Semi-skilled)	0	0	0	0	0	0	0	0	0	0	0	0	0
Laborers (Unskilled)	0	0	0	0	0	0	0	0	0	0	0	0	0
Service Workers	0	0	0	0	0	0	0	0	0	0	0	0	0
Previous Year Totals	18642	10397	8245	6213	3431	1369	2639	2563	2083	194	56	58	36
Year Totals	16830	9721	7109	5788	2942	1282	2302	2411	1784	188	47	52	34

NOTE: Double-click on embedded Excel chart to open. Click on a cell or use arrow keys to select an occupational category and ethnic group to update workforce diversity numbers. Do not enter information in Combined Total and Company Totals columns or the This Year Totals row as these will update automatically. Cells left blank will be counted as zero. Click anywhere outside of chart to exit.

AT&T Supplier Diversity Data

AT&T Texas Workforce and Supplier Diversity Form			
Actual = [Total HUB PROCUREMENT + Total Small Business Procurement/Total Company procurement	Actual for Previous FY	Actual for Current FY	Percent Change
Construction Contracts	11.6%	25.0%	116%
Commodities Contracts	43.3%	50.9%	17%
Other Services	12.6%	21.7%	73%
Professional Services Contracts	12.7%	23.8%	88%
Major Equipment	33.8%	34.8%	3%
Other	0.0%	0.0%	0%

(1) **Construction** -- Construction done by general contractors and special trade contractors which includes new work, additions, alterations, reconstruction, installations, repairs, remodeling, renovating, and repair of office buildings. Heavy construction.

(2) **Commodities** -- All materials, goods or tangibles purchased to conduct business, not including fuel or purchased power contracts and major equipment purchases and rentals.

(3) **Others Services** -- All specialty work, special circumstances that required contract labor, special consultants or other non-defined services. Examples include audio/visual, staffing services, landscaping, forestry, tree trimming, art and decorative services.

(4) **Professional Services** -- Contracted professional services which include legal, consulting, health, engineering, accounting, advertising/marketing, architectural, real estate, computer services, research and analysis, education/training, insurance, etc.

(5) **Major Equipment** -- Includes all major equipment purchases and rentals including but not limited to transmission and distribution equipment, power plant equipment, substation equipment, heavy construction equipment, fleet requirements, etc.

(6) **HUB** -- Business enterprises that are 51% owned and controlled by U.S. citizens who are socially disadvantaged because of their identification as members of certain groups, including African-American, Hispanic, Native American, or Asian Pacific and Women.

(7) **Other** -- Any commodity or service not covered by the above categories.

AT&T Outside Texas Workforce and Supplier Diversity Form			
Actual = [Total HUB PROCUREMENT + Total Small Business Procurement/Total Company procurement	Actual for Previous FY	Actual for Current FY	Percent Change
Construction Contracts	13.7%	23.4%	71.2%
Commodities Contracts	12.7%	53.3%	318.2%
Other Services	13.8%	25.2%	82.4%
Professional Services Contracts	10.8%	23.4%	117.2%
Major Equipment	29.8%	38.9%	30.6%
Other	0.0%	0.0%	0.0%

(1) **Construction** -- Construction done by general contractors and special trade contractors which includes new work, additions, alterations, reconstruction, installations, repairs, remodeling, renovating, and repair of office buildings. Heavy construction.

(2) **Commodities** -- All materials, goods or tangibles purchased to conduct business, not including fuel or purchased power contracts and major equipment purchases and rentals.

(3) **Others Services** -- All specialty work, special circumstances that required contract labor, special consultants or other non-defined services. Examples include audio/visual, staffing services, landscaping, forestry, tree trimming, art and decorative services.

(4) **Professional Services** -- Contracted professional services which include legal, consulting, health, engineering, accounting, advertising/marketing, architectural, real estate, computer services, research and analysis, education/training, insurance, etc.

(5) **Major Equipment** -- Includes all major equipment purchases and rentals including but not limited to transmission and distribution equipment, power plant equipment, substation equipment, heavy construction equipment, fleet requirements, etc.

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(7) **Other** -- Any commodity or service not covered by the above categories.

AT&T: Best Practices in Diversity & Inclusion

“For AT&T, diversity and inclusion will always be top priorities. We strive to be an innovative company that successfully leverages diversity and inclusion to drive employee engagement and deliver world-class products and services.

In the midst of continuous change, we recognize that our success is directly related to understanding and leveraging the many facets of diversity – in our workplace, the marketplace and our communities.”

– Randall L. Stephenson
Chairman and Chief Executive Officer

Diversity is essential to AT&T’s culture and business success. In fostering diversity and inclusion, AT&T seeks to create a better business environment, one that makes the company an employer of choice, a preferred business partner and an important contributor to the community. We realize that diversity and inclusion give our company a competitive edge – they are essential if we are to be successful in the marketplace.

Our vision:

- Diversity and inclusion are part of our culture.
- We foster an inclusive work environment that successfully utilizes diversity to drive innovation, productivity and engagement.
- We are recognized as an employer of choice and admired as a leader in the global marketplace by customers, suppliers and the communities we serve.

AT&T’s diversity and inclusion strategy is aligned with the company’s business goals and leadership priorities. This approach has helped position AT&T as one of the corporate diversity leaders but our success isn’t something we take for granted. We’re always trying to do better – continuously redefining and promoting core values that drive our actions, decisions and operations. The following outlines our best practices, including programs and initiatives that demonstrate the company’s strategic approach to diversity and inclusion.

WORKFORCE DIVERSITY & INCLUSION

AT&T has expanded its Workforce Diversity and Inclusion team to align resources closer to the various business areas in order to effectively integrate inclusion into the company’s operational strategy. Resources are positioned at headquarters as well as regional locations. The new Workforce Diversity and Inclusion team is responsible for:

- Positioning diversity as a strategic initiative that meets bottom-line results and promotes inclusion for all AT&T stakeholders.
- Ensuring diversity and inclusion are integrated into the company’s business and operating strategies.
- Providing support with the development and implementation of inclusion strategies that incorporate workforce, multicultural marketing, supplier diversity, and national and community stakeholders.

DIVERSITY RECRUITMENT

In this rapidly changing world, AT&T has become a global telecommunications leader, offering its management and occupational employees challenging and rewarding career opportunities. Our commitment to diversity enhances the way we do business and gives AT&T a competitive edge.

We realize that diverse, talented and dedicated people are key to a company's success. Today, AT&T's 50-state workforce is 44 percent female and 39 percent people of color. AT&T seeks out talented individuals from a variety of fields of study, including business, telecommunications, management information systems, engineering, mathematics and international studies. AT&T employs the best people from all backgrounds and perspectives to provide products and services that meet its customers' needs. In 2007, 45 percent of AT&T new hires were women, and 48 percent were people of color.

AT&T uses multiple online, print and broadcast outlets for its recruitment advertising. Last year the company placed career advertisements in numerous publications, including *LATINA Style*, *Black EOE Journal*, *Hispanic Networking*, *DiversityInc*, *Black MBA Magazine*, *SCLC Magazine*, and *Diversity/Careers in Engineering & Information Technology*.

AT&T conducts campus visits to colleges and universities, and attends career fairs that cater to a more diverse population. In 2007, AT&T participated in numerous job/career fairs, such as the Diversity.com Job Fair, National Association of Hispanic MBAs Career Fair, Mosaic Career Fair, National Black MBA Association Career Fair and Women for Hire Career Fair, just to name a few. In addition, AT&T posts job opportunities with diverse recruitment resources such as e-boards. Examples include IMDiversity.com, HireDiversity.com, DiversityInc.com, MonsterDiversity.com and LatPro.com.

LEADERSHIP DEVELOPMENT & TALENT ACQUISITION

AT&T has significantly increased leadership development opportunities for women and minorities through initiatives such as the Leadership Development Program (LDP).

This program is AT&T's flagship leadership development program, which focuses on building a strong and diverse leadership bench across the enterprise. Designed for recent college graduates, LDP is a rotational program designed for high achievers with outstanding leadership potential. The structure of the program includes three distinct job assignments in critical operations across the company.

The program offers many exclusive developmental resources including a mentor program, assessments, regular interaction with executives, online tools, and networking events. Other core components include:

- Annual company orientation featuring the Chairman and a selection of key leaders
- Seminars focused on business acumen, strategic thinking, and improving leadership effectiveness
- Frequent performance feedback and career development planning

Since 1988, hundreds of employees have successfully completed the program and nearly half of the participants are women and nearly half are people of color — demonstrating AT&T's commitment to reflecting the employee and consumer base.

AT&T's *HBCU Campus Challenge* is another innovative approach to demonstrate the company's commitment to diversity and inclusion. A unique marketing competition, the HBCU Campus Challenge involves students from Historically Black Colleges and Universities. Through the challenge, students are introduced to hands-on, real-world marketing endeavors while earning scholarships for themselves and grants for their institutions.

DIVERSITY TRAINING

Building diversity awareness and understanding is a priority for all employees, from orientation to management training. All employees are required to review the AT&T Code of Business Conduct and

EEO Policy annually. In addition, employees may also participate in more in-depth diversity training. AT&T also offers comprehensive diversity information to its employees in addition to formal training. One source is a diversity Intranet site featuring important facts about diversity at AT&T, a resource library, and a Web-based resource center with diversity materials and links to additional information on related subjects.

AT&T's Diversity & Inclusion website, www.att.com/diversity, highlights the company's commitment to diversity. Other available resources include internal communication tools and an AT&T Corporate Citizenship brochure.

CAREER DEVELOPMENT

The company's philosophy is to provide employees with continued opportunities to grow and develop their careers. Management is charged with successful implementation of various diversity initiatives as part of this philosophy. To support this principle, AT&T employs several programs, including:

- *AT&T Self-Development and Learning Resource Center* – This virtual resource center supports all employees in developing strategies to remain competitive in AT&T's work environment. Services include résumé writing and interview workbooks, skill-building tools, test preparation material, career-related workshops, mentoring material and an extensive library of developmental resources. A section of the library is dedicated to diversity awareness and education.
- *Career Movement* – Management and occupational employees can nominate themselves for job openings throughout the company. Hiring managers are provided with a diversified pool of qualified job candidates.
- *Continuing Skills Training* – As new technologies are introduced, employees are updated to ensure their technical knowledge and abilities remain current.
- *Tuition Assistance Programs* – Financial assistance is provided to management and non-management employees pursuing academic degrees that benefit both the employee and the company. In 2007, AT&T provided tuition assistance to more than 13,000 employees.

WORKFORCE DIVERSITY ACCOUNTABILITY

Because of the company's commitment to workforce diversity, accountability is a key component of its initiatives. We've established measurement procedures to evaluate our workforce diversity initiatives, including recruitment and retention. These measurements include:

- Employee survey which includes questions about AT&T's leadership commitment to diversity, our culture and work environment.
- Analysis of any discrimination complaints
- Performance against supplier diversity goals, including the annual analysis of feedback and input from suppliers
- Awards and honors received for diversity, in every area, including workforce, management, supplier diversity and corporate philanthropy

ORGANIZATION & TALENT REVIEW

AT&T's Organization & Talent Review is an internal process designed to identify top talent across the company. Building the leadership bench is critical to the long-term success of AT&T. As we combine the talent of our new organization, we must ensure we are retaining employees with skills and experience and who are prepared to step into leadership positions. The main objective of the Organization & Talent

Review process is to identify talent enterprise-wide with a focus on building a strong and diverse bench. Our efforts are focused on:

- Improving the diversity profile of the leadership team
- Identifying top talent across the enterprise
- Providing a consistent and effective approach to identifying and growing talent to increase overall organizational capability
- Identifying areas where specific interventions are needed, and setting objectives and action plans for those areas
- Decreasing the disruption of talent transition and attrition – maintaining high productivity

The Organization and Talent Review process incorporates best practices from each of AT&T's legacy companies. Evaluations are based upon the company's leadership competencies.

EMPLOYEE RESOURCE GROUPS

AT&T has several Employee Resource Groups (ERGs) that are open to all employees and reflect the diversity of the company's employee and customer base. AT&T's Employee Resource Groups support the company's commitment to diversity and inclusion through their efforts in the workplace, the marketplace, and the community. AT&T recognizes the value and goodwill these groups can provide in furthering the company's goals, values and interests.

AT&T's Employee Resource Groups include:

- *APCA – The Asian Pacific Islanders For Professional and Community Advancement* is dedicated to creating alliances that enhance professional and leadership opportunities for its members to benefit both AT&T and the community. Through education and membership development, the organization seeks to increase diversity awareness within the corporation and community, promote organizational growth and influence issues that impact Asian Pacific Americans.
- *AT&T Veterans* – The organization was founded in 2006 to raise awareness of the sacrifices made by military veterans and to encourage the company to share information on veteran activities. The organization also provides support to employees who are active or retired military personnel and employees whose loved ones are serving their country in the armed forces.
- *Community NETwork – The African American Telecommunications Professionals of AT&T* dedicate their energy toward encouraging and facilitating personal and professional growth of African-American employees, and assisting organizations in the African-American community. The group provides thousands of dollars in scholarships for minority students every year.
- *FACES – The Filipino American Communications Employees of AT&T* fosters understanding and appreciation of all cultures and a posture of valuing differences. Each year, FACES provides scholarships for underprivileged children in the Philippines.
- *HACEMOS – The Hispanic/Latino Employee Association of AT&T* is open to all AT&T employees. Each year, HACEMOS links thousands of students across the country via satellite for High Technology Day, which educates students about technology careers.
- *ICAE – The Inter Tribal Council of AT&T Employees* brings together employees that have an interest in the Native American culture. The group is committed to the cultural development, career advancement, education, understanding and general well-being of all employees, and more specifically, Native Americans.
- *IDEAL – Individuals with Disabilities Enabling Advocacy Link* is a group for people interested in the employment and other issues of people with disabilities. The mission of the organization is to enhance the understanding, awareness, and resolution of the challenges facing individuals with

disabilities in the workplace and to assist them in career advancement. IDEAL also supports the disability community in gaining access to technology.

- *LEAGUE – Lesbian, Bisexual, Gay and Transgendered United Employees at AT&T* provides a supportive environment for LGBT employees and allies to network with one another and to develop professionally. In support of AT&T's diversity vision, LEAGUE promotes an accepting, diverse and respectful work environment.
- *OASIS – The Organization of Asian Indians at AT&T* provides its members with opportunities for self-development, professional enhancement and networking, while supporting the company's business goals.
- *Women of AT&T* – The organization is established to connect and inspire members to achieve their personal and professional goals and to effect change in the community.

In addition, AT&T also has a Joint Diversity Council, which includes the national presidents of the employee resource groups and members of the AT&T Diversity and Inclusion team, to address issues and opportunities and to review best practices at the company.

AT&T PHILANTHROPY: COMMUNITY GIVING

AT&T is committed to enriching and strengthening diverse communities nationwide. The AT&T Foundation, the corporate philanthropy organization of AT&T Inc., supports nonprofit organizations and projects that increase inclusion and create opportunities for diverse populations. Projects supported by AT&T address quality-of-life issues, with an emphasis on improving education and advancing community development.

Education is the primary focus of AT&T philanthropy. AT&T and the AT&T Foundation provided more than \$45 million to support education initiatives across the nation in 2007. Since 1996, the AT&T Foundation has distributed more than \$428 million in grants to support new classroom technology, after-school programs, teacher training and many other educational endeavors.

In 2007, AT&T contributed more than \$164 million through corporate-, employee- and AT&T Foundation-giving programs. AT&T and the AT&T Foundation have provided more than \$1.9 billion in charitable support to communities across the country.

AT&T PIONEERS

AT&T Pioneers are employees and retirees who volunteer time to enhance the communities where they work and live. Their main focus is to provide immediate help when it is needed, along with education and community programs that improve quality of life. Nearly 350,000 employees and retiree volunteers make up the AT&T Pioneers, creating the nation's largest company-sponsored volunteer organization.

The Pioneers were on the front lines helping victims of Hurricane Katrina make their first critical phone calls to loved ones at AT&T phone banks – setting up voice mailboxes so that evacuees could begin to rebuild their lives – and providing more than 1,000 backpacks and school supplies to children in Katrina shelters.

The Pioneers have assisted in a number of initiatives that link troops and their families via videoconferencing. AT&T has hosted more than 100 such events and has connected more than 2,500 military family members and active-duty military members in Iraq.

SUPPLIER DIVERSITY PROGRAMS

This year, AT&T Inc. marks the 40th Anniversary of its Supplier Diversity Programs. AT&T was an early pioneer of supplier diversity programs when it began its formal programs in 1968. Today, the company continues to be a national leader in developing and implementing supplier diversity best practices and inclusion of historically underutilized businesses (HUBs) in the company's supply chain. AT&T's supplier diversity programs continue to achieve benchmark-best spending results — among the highest in the nation.

AT&T is committed to economic development through the integration of HUBs in our business. AT&T Supplier Diversity Programs are TL 9000 quality registered and are administered by the company's Supplier Diversity Programs team, which is responsible for:

- Establishing and maintaining corporate supplier diversity policies, strategies and quality processes
- Ensuring regulatory compliance
- Providing internal and external supplier diversity training
- Managing supplier diversity results
- Managing internal and external stakeholder relationships
- Producing internal and external supplier diversity marketing communications

POLICY

It is the policy of AT&T to promote, increase and improve the quality of the overall participation of minority, women and disabled veteran-owned business enterprises (M/WBE-DVBEs) and small business enterprises in our purchases of materials and services. Maximum practicable opportunity shall be given to minority, women and disabled veteran-owned business enterprises to participate as suppliers of materials and services to AT&T. AT&T also encourages subcontracting opportunities for minority, women and disabled veteran-owned businesses by requiring Supplier Diversity Participation Plans from our largest prime suppliers.

SUPPLIER DIVERSITY RESULTS

Our goal is to procure 20 percent of our products and services from minority and women business enterprises (M/WBEs). Specifically, our diversity goals are:

- 15 percent with Minority Business Enterprises (MBE)
- 5 percent with Women Business Enterprises (WBE)

For the reporting period of October 2007 to September 2008, AT&T Texas HUB performance was 23.52%. AT&T's Southwest region (Outside Texas) performance was 21.07% for this reporting period. Although the utilization percentage has declined slightly from the previous reporting period, AT&T's total dollars spent with M/WBE firms has increased over the previous period. In addition, the spend metrics exceed AT&T's M/WBE goals and demonstrate the company's leadership and commitment to include HUBs in its procurement processes. Our company's spending with HUBs continues to be well above average for corporate supplier diversity programs.

To meet the diverse needs of our customer base, AT&T encourages HUB suppliers to explore opportunities with our company and compete for business in all aspects of our supply chain. This includes potential opportunities in telecom network services, IT network solutions, outside plant materials and services, professional services and advertising. HUBs help AT&T maintain our competitive edge by providing quality products and services to our customers. Our diversity suppliers have helped AT&T become one of the most admired telecommunications companies in the world.

BUSINESS DEVELOPMENT

AT&T's Supplier Diversity Programs staff assists current and potential HUB suppliers in identifying and developing business opportunities with the company. They work with current suppliers to ensure requirements and standards are clearly communicated so that diversity suppliers are successful in our complex and ever-evolving communications supply chain.

The Supplier Diversity team offers supplier diversity expertise to AT&T's Spend Teams and supports the Strategic Sourcing Managers to ensure HUBs are given the opportunity to fully participate in the company's business. Supplier Diversity Managers assist Procurement spend teams in crafting supplier diversity purchasing solutions and help them meet supplier diversity spending targets.

SUPPLIER DEVELOPMENT

Our company frequently partners with highly-respected supplier diversity organizations and forums to support development and growth programs for HUBs. AT&T is an active corporate member in the National Minority Supplier Development Council (NMSDC) and the Women Business Enterprise National Council (WBENC). AT&T is active in many of the local branches of these national organizations to promote supplier diversity and educate prospective suppliers on our procurement processes. AT&T also works with numerous ethnic Chambers of Commerce to assist them with their supplier development initiatives. AT&T provides potential suppliers with information and contacts to assist firms seeking to do business with us. AT&T employees coach and mentor prospective and incumbent HUB suppliers to help them understand supply chain operations, supplier requirements, national and global procurement trends. We encourage our diversity suppliers to gain quality certifications such as ISO9000 and TL9000 to remain on the competitive edge.

CORPORATE SPONSORSHIPS

AT&T sponsors numerous supplier diversity outreach events, such as trade shows, workshops and award and recognition programs. All of these forums provide diverse suppliers and corporations an opportunity to network and explore potential business opportunities. Some of these organizations include the Dallas Fort Worth Minority Business Council, Houston Minority Business Council, Central South Texas Minority Business Council, the Women Business Enterprise Alliance, the Women Business Council Southwest and others. Attached is a list of recognized certification agencies for HUBs (see AT&T Recognized Certification Agencies). This list is also available on our supplier diversity website at www.attsupplierdiversity.com.

CONTINUING EDUCATIONAL OPPORTUNITIES

In our effort to assist HUBs in improving their competitiveness, AT&T provides funding to several university-level executive educational programs. We also provide full and partial scholarships to many of these business school certificate programs. These courses aim to improve the operational efficiency and overall strategic business plans of minority- and women-owned firms. Continuing educational opportunities include:

- The Minority Business Executive Program, Tuck Graduate School of Business, Dartmouth College
- Tuck-WBENC Executive Program, Tuck Graduate School of Business, Dartmouth College
- NMSDC Advanced Management Education Program, Kellogg Graduate School of Management, Northwestern University

- Minority Business Management Seminar, University of Wisconsin Small Business Development Center, University of Wisconsin-Madison
- The Management Development for Entrepreneurs (MDE) Program, Anderson School of Management, UCLA
- FastTrac Program, Robinson College of Business, Georgia State University

Many minority and women business enterprises have attested to the value these programs in delivering increased management skills and improvement in their business plans.

FINANCIAL SUPPORT AND RESOURCES

AT&T was one of the first companies to provide significant funding for financial resource programs specifically for diverse companies. AT&T was the first one million dollar contributor to the Business Consortium Fund (BCF), the NMSDC's national loan program for minority-owned firms. AT&T recognizes that supplier diversity best practices encourage corporations to create and support strong networks of financial resources for the healthy development and expansion of HUB businesses. AT&T continues to support the BCF's mission today.

SUPPLIER DIVERSITY OUTREACH AMBASSADORS

AT&T's corporate commitment to include diverse firms in our supply chain does not reside within AT&T's Procurement organization alone. Employees from across the company volunteer to be Supplier Diversity Outreach Ambassadors. These Ambassadors represent the company at HUB business trade fairs and outreach events. This program was established more than ten years ago and helps fortify AT&T's efforts to meet new HUB companies. Ambassadors are knowledgeable about the supplier diversity mission and share program information with prospective suppliers, customers, advocacy groups, business councils and government representatives. AT&T continues to add new employees to this program each year as we grow internal support for our programs.

SUPPLIER DIVERSITY RECOGNITION PROGRAMS

Each year, the AT&T Supplier Diversity organization hosts its annual Supplier Diversity Achievement Awards to honor employees who increase opportunities for HUB companies to participate in AT&T's business. This is a companywide event that helps raise the visibility of the company's supplier diversity programs. Officers reinforce to their organizations the importance of including diverse businesses in the company's supply chain.

AT&T also annually evaluates and recognizes our suppliers for their contributions to growing diversity in our supply chain. Many of the recognized companies are HUB businesses that have established themselves as strategic and successful businesses in our procurement operations. As part of our annual supplier recognition, AT&T presents a Supplier Diversity Award to the prime supplier that achieves supplier diversity excellence.

PRIME SUPPLIER PARTICIPATION PROGRAM

One of the most essential efforts within the AT&T Supplier Diversity Program is the Prime Supplier Participation Program. Since 1989, AT&T's prime supplier program has been helping its prime suppliers increase the utilization of minority, women and disabled-veteran owned businesses (M/WBE-DVBes) in AT&T's supply chain through subcontracting and value added reseller arrangements. Prime suppliers are vital partners in the success of AT&T's Supplier Diversity Programs. The AT&T supplier policy states that contracts valued at \$500,000 and more must contain terms requiring annual Diversity Participation Plans and Quarterly Reports. AT&T works closely with the prime suppliers to help them achieve their

goals. Our step-by-step guide and training classes for strategic prime suppliers provide the necessary methods and procedures to ensure prime suppliers understand how to succeed in this significant initiative.

EMPLOYEE TRAINING AND EDUCATION

In 2008, the Supplier Diversity Programs team rolled out our new Supplier Diversity Orientation Training to all AT&T employees. This training is mandatory for all Supply Chain and Fleet Operations business unit employees. The training helps educate employees on the benefits of our Supplier Diversity Programs and provides them avenues to get involved and help increase our supplier diversity results. In addition to this training, all contract managers receive customized supplier diversity training on our Six-Step Procurement Processes that will help them development and implement supplier diversity sourcing solutions for their commodity areas.

Our supplier diversity web sites are also a ready source of information about our programs, providing program history and facts, spending results, key initiatives, supplier referrals, an outreach event calendar and much more. Supplier diversity commitments are included in contract managers' performance appraisals.

KEY INITIATIVES

During the October 2007 to September 2008 reporting period, some key initiatives were implemented by AT&T's Supplier Diversity Programs, including:

- Active participation in over 150 supplier diversity outreach events nationally, including Texas HUB outreach events: 3rd Annual African American Business Achievement Pinnacle Awards Gala, Central & South Texas Minority Business Council Trade Show/Expo, Dallas/Fort Worth Minority Business Council-Access Trade Show/Expo, Fourth Annual Texas Diversity & Leadership Conference, TAMACC Annual Convention & Expo, Women's Business Council – Southwest Harvesting Partnerships Workshop, Houston Minority Business Council Business Opportunity Expo.
- AT&T is a sponsor and participating member of NMSDC's Center of Excellence mentoring initiative with the Central South Texas Minority Business Council. One of six programs nationwide, the San Antonio-based effort works to enhance successful business relationships between corporations and minority business enterprises by strengthening the supplier development process. The participating corporations and MBEs use the forum to define issues, gather data on industry best practices and establish tools and processes to engage minority businesses in capacity-building activities with the assistance of the corporations.
- Implemented AT&T's *Accelerating the Growth of Women of Color owned Businesses* initiative in partnership with the Center for Women Business Research (CFWBR). In 2007, AT&T was a sponsor of this program, which unveiled the first-of-its-kind results of a three-year study on this subject that included WBE focus groups in Dallas, Chicago, San Francisco and other cities. The study found that women of color are starting businesses at rates of three to five times faster than all other businesses. However, once in business, their growth lags behind all other firms. AT&T continued to work with the CFWBR to customize a unique outreach program for 4Q08 with the goal of increasing spending results with Asian, Hispanic and African American women businesses.
- Providing leadership for supplier diversity national initiatives through the Billion Dollar Roundtable (BDR). This supplier diversity think-tank is an initiative of the Dallas-based publisher of Minority Business News USA. BDR membership is limited to corporations that spend more than \$1 billion annually with diverse companies. AT&T is one of only 13 companies that qualify at this level. AT&T is working to increase contracting for HUBs in

non-traditional areas through our contributions to the BDR's initiative on supplier diversity contracting in the advertising industry.

- AT&T provided leadership to the 2008 DiversityNXT program at the telecom industry's largest event—NXTComm08. At this event corporate officers and global leaders met to highlight the convergence of technology, IT and entertainment. As a member of the NMSDC's Telecommunication Industry Group, AT&T helped to design the DiversityNXT programs to spotlight future opportunities for diversity suppliers in the converged industry. AT&T's procurement president, Tim Harden, was one of keynote speakers at DiversityNXT.
- Produced Quality Certification Training overview workshops for diversity suppliers in Dallas and other cities across the nation. AT&T partnered with Bizphyx, a Texas-based woman-owned quality training company, to provide free orientation and counseling to HUB owners on how to gain relevant quality certifications for their businesses. The initiative also offered a unique opportunity for the HUB firms to receive discounted rates for certification mentoring.

2009 SUPPLIER DIVERSITY PROGRAMS AND INITIATIVES

AT&T's world-class supplier diversity programs will continue to lead the mission to fully include minority- and women-owned firms in our business, our industry and beyond. Our supplier diversity initiatives are critical components of our business strategy. We remain committed to incorporating best-in-class practices to keep HUB suppliers in our supply chain, even as globalization and industry convergence are rapidly changing corporate supply chains.

In 2009, in addition to ongoing programs and initiatives to meet its 20 percent HUB spending goal, the Supplier Diversity team will focus on initiatives including:

- Developing more opportunities for diverse suppliers in one of the company's top corporate initiatives—the build out of our U-Verse product. U-Verse, in its phased roll-outs, is enabling AT&T customers to access integrated digital TV, super high-speed broadband access, and voice over IP (Internet Protocol) services via a new fiber-rich network.
- Growing diversity and inclusion in the professional services areas such as legal, financial services and also in advertising. These purchasing areas have large spend in most corporations, yet little diversity, and therefore present great opportunity for HUB participation.

AT&T will continue working to grow supplier diversity globally with our EMS Supplier Diversity Forums. These forums have helped present the supplier diversity business case to several leading global manufacturers—OEMS and EMSs companies within the communications supply chain. As outsourcing and offshoring manufacturing has grown, some local supplier diversity solutions have been displaced. AT&T will work within several collaborative efforts, like the NMSDC Telecommunications Industry Group, to turn the tide on lost HUB opportunities.

AT&T is also working toward greater representation of HUB enterprises in the vast wireless supply chain. In 2008, AT&T trained several of our Mobility prime suppliers on our supplier diversity initiatives and has solicited their participation in growing contracting opportunities for minority and women owned businesses.

AT&T's Supplier Diversity team will continue to ensure HUB suppliers are fully included in these and other significant strategic projects via:

- Leveraging our Prime Supplier Participation Program
 - Utilizing multiple sourcing tools and databases to find best qualified HUB suppliers
 - Coaching and mentoring to build capacity in existing diversity suppliers
 - Working closely to develop and implement diversity solutions with Strategic Sourcing teams in opportunity areas
 - Involving executive leadership in our efforts within and outside of the company
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AT&T Diversity Awards & Recognitions

In the past year, AT&T has received accolades for the company's commitment to diversity and inclusion, including:

- **Top 50 Companies for Diversity and Hall of Fame, DiversityInc (2001 – 2008)**
AT&T is included among DiversityInc's 2008 Top 50 Companies for Diversity for the company's commitment to diversity and inclusion in the workplace and marketplace, and was also named as one of the Top 10 Companies for Supplier Diversity. In 2005, DiversityInc named the company to its Hall of Fame as a result of making the Top 50 list since the inception of this ranking.
- **Top 10 Companies for Supplier Diversity, DiversityInc (2002 – 2004, 2006, 2008)**
AT&T ranked among the Top 10 Companies for Supplier Diversity based on the company's solid reputation for being the leader and pioneer in supplier diversity spending and development.
- **40 Best Companies for Diversity, Black Enterprise Magazine (2005, 2007 – 2008)**
AT&T was selected as one of the 40 Best Companies for Diversity based on its commitment to diversity in four key areas: supplier diversity, senior management, board of directors and employee base.
- **The 50 Best Companies for Latinas to Work, LATINA Style Magazine (1998 – 2008)**
In 2008, AT&T was named as Company of the Year by *LATINA Style* for best meeting the workplace needs deemed most important by *LATINA Style*'s Hispanic female readers. The company has ranked among the publication's top 50 companies for eleven consecutive years. In 2006 and 2007, the company was ranked among the top 12 best companies for Latinas to work.
- **Diversity Elite 60, Hispanic Business Magazine (2005 – 2008)**
In 2008, AT&T ranked No. 1 on this list of the top companies for Hispanics based on the company's commitment to reaching out to Hispanics in the areas of recruitment, promotion, procurement, philanthropy and marketing.
- **Corporate Diversity Honor Roll, Latin Business Magazine (2004 – 2008)**
Latin Business magazine's honor roll recognized the company for its support of minority communities — particularly Hispanics — and the company's work to improve Hispanic representation in management and involvement with Hispanic suppliers. Companies were surveyed for their commitment outreach, procurement, workforce and philanthropy.
- **America's Top Corporation for Women's Business Enterprises, Women's Business Enterprise National Council (WBENC), (2008)**
This award recognized AT&T for its World-Class Supplier Diversity programs through which women's business enterprises are given equal access when competing for, and winning, corporate contracts for goods and services.
- **Top Companies for Multicultural Businesses, DiversityBusiness.com (2008)**
Over 500,000 M/WBEs had the opportunity to vote for the top corporations that provide high quality business opportunities for diversity companies. AT&T was recognized as being among the top corporations.

- **Best Diversity Company in Diversity/Careers 2008 Readers Choice Survey, DiversityCareers Magazine**
AT&T has been recognized by the readers of Diversity/Careers in Engineering and Information Technology as a 2008 Best Diversity Company.
- **Top 50 Corporations for Supplier Diversity, *Hispanic Enterprise Magazine*, (2008)**
This award recognized AT&T's commitment to Supplier Diversity.
- **Excellence in Corporate Responsibility Award, The Mexican American Legal Defense and Education Fund, (2008)**
AT&T was recognized for expanding technological capacity to serve the Latino community and bridge the digital divide, strong commitment to diversity and representation of minorities and women in senior leadership positions.
- **Minority Business Innovation Award, Houston Minority Business Council (2008)**
This award was established to recognize and encourage innovative practices in supplier diversity. AT&T received the award in 2008 in recognition of its consistent efforts to innovate approaches to supplier diversity programs.
- **Distinguished Supplier Diversity Award, South Regions Minority Business Council & the Alabama Minority Business Opportunity Center (2007)**
In recognition of the 25th anniversary of MED week, AT&T was recognized for long-time commitment to minority business development.
- **Corporation of the Year, Asian Business Association – Los Angeles (2007)**
Awarded for Supplier Diversity excellence in increasing supply chain opportunities for Asian businesses.
- **Chairman's Circle, Houston Asian Chamber of Commerce (2007)**
An award to acknowledge AT&T's strong corporate support of Asian Businesses in the Houston area.
- **Corporate Citizen of the Year, East End Chamber of Commerce, (2007)**
Awarded to AT&T as a role model company in supporting diversity businesses in Houston.
- **Crystal Award, Georgia Minority Supplier Development Council (GMSDC), (2008)**
Recognizes AT&T's commitment to minority suppliers.