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Public Utility Commission of Texas
1701 N. Congress Avenue
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Subject: DOCKET NO. 30240 – ANNUAL PROGRESS REPORT ON FIVE-YEAR PLAN
TO ENHANCE SUPPLIER AND WORKFORCE DIVERSITY FOR VERIZON

Enclosed for filing are four (4) copies of the Annual Progress Report on the implementation of the Five-Year Plan to Enhance Supplier and Workforce Diversity for Verizon. Pursuant to 52.256(c)(7) Verizon is providing an update of the 5-Year Plan (2000-2004) for the year ending 2015.

Verizon is also providing a Historically Underutilized Business (HUB) report in Project No. 30238. This report contains confidential information and is being filing under a confidential seal.

Consistent with the requirements of these rules, copies of this report are being provided to the Governor, Lieutenant Governor, Speaker of the House, the Chairwoman of the Senate Hispanic Caucus, and the respective Chairmen of the House Mexican-American Legislative Caucus and the House Legislative Black Caucus.

Questions regarding this report may be directed to me at 813-417-6600.

Very truly yours,

Joan Gage
Sr. Consultant – State Government Affairs

Attachments

cc: The Honorable Greg Abbott (w/o proprietary attachment)
The Honorable Dan Patrick (w/o proprietary attachment)
The Honorable Joe Straus (w/o proprietary attachment)
The Honorable Sylvia Garcia (w/o proprietary attachment)
The Honorable Sylvester Turner (w/o proprietary attachment)
The Honorable Trey Martinez Fisher (w/o proprietary attachment)

2015 Update: Supplier Diversity Plan 2000 – 2015

Update 2015

Initiatives, programs and activities Verizon will pursue during the next year to increase the diversity of its contracting opportunities for minority and women-owned businesses (historically underutilized businesses "HUBs").

Summary

At Verizon, supplier diversity is a business imperative because we know having suppliers from a variety of backgrounds affords us diversity of thoughts, ideas and values that helps drive our business forward. Diverse suppliers provide agility, innovation and competitive solutions which allows us to provide our customers with new and exciting technologies and platforms worldwide. And we appreciate how critical our business is to the success of our diverse suppliers and to the economic growth in the communities we serve.

Verizon's HUB spend for the Southwest region was 16%, a 3.8% improvement over 2014 results. This result reflects both the opportunities and successes of our ongoing diversity and advocacy efforts for 2015, with goals for increasing business opportunities and economic inclusion for diverse suppliers.

I - Initiatives

Corporate Policy

Diversity is a corporate imperative at Verizon. Aligning with our customer base, engaging our communities, and attracting and retaining talented individuals are critical to our success. To integrate supplier diversity into our business, we focus on three areas: education and awareness, partnership development, measurement and accountability.

Verizon's sourcing and procurement policies are based on a competitive bid process and there are no "set-aside" programs for HUBs. Verizon believes minority and women business owners are fundamentally competitive and can deliver valuable cost-effective

products and services. To that end, it is Verizon's policy to offer HUBs maximum opportunities to compete on an equal basis with all other suppliers in our strategic sourcing process. In doing so, Verizon seeks sustainable business and mutually beneficial relationships with HUBs, while obtaining competitively priced products and services at the highest quality.

Management Accountability

Diversity and inclusion are aligned to Verizon's internal short-term incentive program. The Diversity Performance Incentive (DPI) is comprised of both supplier diversity and workforce diversity components. A percentage of the executive bonus compensation package is tied to directly to supplier diversity.

This ensures the corporate commitment to diversity starts at the top of the business with the CEO, Lowell McAdam, who states:

"We are committed to continuously identifying and expanding effective business partnerships with diverse suppliers. These mutually beneficial relationships will allow us to provide superior service and excellent communication experiences for our customers, while broadening our reach in the competitive marketplace."

We understand a successful supplier diversity program requires objective setting of goals, alignment to the business and relationship management. We make a point to develop strong relationships with diverse suppliers to assist them in achieving success. The team manages programs to optimize exposure and ensure diverse suppliers are given opportunities to compete for our business, and we have developed very detailed metrics and reports that enable us to effectively monitor our results and identify areas of improvement and opportunities.

Verizon continued to focus on its employee supplier diversity education training in 2015. The supplier diversity team consists of subject matter experts who provide information on certifications, reinforce the business case for supplier diversity, and serve as resources for the identification of diverse suppliers. The supplier diversity team provided on-line supplier diversity training specifically for the strategic sourcing organization as well as an on-line supplier diversity awareness training module for the entire business enterprise. The supplier diversity team participates in business group meetings and conferences. During these meetings, with line of business senior leaders and their supplier diversity champions, the team is able to share supplier diversity goals,

results and initiatives. Follow-up meetings take place to insure Verizon makes progress toward meeting its supplier diversity goals.

Verizon has supplier diversity Champions within strategic sourcing and other internal organizations. These champions identify supplier diversity business opportunities and advocate at all employee levels by educating employees on the benefits of supplier diversity within the company and the corporate community. Verizon has a network of supplier diversity champions from across the business enterprise that help broadcast and support Verizon's supplier diversity initiatives within their departments and the business community. The Champions also educate diverse suppliers on certification and verification, on-line registration, small business development and how to do business with Verizon. These advocates also attend and participate at many outreach events such as trade fairs, conferences, community fairs, and business development workshops.

As a result of these efforts, all levels of the organization are held accountable for the success of Verizon's supplier diversity program throughout the enterprise.

Mission Statement

At Verizon diversity means cultivating an inclusive organization that reflects the marketplace and leverages the diversity of employees, customers, suppliers and community partners because it's the right thing to do and drives business success.

Strategically, our diversity framework encompasses five elements in an integrated shared accountability model, including:

- A diverse workforce that mirrors our markets;
- An inclusive workplace where diversity is respected and there is zero tolerance for discrimination;
- Diverse community partnerships with charitable grants to organizations and benchmarking with best in class providers;
- Doing business with diverse suppliers Serving diverse customers by offering products and services that meet their needs;

- Serving diverse customers by offering products and services that match their needs and lifestyles.

Outreach Communications

Verizon's supplier diversity website provides current information on certification and registration, supplier selection criteria, contact information, and other pertinent information for prospective suppliers. www.verizon.com/supplierdiversity

A variety of innovative and informative free resources, including webinars that feature leading business experts rewards and discount programs, an online tool to identify helpful apps for small businesses; and the Verizon Small Biz Blog, which offers tips and insights on how to grow profits, increase productivity and improve small businesses. <http://forums.verizon.com/t5/Verizon-Small-Biz-Blog/bg-p/SMBBlog>

In order to advance the supplier diversity message, both internally and externally Verizon takes a strategic approach to establishing and building relationships with HUBs and the organizations that support them. We support supplier diversity through a variety of workshops and networking events designed to help suppliers improve their capacity, business operations and procurement processes:

- Verizon regularly participates in business development trade fairs, match-maker meetings, and other networking events where potential suppliers have direct access to Verizon's procurement professionals and decision makers.
- Strategic alliances with advocacy groups enable Verizon to seek, coach and facilitate the inclusion of qualified, certified diverse suppliers. Verizon employees play active leadership roles in support of advocacy groups such as the National Minority Supplier Development Council and the Women's Business Enterprise National Council at both the national and regional levels. Verizon participates in such organizations with Board memberships, event sponsorship, and active committee participation.
- Verizon's Premier Supplier Academy provides educational, technical and business skills training, one-on-one mentoring, networking events and individualized strategies designed to further our commitment to increasing business opportunities for diverse suppliers.

- Verizon frequently provides coaching to diverse suppliers through sharing best practices of top strategic suppliers and "How to do Business with Verizon" workshops. Verizon supports and/or sponsors small and diverse business outreach programs in Texas.

Below is the 2015 outreach participation:

Organization	Event / Activity
Women's Business Council – Southwest	Annual corporate event sponsorship – "Parade of Stars", "Power to Potential" networking event and "Business Works" trade show and luncheon
Women's Business Enterprise National Council	Board member, sponsor of the "National Conference and Business Fair"
D/FW Minority Supplier Development Council	Board member and annual corporate event sponsor – "Access '15 Expo," "Marketing Madness Technology Showcase," "Buy Those That buy Us," member of the Inclusive Supply Chain Working Group committee and the Supplier Diversity Working Professional Development committee.
US Pan Asian Chamber of Commerce – Southwest	Annual corporate event sponsor – Asian Business Expo and Tradeshow; conducted business match-making.
United States Hispanic Chamber of Commerce	Board member, major corporate sponsor National Convention, trade show and match-makers

II – Programs

Resources

Verizon's supplier diversity program is a part of the Global Talent and Diversity department. The team is led by the Director of Global Diversity and Inclusion and is managed by five full-time staff members.

The supplier diversity team is responsible for:

- Interfacing with internal product/service sourcing groups and cross-functional teams to access buying requirements and RFP opportunities for HUBs.
- Partnering with community groups to identify HUBs.
- Encouraging and supporting the utilization of HUBs.
- Identifying and verifying supplier information.
- Establishing the corporate strategy and utilization goals.
- Tracking, monitoring and reporting the performance expenditures of prime suppliers and HUBs.
- Training and creating an increased awareness in buying and client organizations.
- Encouraging and assisting prime suppliers in developing utilization plans to increase the use of HUBs as subcontractors.
- Managing and facilitating Verizon's outreach program.

In 2015 Verizon's supplier diversity team:

- Continued to lead supplier diversity program efforts towards expanding the initiatives which include the development of enterprise-wide objectives, following best practices and managing resources.
- Issued detailed quarterly reports which tracked objectives for all major business units.
- Reviewed sourcing manager's business plans for all major product/service categories to ensure inclusion of supplier diversity growth objectives.
- Established supplier diversity objectives on all major RFPs and included supplier diversity team members on cross-functional teams charged with supplier selection.

- Continued to offer a variety of innovative and informative free resources:
 - Webinars featuring leading business experts - www.verizon.com/webinar
 - Discount programs - <https://business.verizon.com/discountprogram>
 - Small Biz Blog for tips and insights - www.verizon.com/smallbusinessblog
 - Small business site with the latest technology - www.verizon.com/smallbusiness
 - Mobile living site with tips on using products and services - www.verizonwireless.com/mobile-living/
- Continued to conduct our nationally recognized Premier Supplier Academy (PSA) "How to do Business with Verizon" workshops across the Verizon footprint, increasing the inclusion of HUBs in Verizon's and its prime supplier's procurements.
- Continued our strong commitment to and partnership with key community organizations that support supplier diversity.
- Continued to expand the Tier 2 program with prime suppliers by including diversity language in contracts and enforcing reporting requirements.
- Developed a Champion program in which SMEs were assigned to each executive group to communicate with prime suppliers and ensure compliance with Tier 2 program requirements. Champions have internal bi-weekly meetings to provide status updates on alignment, optimal collaboration and partnership.
- Continued to expand our "in-reach" strategy to provide supplier diversity training/education to Verizon's personnel. A training module was designed specifically for sourcing personnel and an awareness module was designed for enterprise-wide utilization. Both modules are on-line. Additional training is provided in-person, via web or phone conference on an as needed basis.
- Continued to identify procurement opportunities in traditional and non-traditional areas of the supply chain for operational excellence, superior customer experiences and maximizing shareholder value, while driving opportunities for inclusion.

- Recognized and awarded supplier diversity Champion for support and efforts to include HUBs in the supply chain.

III – Activities

In-reach Strategy

Verizon will continue to expand its in-reach strategy to develop business opportunities internally for HUB firms. Activities will include the following:

- Supplier diversity professionals will continue to attend business meetings to provide supplier diversity training, review current objectives/plans and track results.
- Supplier diversity results will be communicated during sourcing and procurement staff meetings to drive performance and awareness.
- The supplier diversity team will work with key decision-makers and stakeholders to establish enterprise-wide objectives and drive inclusion of diverse suppliers.
- Educational sessions will be conducted with cross-functional end-user organizations and executives to encourage the inclusion of HUBs in high tech and non-traditional areas.
- Supplier diversity professionals will participate on cross-functional teams charged with supplier selection. Specific focus will be on opportunities for direct and/or Tier 2 awards.
- Supplier diversity results will continue to be reviewed on a quarterly (more frequently if necessary) basis with executives and supplier diversity champions to ensure success.
- Continue to support the leadership's message that supplier diversity is critical and integral to Verizon's success.

- On-going improvement and development of internal and external websites to increase in-reach and outreach effectiveness.
- Continue to recognize Verizon's employee's contributions to supplier diversity.
- Engage executive leadership to actively engage in business development and outreach activities (e.g., speaking engagements, networking events, workshops, industry panel discussions and sponsorship activity).
- Consistently communicate supplier diversity goals, program initiatives and accomplishments.
- Provide post RFP feedback and coaching to HUBs to help them improve on future bid responses.