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**Southwestern Bell Telephone, L.P.'s, d/b/a SBC Texas
Five-Year Plan to Enhance Supplier and Workforce Diversity
Year Five Progress Report October 2003 – September 2004
Project 30240**

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December 28, 2004

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

Pursuant to §26.85(e), enclosed for filing are four (4) copies of Southwestern Bell Telephone, L.P.'s, d/b/a SBC 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; (7) 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 Garnet Coleman
The Honorable Juan “Chuy” Hinojosa
The Honorable Pete Gallego

Workforce and Supplier Diversity Form

Workforce Diversity

Occupational Categories	NUMBER OF TEXAS FULL-TIME EMPLOYEES FOR REPORTING YEAR												
	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	3880	2248	1632	1514	945	293	363	395	299	24	14	22	11
Professionals	100	64	36	46	22	6	8	9	5	3	1	0	0
Technicians	477	113	364	53	171	26	109	34	82	0	1	0	1
Sales Workers	972	451	521	326	301	47	131	72	81	5	4	1	4
Office and Clerical	9626	1921	7705	771	2744	390	2686	742	2209	13	39	5	27
Craft Workers (Skilled)	8447	7462	985	4669	535	870	250	1724	179	151	15	48	6
Operatives (Semi-skilled)	0	0	0										
Laborers (Unskilled)	0	0	0										
Service Workers	0	0	0										
Previous Year Totals	24867	12758	12109	7758	5155	1679	3796	3050	3021	194	81	77	56
This Year Totals	23502	12259	11243	7379	4718	1632	3547	2976	2855	196	74	76	49

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.

SBC Southwest 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	10%	3%	-64%
Commodities Contracts	41%	40%	-1%
Other Services	7%	9%	40%
Professional Services Contracts	9%	10%	13%
Major Equipment	35%	39%	11%
Other	15%	0%	-100%

SBC Southwest 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	10%	1%	-90%
Commodities Contracts	41%	10%	-75%
Other Services	7%	4%	-42%
Professional Services Contracts	9%	4%	-57%
Major Equipment	35%	15%	-57%
Other	15%	0%	-100%

(1) **HUB** -- Pursuant to Texas Government Code § 481.191(4), HUB means: (A) a corporation formed for the purpose of making a profit in which at least 51 percent of all classes of the shares of stock or other equitable securities is owned by one or more persons who are members of certain groups, including black Americans, Hispanic Americans, women, Asian Pacific Americans, and American Indians; (B) a sole proprietorship formed for the purpose of making a profit that is 100 percent owned, operated, and controlled by a person described by Paragraph (A) of this subdivision; (C) a partnership formed for the purpose of making a profit in which 51 percent of the assets and interest in the partnership is owned by one or more persons described by Paragraph (A) of this subdivision. Those persons must have proportionate interest and demonstrate active participation in the control, operation, and management of the partnership's affairs; or (D) a joint venture in which each entity in the joint venture is a historically underutilized business under this subdivision.

(2) **Small Business** -- Pursuant to Texas Government Code § 481.191(6), Small Business means a corporation, partnership, sole proprietorship, or other legal entity that: (A) is domiciled in this state; (B) is formed to make a profit; (C) is independently owned and operated; and (D) employs fewer than 100 full-time employees.

(3) **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 other than buildings such as pipelines, communication and power lines, sewer and water mains, asphalt and concrete construction of roads, trenching, cable laying, conduit construction, land clearing and leveling.

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

(5) **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, janitorial, travel/lodging, automotive repair, and photography.

(6) 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, surveying services, weather services, environmental, financial, etc.

(7) 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.

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

Workforce and Supplier Diversity Form

Company Initiatives

Diversity is fundamental to the culture of SBC Communications Inc. In fostering diversity, SBC Communications (SBC) has created a better business environment, one that makes the company an employer of choice, a preferred business partner and an important contributor to the community. At SBC, diversity means promoting an environment of inclusion – one in which each individual is valued and every voice is heard.

We realize that diversity is more than the right thing to do – it is essential if we are to be successful in the marketplace. Our future employees are members of the communities we serve today and in reaching out to them now, we strengthen our ability to attract and recruit the very best. When we give our employees the best – a distinct and welcoming culture, outlets for career development and opportunities for self-expression – they give us their best in return.

Our approach to diversity has helped position SBC as one of the leaders in the industry. The following outlines the programs and initiatives that support these practices, which demonstrate the company's strategic approach to diversity.

EQUAL OPPORTUNITY PROGRAMS

SBC created its Workforce Diversity team to ensure that equal opportunity goals are met and that employees have access to a team of professionals that can assist them with issues and questions in this area.

The Workforce Diversity team is responsible for:

- Ensuring the company's business practices and processes incorporate diversity and support corporate compliance.
- Ensuring SBC complies with federal and state employment laws and regulations, as well as fair employment practices.
- Positioning diversity as a strategic initiative that meets bottom-line results and promotes inclusion for all SBC stakeholders.
- Designing and implementing workforce diversity strategies.
- Responding to external and internal discrimination complaints filed by current and former employees.
- Directing and developing strategies for managing and conducting complaint investigations.
- Serving as company representatives during phases of mediation, settlements, conciliations and Alternate Dispute Resolution.
- Creating, producing and distributing Affirmative Action Programs for identified SBC business units.
- Reporting, completing and submitting EEO-1 reports, EO surveys, VETS-100, FCC 395 and other federal mandated documentation for SBC.
- Communicating to the HR community and other SBC clients the knowledge required for compliance with Executive Order 11246 and other federal AAP/EEO directives and policies.

- Maintaining internal risk assessment and auditing processes to ensure compliance with federal regulations by providing quarterly Monitoring Status Reports and ad hoc AAP/EEO reports.
- Providing management oversight for all OFCCP compliance evaluation activity.
- Coordinating all SBC audit reviews, checks, on-sites and focus reviews with human resources community and affected line organizations.
- Serving as the primary point of contact for all Affirmative Action/Equal Opportunity data issues, marketing bids, vendor AAP/EEO validation/certification letters and similar inquiries.

DIVERSITY RECRUITMENT

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

We realize that diverse, talented and dedicated people are key to a company's success. SBC seeks out talented individuals from a variety of fields of study, including business, telecommunications, management information systems, engineering, mathematics and international studies. SBC employs the best people from all backgrounds and perspectives to provide products and services that meet its customers' needs. In 2003, 51 percent of SBC new hires were women; 46 percent were people of color.

To ensure that the company maintains its diverse employee base, SBC actively recruits diverse employees through a variety of activities. The following activities were undertaken in 2003:

Campus visits to colleges and universities, including:

- | | |
|---------------------------------------|--|
| • DePaul University (Illinois) | • University of California – Los Angeles |
| • Chicago State University | • University of Southern California |
| • University of Illinois | • University of Indiana |
| • DeVry Technical School (Illinois) | • Notre Dame |
| • Wilberforce University (Ohio) | • Purdue |
| • Central State University (Ohio) | • University of Texas – Austin |
| • University of Wisconsin – Milwaukee | • Texas Tech |
| • University of Michigan | • Texas A&M |
| • Stanford | • Southern Methodist University |
| • University of California – Berkeley | |

Posting of job opportunities and advertising with diverse recruitment resources, such as magazines and e-boards, including:

- IMDiversity.com
- HireDiversity.com
- DiversityInc.com
- MonsterDiversity.com
- LatPro.com
- National Black MBA Association
- *Diversity/Careers in Engineering & Information Technology*

LEADERSHIP DEVELOPMENT

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

This two-and-a-half-year program, designed for recent college graduates, targets high achievers and allows them to rotate between two or three different assignments and locations throughout the company. Each assignment enables the participant to develop competency in a select position and make a measurable contribution. The company's LDP graduates have opportunities for accelerated development, early and frequent performance feedback and upward movement.

The program was launched in 1988, and currently there are 316 LDP participants on the company's payroll – 44 percent of these employees are women and 47 percent are people of color.

Of the employees who have participated, two have reached the officer level, five have reached senior manager positions and 72 are general managers with significant management roles. Each hiring class on average has been approximately 50 percent female and 50 percent people of color.

DIVERSITY TRAINING

Diversity training is a priority for all employees from orientation to management training. For example, SBC has long included a diversity module in its standard "Manager's Camp" basic managerial training. Amid a renewed focus on training, all directors now attend a new General Manager's camp for advanced leadership training. The camps help all managers recognize and understand how the meaning of diversity has changed – particularly as SBC has become more diverse as a company. In addition, all employees are required to participate in EEO training.

SBC also offers comprehensive diversity information to its employees in addition to formal training. One source is a diversity Intranet site featuring a message from SBC Chairman and Chief Executive Officer Ed Whitacre; important facts about diversity at SBC; and a resource library, which features a video about diversity at SBC, a Web-based resource center with diversity materials and links to other SBC Web sites with additional information on related subjects. Other available resources include internal communication tools, a SBC diversity brochure and the SBC.com Web site.

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, SBC employs several programs, including:

- *Career Path* – Through an Intranet-based, interactive, career-management tool, employees can manage their own careers. Career Path allows employees to nominate themselves for job openings throughout the company. To help them be most competitive for vacancies, the program offers tips for writing effective resumes and interviewing skills. At the same time, the system provides managers with a diversified pool of qualified job candidates.
- *SBC Career Center* – Employees have access to a virtual career center that provides

information on navigating their SBC careers. Online assessments and resume/interviewing support are key components of this service.

- *Continuing Skills Training* – As new technologies are introduced, employees are offered skills training designed to ensure technical knowledge and abilities are up-to-date. Members of the sales force receive training on the latest data products and services and how customers will use them. In addition, sales skills training is available to enable them to be most successful in a very competitive environment.
- *Developing Managers* – For new managers, building skills that enable them to lead increasingly larger teams is critical to their continuing development. A core group of training courses is available, including labor relations, performance management and how to create a productive work environment. In addition, for managers with basic skills, training to build more advanced leadership skills is available over the SBC Intranet.
- *Tuition Reimbursement Program* – The SBC Management Tuition Reimbursement Policy and the SBC Non-Management Tuition Aid Policy provide financial assistance to employees who are working to attain academic degrees that are beneficial for both the employee and the company. Under these programs, tuition assistance is available to all employees of an SBC company who are working to attain an associate, undergraduate or graduate degree. In 2003, the company's tuition program assisted more than 3,306 candidates, 55 percent of whom were women and 51 percent were people of color. The company views the tuition programs as retention tools for their most highly skilled and experienced workers. Advancing employees' education is vital to maintaining the company's competitiveness, especially in the telecommunications arena.

ACCOUNTABILITY AND MEASUREMENT

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

- Review of workforce profile against diversity goals
- Analyses 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
- SMG Index, a tool introduced in 2003 by the Workforce Diversity team, allows managers to compare the performance of organizational groups relative to their affirmative-action goals or to other groups within the organization

SUCCESSION PLANNING

Building the leadership bench through succession planning is critical to the long-term success of SBC. We must have people with skills and experience who are prepared to step into leadership positions. Succession planning discussions take place across SBC to find managers who have been identified as having potential to perform competitively at the senior manager level.

Approximately 1 percent of the company's management population is identified through this

process.

One of the exemplary programs at SBC is titled The Candidates for Promotion Program to serve that purpose. In the spring and/or summer of each year, the leadership of each organization identifies employees who exhibit the following SBC Leadership Dimension traits:

- Builds team
- Takes action
- Values customers/shareowners
- Drives change
- Develops others

Once identified, candidates are divided into two groups, Candidates for Promotion and Watch List Candidates:

- *Candidates for Promotion* are those general manager level candidates who have the potential to be competitive at the senior manager level within a few job assignments.
- *Watch List Candidates* are those second level managers and new directors who show longer term potential to be competitive at the senior manager level with continued development.

During the fall of the year, proposed candidates are forwarded up through the organization. Organizational leaders comb the list and once finalized, send their proposed candidates to the chairman and his direct reports for final approval.

Once approved, the employee is notified early in the new calendar year that he/she is a Candidate for Promotion. The candidate is directed to a Web-based Leadership Enhancement Plan (LEP) tool. The candidate then works hand in hand with his or her supervisor to use the LEP and any other enhancement opportunities to further develop skill sets. The supervisor provides an environment for growth and development for the candidate. With periodic feedback from the supervisor, the participant knows how his/her development is progressing.

The Candidates for Promotion program is one management tool for making decisions regarding future company leaders. Being named to the list is not a guarantee that a candidate will be promoted. Anyone can be promoted based on performance, ability, potential, and results whether or not he/she is on the candidate list.

EMPLOYEE-INITIATED ORGANIZATIONS

SBC recognizes several employee-initiated organizations that are open to all employees. These organizations not only reflect the diversity at SBC, but also contribute to the achievement of the company's goals. They include:

- *HACEMOS* — *The Hispanic Association of Communications Employees of SBC* is an organization open to all SBC employees. Each year, HACEMOS links thousands of students across the country via satellite for High Technology Day, which educates students about technology careers.
- *ACCA* — *Asians for Corporate and Community Action's* year-round support of the community includes professional and community enrichment activities, and a series of

educational activities during Asian Pacific American Heritage Month.

- *Community NETwork* — *The African-American Telecommunications Professionals of SBC* dedicates its energy toward encouraging and facilitating personal and professional growth of African-American employees, and assisting public and community 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 SBC* fosters understanding and appreciation of all cultures and a posture of valuing differences. Each year, FACES provides scholarships for underprivileged children in the Philippines.
- *OASIS* — *The Organization of Asian Indians at SBC* provides its members with opportunities for self-development, professional enhancement and networking, while supporting the company's business goals.
- *PWSBC* — *The Professional Women of SBC* provides opportunities for career and self-development, including networking events and conferences.
- *SPECTRUM* — *The Association of Lesbian, Gay, Bisexual and Transgender Employees of SBC* is open to everyone willing to support its goals. SPECTRUM works to promote inclusion in the community and workplace.
- *D.R.A.N.* -- *Disabilities Resource Access Network*, the newest employee-initiated organization was established to maximize the opportunity for employees with disabilities to fully contribute to the business' success. In partnership with the company, it seeks to provide a forum for disability-related issues within the workplace and serve as a resource for its members, the company and external organizations.

In addition, SBC established the Corporate Joint Diversity Council, formed by the presidents of the employee-initiated organizations and the Workforce Diversity team, to address issues, opportunities and best practices at the company.

PHILANTHROPY

The SBC Foundation – SBC's philanthropic arm – has connected SBC communities for 20 years. Since 1984, SBC and the SBC Foundation have contributed more than \$1 billion to nonprofit organizations across the country.

In 2003, *Business Week* magazine's 2003 Special Report on Corporate Philanthropy named SBC among the largest corporate philanthropists in America.

Last year, the SBC Foundation supported more than 1,100 organizations and programs that enrich and strengthen diverse communities nationwide and it contributed more than \$78 million through corporate, foundation and employee giving to support programs and initiatives that enhance education and community vitality. These programs emphasize education and technology and benefit underserved populations.

In 2003, the SBC Foundation awarded 46 percent of its direct giving grants to organizations that serve racial and ethnic clients (defined as African-American, Native American, Asian American, Hispanic and multiple).

In 2002, the SBC Foundation launched SBC Excelerator, a multi-million dollar competitive

grants program supporting initiatives that use technology to improve education and community development. A majority of qualifying SBC Excelerator organizations serve diverse populations, including those with limited access to technology.

- In 2002, two national, \$1 million grants were awarded for two distinct needs: Non-Profit Technology Capacity Building and Technology Workforce Development. In 2003, \$500,000 was distributed in a national grant to serve nonprofit technology capacity building.
- As part of SBC Excelerator, a total of \$28 million in regional competitive grants have been allocated to community-based organizations throughout the company's 13-state service area, addressing technology access, technology education, and/or technology workforce development.

The SBC Foundation also supports several supplier diversity development programs around the country and provides more than \$200,000 in support annually to diverse scholarship programs, including United Negro College Fund and the National Society of Hispanic MBAs.

SUPPLIER DIVERSITY PROGRAMS

For 36 years, SBC has been a pioneer and leader in the inclusion of historically underutilized businesses (HUBs). SBC possesses an unwavering commitment to economic development through the integration of HUBs into its supply chain. Supplier diversity remains a critical strategic initiative and a key component of the company's plan to deliver the best products and services to our customers.

SBC works hard to be a good business partner in the communities it serves and is committed to including minority and women business enterprises (M/WBEs) in its supply chain. Our Supplier Diversity Programs are designed to promote, increase and improve the quality of the overall participation of diversity suppliers in our supply chain. The Supplier Diversity Programs at SBC are ISO 9001 certified.

The company's Supplier Diversity Programs team 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
- Producing outreach events and managing prospective supplier process

SUPPLIER DIVERSITY RESULTS

Our goal is to procure 20 percent of our products and services from M/WBEs. Specifically, our diversity goals are:

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

The SBC family of companies looks for opportunities to work with diversity suppliers in all aspects of our business -- from advertising to central office engineering, computers, outside plant construction and network provisioning. The SBC Supplier Diversity Programs are an integral part of our strategic advantage in an increasingly competitive marketplace. Diversity suppliers help us meet the needs of our diverse customer base and maintain our competitive edge by providing quality products and services that meet specific requirements. Promoting the participation of a diverse supplier base not only provides better business solutions, but it also cultivates greater customer loyalty, bidding advantages and public policy support in the communities SBC serves.

For the reporting period of October 2003 to September 2004, SBC's HUB spending results were 27.7% inside Texas and 7.2% outside Texas for an overall performance of 23%. This achievement represents 35% minority and women performance increase over 2003 results and demonstrates our commitment and success in providing robust participation of HUBs in our supply chain. Our spending continues to be well above the average for corporate supplier diversity spending.

BUSINESS DEVELOPMENT

Supplier Diversity Programs staff at SBC assists current and potential diversity suppliers in identifying and developing business opportunities with the company. They work with suppliers to ensure requirements and standards are clearly communicated so that diversity suppliers are successful in our complex and ever-evolving telecommunications supply chain.

The Supplier Diversity team offers supplier diversity expertise to SBC Cross Functional Sourcing Teams (CFST) and supports the Strategic Sourcing Managers in ensuring that M/WBEs are given the opportunity to fully participate in the company's business. Supplier Diversity Managers assist CFST teams to develop supplier diversity solutions and help them meet supplier diversity spending targets.

SUPPLIER DEVELOPMENT

SBC provides potential suppliers with information and contacts to assist those firms seeking to do business with us. Our Supplier Diversity Managers and Strategic Sourcing Managers work closely with HUBs to find opportunities to do business with SBC. We provide coaching and mentoring to our strategic diversity firms to ensure they continue to meet SBC's supplier requirements. We encourage our diversity suppliers to gain quality certifications, such as ISO 9000 and TL9000, to remain on the competitive edge.

SBC is an active corporate member in the National Minority Supplier Development Council.

(NMSDC) and the Women's Business Enterprise National Council (WBENC). We belong to many of the local minority purchasing councils and women business partner organizations of these national organizations in the regions we serve. We also hold memberships with numerous minority Chambers of Commerce that work to promote supplier diversity.

CORPORATE SPONSORSHIPS

SBC sponsors many supplier diversity outreach events, such as trade shows, award and recognition programs and workshops. All of these forums provide diversity suppliers and corporations an opportunity to network and explore potential business opportunities. We also fund the California Public Utilities Commission (CPUC) Clearinghouse, a certification agency that provides free-of-charge certifications to minority- and women-owned businesses.

CONTINUING EDUCATIONAL OPPORTUNITIES

The SBC family of companies proudly promotes and encourages HUB suppliers to advance their business acumen with leading-edge educational curriculum. We are founding sponsors of the UCLA Management Development for Entrepreneurs Program. We also sponsor the Minority Business Executive Program at the Amos Tuck Graduate School at Dartmouth College, the WBENC –Tuck WBE Program at Dartmouth College, the Wisconsin Minority Business Management Seminar at the University of Wisconsin-Madison, and the Advanced Management Education Program at the J.L. Kellogg Graduate School at Northwestern University. Many M/WBE suppliers have attested to the value these programs bring in increasing their skills and competitiveness.

FINANCIAL SUPPORT AND RESOURCES

A strong network of financial resources is critical to the development of healthy HUB businesses. SBC is a long-time contributor to the Business Consortium Fund, the NMSDC's national loan program for MBEs.

SUPPLIER DIVERSITY OUTREACH AMBASSADORS

Our corporate commitment to improve our business with diversity firms does not reside within the SBC Procurement organization alone. A team of employees from across SBC volunteer to be Supplier Diversity Outreach Ambassadors, representing the company at trade fairs and outreach events. The Outreach Ambassadors are knowledgeable about the supplier diversity mission and share program information with customers, advocacy groups, business councils and government representatives.

SUPPLIER DIVERSITY RECOGNITION PROGRAMS

Each year the Supplier Diversity organization hosts the annual SBC Supplier Diversity Achievement Awards to honor employees who increase opportunities for M/WBEs to participate in our business. Additionally, we evaluate suppliers' overall quality and contributions to our company and recognize top performers at the annual Supplier Forum recognition event. Supplier diversity participation is an element of this evaluation, and each year a Supplier Diversity award is given to an SBC prime supplier for its accomplishments to promote supplier diversity.

PRIME SUPPLIER PARTICIPATION PROGRAM

One of the most essential efforts within the SBC Supplier Diversity Programs is our Prime Supplier Participation Program. It is our policy for contracts of \$500,000 and more to contain terms requiring annual Diversity Participation Plans and Quarterly Reports. However, we do not simply ask for results, we work with the prime suppliers to achieve them.

Our Prime Supplier Participation Programs help suppliers establish their own detailed and specific plans for working with M/WBEs as subcontractors and Value Added Resellers (VARs). Our step-by-step "How-To" guide provides the necessary details to ensure prime suppliers fully understand how to succeed in this significant initiative. In addition to these aids, we conduct targeted training to our strategic prime suppliers.

EMPLOYEE TRAINING AND EDUCATION

All contract/purchasing managers receive mandatory supplier diversity training. The SBC Supplier Diversity team works with Strategic Sourcing Managers to help them increase supplier diversity participation within the products and services they procure for the company. 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, outreach event calendar, and much more. Supplier diversity commitments are included in contract managers' performance appraisals.

KEY INITIATIVES OCTOBER 2003 - SEPTEMBER 2004

- Implemented the Supplier Diversity Programs Sales and Marketing Consulting Program to work with sales and marketing teams to more aggressively include diversity firms in contract bids. One of the goals of this program is to create more opportunities for diverse suppliers to partner with SBC in sales and marketing. Supplier Diversity has been an integral part of SBC's marketing and sales strategies to gain competitive advantage in the local, national and global marketplace. Federal, state and local government customers are not the only market segments that frequently require supplier diversity participation. Many private sector customers now have their own Supplier Diversity programs and seek to do business with companies, like SBC, that can deliver a diverse supply chain
- Produced the Supplier Diversity Business Operations Training Forum in August 2004. The forum, conducted via live video broadcast, trained more than 135 diversity suppliers on procurement operational topics, such as reverse auctions and reporting performance metrics, shared best practices, and updated participants on key SBC business strategies, systems and processes.
- Provided leadership in a nationwide initiative to encourage public utilities commissioners to support supplier diversity programs and business opportunities. We actively contributed to the development and adoption of a model supplier diversity program. SBC was asked to assist the National Association of Regulated Utility Commissioners (NARUC) in detailing a recommended supplier diversity program for adoption by public utility commissions across the United States.
- Funded the Women's Business Enterprise National Council's Technology Toolbox pilot and

workshop in June 2004, which showcased technology and tools to help women business enterprises (WBEs) increase and improve business.

- Provided 20 scholarships to diversity suppliers to attend executive training programs at top business schools at University of California – Los Angeles, Dartmouth College, Northwestern University and the University Wisconsin-Madison. These scholarships help SBC suppliers improve their performance and assists in improving their competitive position for gaining increased business opportunities.
- Continued process and program improvements to our Prime Supplier Participation Program that led to a year-over-year increase in participation by 7 percent.
- Conducted annual meetings with leaders of key internal client groups, such as advertising, human resources and information technology, to re-emphasize their roles and responsibilities in meeting SBC diversity supplier purchasing goals.
- Key speaking engagements to share supplier diversity best practices, key learnings and/or provide training..
- Sponsored and/or participated in more than 60 supplier diversity outreach events, including tradeshows, workshops and award programs.
- Worked collaboratively with supplier diversity advocate organizations via SBC's 25-plus memberships maintained in the company's 13-state territory.
- Assisted more than 340 diversity suppliers, seeking to do business with SBC, through the prospective supplier inquiry process.
- Recognized 118 SBC employees during the 6th Annual Supplier Diversity Achievement Awards.

2005 SUPPLIER DIVERSITY PROGRAMS AND INITIATIVES

In addition to ongoing SBC programs and initiatives to meet its 20 percent HUB spending goal, the Supplier Diversity team will focus heavily on developing opportunities for diversity suppliers in one of the company's top corporate initiatives for 2005, Project Lightspeed. Project Lightspeed will enable millions of residential customers to access integrated digital TV, superhigh-speed broadband access, and voice over IP (Internet Protocol) services via a new fiber-rich network. As the company continues to evolve, the Supplier Diversity team will work to insure HUB suppliers are fully included in this multi-billion-dollar venture through:

- 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 SBC's existing diversity suppliers
- Working closely to develop and implement diversity solutions with Strategic Sourcing teams

DIVERSITY AWARDS AND ACKNOWLEDGEMENT

At SBC, we do not take our success for granted. As good as our record is, we're always trying to do better – continually defining and promoting core values that drive our actions, decisions and operations. The following lists provide many of SBC's most recent honors and awards for corporate commitment to diversity.

- World's Most Admired Telecommunications Company, *Fortune Magazine*
- America's Most Admired Telecommunications Company, *Fortune Magazine*
- Best Companies for Minorities, *Fortune Magazine*
- Top 50 Companies for Diversity, *DiversityInc* (No. 8)
- Top 10 Companies for Executive Women, *DiversityInc*
- Top 10 Companies for Asian Americans, *DiversityInc*
- Top 10 Companies for Supplier Diversity, *DiversityInc* (No. 1 for the second year)
- Top 10 Companies for Latinos, *DiversityInc*
- America's Top Corporations for Women Business Enterprises, *Women Business Enterprise National Council*
- 25 Most Military-Friendly Companies, *G.I. Jobs Magazine*
- The 50 Best Companies for Latinas to Work for in the United States, *LATINA Style Magazine*
- Corporate Diversity Honor Roll, *Latin Business Magazine*
- Corporate Hispanic Business Advocate of the Year, Region I (California), U.S. Hispanic Chamber of Commerce Regional Hispanic Leadership and Business Excellence Awards
- Multi-Cultural Prism Award, *Minorities in Business Magazine*
- Career Focus Eagle Award (Norma Martinez Lozano), National Eagle Leadership Institute
- 2004 Communication Brands Scorecard, Solomon-Wolff Associates
- The 50 Most Important Hispanics in Technology & Business (Angie Wiskocil), *Hispanic Engineer & Information Technology Magazine*
- 30 Great Places to Work, *ESSENCE Magazine*
- Torch of Liberty Award (Michele Macauda), Anti-Defamation League
- Corporate Reputation Study, SBC ranked No. 41, Harris Interactive and the Reputation Institute
- Hispanic Corporate 100, *Hispanic Magazine*
- *Hispanic Business* Corporate Elite (Carmen Nava and Norma Martinez Lozano), *Hispanic Business Magazine*