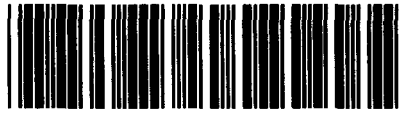




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**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

SBC

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Five-Year Plan to Enhance Supplier and Workforce Diversity
Year Five Progress Report October 2004 – September 2005
Project 30240

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December 29, 2005

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; (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 Pete Gallego

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

**Workforce and Supplier Diversity Form
Company Initiatives**

Data as of 11/1/2005

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	2200	1153	1047	796	605	149	251	183	176	16	9	9	6
Professionals	55	32	23	25	8	2	5	4	9	1	1	0	0
Technicians	370	37	333	17	161	10	94	10	76	0	1	0	1
Sales Workers	882	409	473	286	272	49	118	67	77	5	3	2	3
Office and Clerical	8968	1959	7009	875	2520	373	2434	687	1990	16	40	8	25
Craft Workers (Skilled)	9116	7931	1185	4922	641	956	299	1852	220	153	17	48	8
Operatives (Semi-skilled)	0	0	0										
Laborers (Unskilled)	0	0	0										
Service Workers	0	0	0										
Previous Year Totals	23502	12259	11243	7379	4718	1632	3547	2976	2855	196	74	76	49
This Year Totals	21591	11521	10070	6921	4207	1539	3201	2803	2548	191	71	67	43

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.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

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	4%	11%	154%
Commodities Contracts	43%	46%	6%
Other Services	10%	12%	15%
Professional Services Contracts	10%	13%	27%
Major Equipment	42%	41%	-2%
Other	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 other than buildings such as pipelines, communication and power lines, sewer and water mains, asphalt and concrete construction of

(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, janitorial, travel/lodging, automotive repair, and photography.

(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, surveying services, weather services, environmental, financial, 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 as defined in the Texas Government Code § 481.101(1).

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

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

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	8%	12%	43%
Commodities Contracts	22%	27%	25%
Other Services	10%	17%	69%
Professional Services Contracts	4%	10%	163%
Major Equipment	20%	18%	-9%
Other	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 other than buildings such as pipelines, communication and power lines, sewer and water mains, asphalt and
- (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, janitorial, travel/lodging, automotive repair, and photography.
- (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, surveying services, weather services, environmental, financial, 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 as defined in the Texas Government Code § 481.101(1).
- (7) **Other** -- Any commodity or service not covered by the above categories.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

**Workforce and Supplier Diversity Form
Company Initiatives**

Diversity is fundamental to the culture of SBC Communications Inc.¹ In fostering diversity, SBC Communications 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 Communications, 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 helped position SBC Communications 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 Communications 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 the company 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 the company's 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 former SBC business units.
- Reporting, completing and submitting EEO-1 reports, EO surveys, VETS-100, FCC 395 and other federal mandated documentation for SBC.

¹ During the period for this report (10/01/2004 - 09/30/2005), the proposed merger between SBC Communications Inc. and AT&T Corp. was not complete and both companies continued to operate as independent companies. The merger did not receive final approval until after the time period for this report.

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- Communicating to the HR community and other company 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 company 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 Communications 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 the company a competitive edge.

We realize that diverse, talented and dedicated people are key to a company's success. SBC Communications has sought out talented individuals from a variety of fields of study, including business, telecommunications, management information systems, engineering, mathematics and international studies. The company employs the best people from all backgrounds and perspectives to provide products and services that meet its customers' needs. In 2004, 51 percent of SBC Communications' new hires were women; 50 percent were people of color.

SBC Communications has used online, print and broadcast outlets for its recruitment advertising. In 2004, we targeted magazines that cater to multiple minority groups, like *Diversity/Careers in Engineering & Information Technology*, the *National Association of Colleges and Employers (NACE) Journal*, *The Advocate*, *Ability* magazine, *Careers and the Disabled*, and *Women in Technology International's FastTrack*.

SBC Communications has also conducted campus visits to colleges and universities, and attended career fairs that cater to a more diverse population. In addition, the company 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

SBC Communications 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

WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

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. 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 Communications has long included a diversity module in its standard "Manager's Camp" basic managerial training. All directors 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 Communications has become more diverse as a company. In addition, all employees are required to participate in EEO training.

The company also offers comprehensive diversity information to its employees in addition to formal training. One source is a diversity Intranet site featuring a message from Ed Whitacre, Chairman and Chief Executive Officer of SBC Communications; important company facts about diversity; and a resource library, which features a Web-based resource center with diversity materials and links to other company Web sites with additional information on related subjects. Other available resources include internal communication tools, a company diversity brochure and the company 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 Communications has employed 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 Communications Career Center* – Employees have access to a virtual career center that provides information on navigating their 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

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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 company Intranet.

- *Tuition Reimbursement Program* for management and non-management provide financial assistance to employees who are working to attain academic degrees that benefit both the employee and the company. In 2004, the company's tuition program assisted more than 3,649 candidates, 57 percent of whom were women and 55 percent were people of color.

WORKFORCE DIVERSITY ACCOUNTABILITY

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 has been critical to the long-term success of SBC Communications. We must have people with skills and experience who are prepared to step into leadership positions. Succession planning discussions take place across the company 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 Communications 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 Leadership Dimension traits:

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

WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

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 Communications recognizes several employee-initiated organizations that are open to all employees. These organizations not only reflect the diversity at the company, 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 company 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.

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- *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, mentoring 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 Communications 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

SBC Foundation, the philanthropic arm of SBC Communications, supports efforts that enrich and strengthen diverse communities nationwide, particularly those with an emphasis on education and technology and those that benefit underserved populations. Since 1984, SBC Communications and SBC Foundation have contributed more than \$1 billion to nonprofit organizations across the country.

SBC Communications contributed more than \$81 million through corporate, foundation and employee giving to support programs and initiatives that enhance education, support community vitality and help meet the critical needs of underserved communities.

In 2004, SBC Foundation supported more than 1,000 organizations and programs that enrich and strengthen diverse communities nationwide. Last year, SBC Foundation awarded 47 percent of its direct giving grants to organizations that serve diverse clients, including African-Americans, Native Americans, Asian Americans and Hispanics.

SBC Excelerator, the foundation's signature giving program, aims to build stronger communities and improve the lives of people in communities across the nation through improved technology resources. In 2004, SBC Foundation provided more than \$8 million to empower hundreds of nonprofits to use technology to expand the reach of services and heighten the impact those services have on people in the community.

Two national 2004 SBC Excelerator grants are focused on connecting diverse communities. The

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League of United Latin American Citizens (LULAC) received a \$1 million grant to support its *Empower Hispanic America with Technology* initiative, which will provide computer equipment and high-speed Internet access, technology curriculum and technology support to LULAC community centers throughout the 13-state SBC territory. The National Urban League received \$1,070,000 in 2004 SBC Excelsior funds to launch 12 Digital Empowerment Academies, which will offer technology job skills training to African Americans in low-income communities.

SBC Foundation also supports several supplier diversity development programs around the country, including National Minority Supplier Development Council and Women's Business Enterprise National Council (WBENC). In addition, SBC Communications provides more than \$200,000 in funding each year to diverse scholarship programs that include the United Negro College Fund, the National Society of Hispanic MBAs and the Hispanic College Fund.

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SUPPLIER DIVERSITY PROGRAMS

SBC Communications has been a pioneer and leader in the inclusion of historically underutilized businesses (HUBs). The company 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 are TL 9000 quality 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

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)

We look 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 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 we serve.

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For the reporting period of October 2004 to September 2005, HUB spending results were 29.1% inside Texas and 8.6% outside Texas for an overall performance of 24.3%, exceeding our 20% goal. This achievement represents a 15% minority and women performance increase over 2004 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

The Supplier Diversity Programs staff 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 the company's 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. Supplier Diversity Managers and Strategic Sourcing Managers work closely with HUBs to find opportunities to do business with the company. We provide coaching and mentoring to our strategic diversity firms to ensure they continue to meet supplier requirements. We encourage our diversity suppliers to gain quality certifications, such as ISO 9000 and TL 9000, 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

The company 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 nationwide. See attached list of recognized certification agencies for HUBs.

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CONTINUING EDUCATIONAL OPPORTUNITIES

SBC 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 minority owned firms.

SUPPLIER DIVERSITY OUTREACH AMBASSADORS

Our corporate commitment to improve our business with diversity firms does not reside within the Procurement organization alone. A team of employees from across the company 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 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 a prime supplier for their accomplishments to promote supplier diversity.

PRIME SUPPLIER PARTICIPATION PROGRAM

One of the most essential efforts within the 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.

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EMPLOYEE TRAINING AND EDUCATION

All contract/purchasing managers receive mandatory supplier diversity training. The 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 2004 - SEPTEMBER 2005

- Produced an EMS Forum to address the recent decline in diversity utilization as manufacturing work has been outsourced from Original Equipment Manufacturers (OEMs) to Electronic Manufacturing Services (EMS) companies. The forum, held in Dallas, TX, brought together officers and business leaders of global OEM and EMS firms. The full-day event included presentations, panel discussions and breakout sessions to address the challenges, solutions and next steps to fostering the further development of supplier diversity within the EMS sector.
- Fully implemented two HUB mentor-protégée programs in 2005 with the Texas Department of Public Safety and with Hunt Construction on the St. Louis Cardinals new baseball park project. These protégées are diversity owned firms—one based in Houston, TX, the other in St. Louis, MO. Additionally, we established two new mentor-protégée programs for HUBs with the State of Texas Workforce Commission and Texas Prairie View A&M University (historically black college) to be implemented in 2006. The protégés are two diversity owned firms from San Antonio, TX and Houston, TX.
- 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 sales and marketing on contract bids. Supplier Diversity has been an integral part of the company's marketing and sales strategy 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
- Provided leadership in the 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.

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- Provided several scholarships to diversity suppliers to attend executive training programs for diversity firms at top business schools at Dartmouth College, Northwestern University, UCLA and the University Wisconsin-Madison. These scholarships help HUB suppliers improve their performance and assists in improving their competitive position for gaining increased business opportunities.
- Conducted annual meetings with leaders of key internal client groups, such as advertising, legal and finance to re-emphasize their roles and responsibilities in meeting diversity supplier purchasing goals.
- Officers and the Supplier Diversity team performed numerous key speaking engagements to share supplier diversity best practices, key learnings and/or provide training to diversity firms and corporations.
- Worked collaboratively with supplier diversity advocate organizations via our active memberships with over 25 regional affiliates of the National Minority Supplier Development Council and the Women Business Enterprise National Council. We also actively support numerous ethnic chambers of commerce to help diversity firms learn how to do business with SBC and other corporations. In 2005 SBC awarded the U.S. Hispanic Chamber of Commerce a \$500,000 SBC Foundation grant to create a program to bring important technology capabilities to small Hispanic owned businesses.
- SBC sponsored and/or participated in more than 70 supplier diversity outreach events nationwide including tradeshows, workshops and award programs. An example of those events and involvement include:
 - Central South Texas Minority Business Development Council: Corporate Premier Sponsor of the Business Expo, Golf Tournament, Award Program, Technology Workshop; member of the Board of Directors
 - City of San Antonio & Bexar County Annual M/WBE Conference: Corporate Sponsor and workshop presenter
 - North San Antonio Chamber of Commerce Expo and Matchmaker session
 - Greater Dallas Hispanic Chamber of Commerce: Board of Directors membership
 - Dallas Black Chamber of Commerce: Board of Director member and corporate sponsor of the Quest for Success luncheon, Golf Tournament
 - Hispanic Women's Network of Texas: member and provided the organization with an 'Exclerator' technology grant
 - Laredo Chamber of Commerce: Executive Board membership, sponsor of the Bola Blanca Golf Tournament and Business Expo
 - Laredo Manufacturers Association: Board member and sponsor of the 12th Annual Manufacturing in Mexico and on the U.S. Border Symposium
 - El Paso Hispanic Chamber of Commerce: Sponsor for Biz Tech and Board of Directors member
 - El Paso Black Chamber of Commerce: Corporate Member
 - Texas Senate Hispanic Research Council: Board of Directors member
 - City of Houston's Affirmative Action Committee: Corporate Member

WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

- Houston Asian Chamber of Commerce: Chair of the Board of Directors, sponsor of the annual golf tournament, Asian Epicurean Evening, and the annual Entrepreneur of the Year Gala
- Houston Alliance of Minority Contractors: Member and 'Outstanding Corporate Citizen Honoree'
- Texas Federation of Chambers of Commerce, Austin: Founding member and Treasurer
- Sponsor of the Asian Society Tiger Ball, Houston
- Midland Hispanic Chamber: Corporate Member
- Texas Women's Museum: Major Corporate Sponsor
- LULAC Convention and Expo: Corporate Sponsors
- Alcatel/SBC Supplier Diversity Day, Dallas, TX
- TAMACC Annual Convention & Business Expo: Sponsor
- U.S. Hispanic Chamber of Commerce: Conference Sponsor and 'Corporate Citizen of the Year' Honoree
- National Minority Supplier Development Council: National Conference & Business Fair Corporate Sponsor, Workshop Presenter, Board of Directors Member
- Women Business Enterprise National Council: National Conference Sponsor, Workshop Presenter, Vice-Chair Board of Directors

2006 SUPPLIER DIVERSITY PROGRAMS AND INITIATIVES

For more than 37 years, SBC Communications Inc. and former AT&T Corp. have been leaders in the inclusion of minority-, women- and disabled-veteran-owned business enterprises in the corporate supply chain. To continue the companies' legacies, the new AT&T will remain committed to incorporating best-in-class initiatives to include diverse suppliers.

In addition to ongoing 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, Project Lightspeed. Project Lightspeed will enable millions of residential customers to access integrated digital TV, super high-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 existing diversity suppliers
- Working closely to develop and implement diversity solutions with Strategic Sourcing teams

WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

DIVERSITY AWARDS AND ACKNOWLEDGEMENT

At SBC Communications, we have not taken 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 list details (alphabetically) many of the awards and honors that SBC Communications has garnered for its corporate commitment to diversity.

- **100 Most Important Blacks in Technology, *US Black Engineer & Information Technology Magazine* (2004 – 2006)** For three consecutive years, two executives of SBC Communications, Ray Wilkins, Jr., group president, and Chuck Smith, president and CEO - SBC West, were included in this list by the publication's editorial staff based on their level of commitment to the growth of the minority community, level of responsibility in the workplace, significance of innovations in technology or business, the amount of public exposure their work on the job has received, awards, and their involvement in minority organizations.
- **30 Great Places to Work At, *Essence Magazine* (2004)** *Essence* magazine acknowledged SBC Communications as being a great place for African-American women to work at. The company earned excellent marks for its inclusive culture and commitment to promoting career success among African-American women.
- **50 Most Important Hispanics in Technology and Business, *Hispanic Engineer & Information Technology Magazine* (2005)** The editors of *Hispanic Engineer & Information Technology* magazine selected Yno Gonzalez, president - SBC Long Distance, and Angiolina Wiskocil, senior vice president - Network Services, officers of SBC Communications, to the 50 Most Important Hispanics in Technology and Business list for 2005.
- **50 Top Employers for Minorities, *FORTUNE Magazine* (2005)** SBC Communications was listed for the company's workforce and marketplace initiatives. The survey focused on Fortune 1000 companies and the 200 largest privately held U.S. companies.
- **75 Most Powerful African-Americans in Corporate America, *Black Enterprise Magazine* (2005)** *Black Enterprise* magazine named Ray Wilkins, Jr., an officer of SBC Communications, as one of the most powerful African-Americans in corporate America. The list is culled from the 1,000 largest domestic and international corporations traded publicly on the U.S. equities markets.
- **80 Elite Hispanic Women, *Hispanic Business Magazine* (2005)** Patricia Diaz Dennis, Carmen Nava, and Angiolina Wiskocil, officers of SBC Communications, were among 80 Hispanic women selected by *Hispanic Business* magazine to the 80 Elite Hispanic Women listing. The women were honored for their list of professional achievements, passion, and commitment to their work and service to the Hispanic community.

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- **ABFE (formerly the Association of Black Foundation Executives) Award (2005)** SBC Foundation was awarded the Institutional Award for Philanthropic Leadership from the ABFE in recognition of its exemplary grant-making practices in promoting social change in African-American communities.
- **America's Top Corporations for Women's Business Enterprises, Women's Business Enterprise National Council (1999 — 2005)** SBC Communications was among the top 15 corporations in the nation that buy products and services from women-owned businesses. The company has earned this award since its inception for its efforts in breaking down barriers that impede women-owned business enterprises from gaining fair access to procurement opportunities.
- **CareerFocus Eagle Award, National Eagle Leadership Institute (NELI) (2004 – 2005)** Cynthia Marshall, an executive of SBC Communications, was recognized for her professional commitment and model leadership abilities, inspiring others to achieve greater levels of success in the business and the community. Executive Norma Martinez Lozano was recognized for her exemplary leadership and performance in 2004.
- **Corporate Citizenship Ranking, *Forbes* Magazine (2004)** SBC Communications ranked high among its peers in *Forbes'* inaugural corporate citizenship rankings of the 30 largest U.S. companies. Each company was ranked based on its commitment to community, diversity, human rights and the environment. SBC Communications was among the top 10 in the diversity and community categories, ranking fourth and 10th respectively.
- **Corporate Diversity Honor Roll, *Latin Business Magazine* (2004 - 2005)** *Latin Business* magazine's honor roll recognized SBC Communications 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.
- **Corporate Equality Index, Human Rights Campaign (2004 – 2005)** For the second year in a row, SBC Communications received a perfect 100 percent score for the company's fair treatment of gay, lesbian, bisexual and transgender (GLBT) employees. Fortune 500 and other major companies were evaluated on key indicators that include policies prohibiting discrimination based on sexual orientation and gender identity as well as equal health care benefits.
- **Corporate Hispanic Business Advocate of the Year — Texas Region, U.S. Hispanic Chamber of Commerce (2004)** SBC Communications was honored for contributing to Hispanic-owned businesses through the company's supplier diversity initiatives. Specifically, Joan Kerr, executive director for supplier diversity of SBC Communications, was honored for her leadership.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

- **Corporate Partner of the Year Award, National Association of Women Business Owners (NAWBO) (2003)** NAWBO honored SBC Communications for its support in fostering and promoting the success of women business owners.
- **DiversityFirst Award , Texas Diversity Council (2005)** For its commitment to diversity, SBC Communications received the DiversityFirst Award at the Texas Diversity Council's first Diversity and Leadership Conference held in San Antonio in 2005.
- **Executive of the Year, *Human Resource Executive Magazine* (2005)** Karen Jennings, senior executive vice president of human resources and communications of SBC Communications, was named Executive of the Year by the publication based on merit, commitment and leadership abilities.
- **FTSE4Good™ Index (2003 – 2004)** FTSE4Good honored SBC Communications for social responsibility demonstrated through environmental conservation efforts, positive stakeholder relations and support of universal human rights. The FTSE4Good Index is a tool to help socially responsible investors identify and invest in companies that meet globally recognized corporate responsibility standards.
- **Governor's Conference Excellence in Education Award, State of Missouri (2005)** SBC Communications' School-to-Business Partnership Program was nominated for this award based on its focus on teaching students skills to be successful in the workplace.
- **HACR Corporate Index, Hispanic Association on Corporate Responsibility (2005)** The Hispanic Association on Corporate Responsibility ranked SBC Communications among the top 10 Fortune 100 companies for its inclusion of the Hispanic community across various areas, including corporate executive leadership, corporate governance, workforce representation, community reciprocity, and supplier outreach and development.
- **National Women of Color Technology Award, Career Communications Group, Inc. (2004)** Norma Martinez Lozano, an executive of SBC Communications, was recognized for her business achievements, leadership and community involvement.
- **Outstanding Corporate Support Award, National Minority Business Council (2002 – 2003)** SBC Communications earned this award based on the company's distinguished record for supporting minority- and women-owned businesses.
- **The 50 Best Companies for Latinas to Work, *LATINA Style Magazine* (1998 – 2005)** SBC Communications has been ranked among top U.S. companies for meeting the workplace needs deemed most important by *LATINA Style's* Hispanic female readers. SBC has ranked among the publication's top 50 companies for eight consecutive years.

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- **The Ron Brown Award, The Conference Board (2002)** The Ron Brown Award was presented to SBC Communications for its deep commitment to innovative initiatives that not only empower employees and communities but also advance strategic business interests. The award recognized the company's supplier diversity program initiatives. The Ron Brown Award is the only presidential award to honor companies for the exemplary quality of their relationships with employees and communities.
- **Top 10 Companies for Asian-Americans, *DiversityInc* (2004)** SBC Communications was rated as one of the top 10 companies for Asian-Americans for its efforts in employing, promoting and valuing the company's Asian-American employees. The company earned high marks for its Asian-American representation in management positions.
- **Top 10 Companies for Executive Women, *DiversityInc* (2004)** SBC Communications was recognized as a top company for executive women based on its commitment to advancing women into leadership positions. The company earned praise for its high percentage of women in management positions and on the board of directors.
- **Top 10 Companies for Latinos, *DiversityInc* (2004 – 2005)** *DiversityInc* named SBC Communications as a top company for Latinos based on the company's results-oriented approach to providing opportunities and promoting career advancement for Latinos in the workplace.
- **Top 10 Companies for Philanthropic Giving, *Hispanic Business Magazine* (2005)** SBC Communications ranked No. 1 out of 10 companies, based on the company's expenditures on philanthropic services that benefit minority groups. SBC also ranked third in the publication's Top 40 Companies for Hispanics list.
- **Top 10 Companies for Supplier Diversity, *DiversityInc* (2002 – 2004)** *DiversityInc* named SBC Communications as the No. 1 company for supplier diversity across all industries in 2003 and 2004. This recognition is based on the company's solid reputation for being the leader and pioneer in supplier diversity spending and development.
- **Top 100 Companies, *Hispanic Magazine* (1989 – 2005)** Consistently ranked as a top company for Latinos, SBC Communications has been included in *Hispanic* magazine's Top 100 Companies list for 17 consecutive years. The company received the honor based on efforts in minority recruitment, marketing and minority supplier outreach.
- **Top 25 Most Military-Friendly Employers, *G.I. Jobs Magazine* (2004 – 2005)** SBC Communications was selected out of hundreds of companies for inclusion in the *G.I. Jobs* Top 25 list based on the company's dedication to supporting the military through events and programs, hiring a large percentage of military veterans, and maintaining policies that ensure reservist employees and their families continue to receive compensation when the soldier is called to active duty.

WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

- **Top 40 Companies, *Hispanic Business Magazine* (2005)** SBC Communications leads the telecommunications industry, ranking third out of 40 companies, based on how the company reaches out to Hispanics in the areas of recruitment, promotion, procurement, philanthropy and marketing. SBC Communications also ranked ninth in the publication's Top 10 Companies for Workforce Diversity list.
- **Top 50 Companies for Diversity and Hall of Fame, *DiversityInc* (2001 – 2005)** In 2005, *DiversityInc* named SBC Communications to its Hall of Fame as a result of making the Top 50 list since the inception of this ranking. For the fifth consecutive year, *DiversityInc* has recognized SBC Communications' dedication to improving diversity in its workforce, marketing, supplier diversity and communications.
- **Top Corporations for Multicultural Business Opportunities (Div50), *DiversityBusiness.com* (2000 – 2005)** Voting business owners ranked SBC Communications one of the top companies in supplier diversity – the company has received this honor for the fifth consecutive year. This recognition is based on the consistency and quality of business opportunities granted to minority- and women-owned companies.
- **Torch of Liberty Award, Anti-Defamation League (2004)** The Anti-Defamation League honored Michele Macaudo, an officer of SBC Communications, with the Torch of Liberty Award for her commitment to ending bigotry and racism in the business environment.
- **Women Directors Advance, Spencer Stuart Board Index, Spencer Stuart (2004)** Spencer Stuart, a global executive recruiting firm, reported a significant increase in new women directors in its 19th annual Spencer Stuart Board Index™ (SSBI) study of corporate governance. SBC Communications ranked as one of the companies with the greatest number of women directors.
- **Women on Global 200 Boards, Corporate Women Directors International (CWDI) (2004 – 2005)** SBC Communications ranked in the top ten among the Fortune Global 200 largest companies for its high percentage of women board members.