Assessing Our Sustainability-Related Challenges & Opportunities
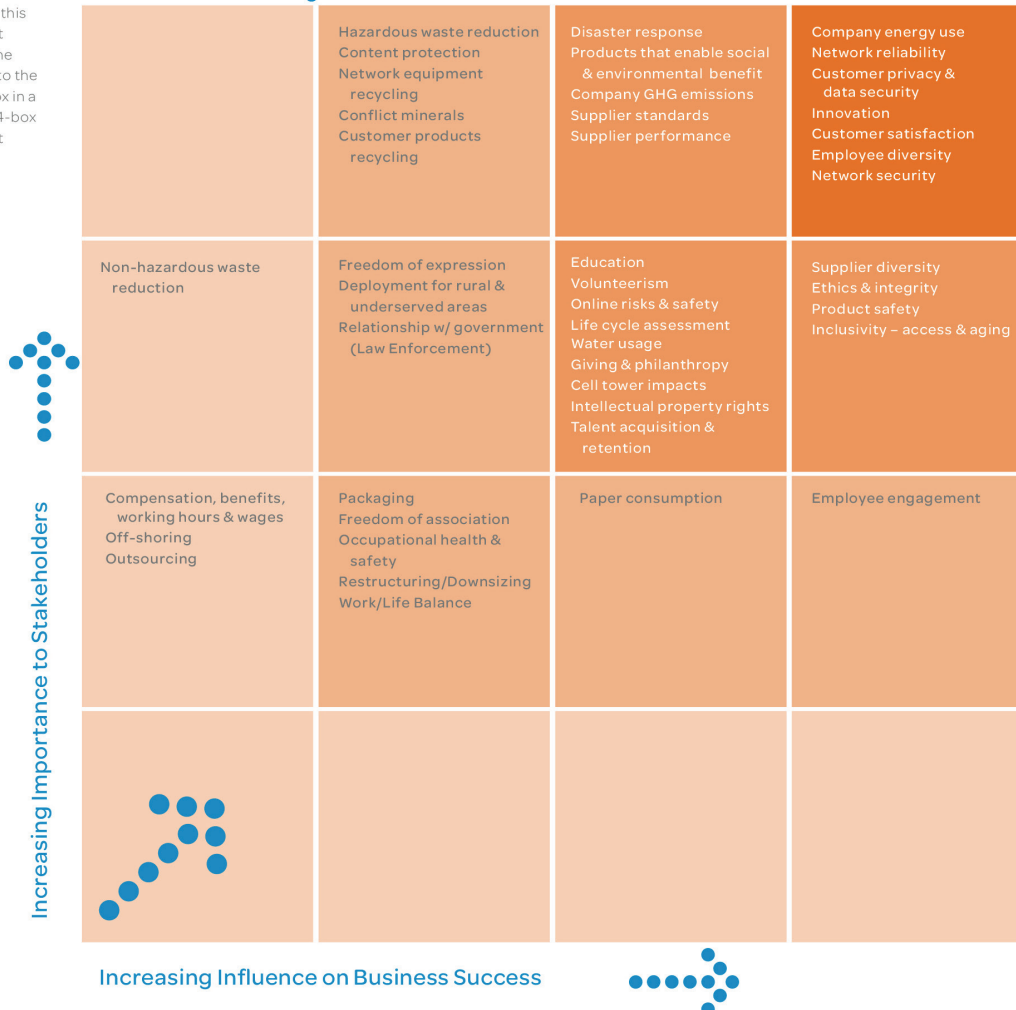
Working together, business and society have the potential to tackle arguably the greatest challenge of our time – our ability to sustain ourselves at the current or higher level well into the future. This is a daunting task. To do our part, we know we must prioritize which issues are most pressing to our business and which issues present the greatest opportunities for positive impact. We conduct a bi-annual strategic assessment of sustainability challenges and opportunities to our business. In 2010, we conducted our second assessment, culling through more than 200 publicly available sources of information. To augment, we conducted a series of interviews with organizations widely regarded as experts in their respective fields, including Business for Social Responsibility (BSR), World Wildlife Fund (WWF), Saatchi and Saatchi, the Carbon Disclosure Project (CDP), World Resources Institute, the Pacific Institute and the Environmental Defense Fund (EDF). We also solicited informal feedback from AT&T's Consumer Advisory Panel.

Specifically, we assessed external trends in 44 issues that have direct relevance to AT&T's business success. We grouped these issues into eight broad categories: sustainable energy practice; product design and use; waste disposal, recycling and conservation efforts; privacy and security; supply chain stewardship; ethical business operations; employee relationships; and community engagement. For the vast majority of issues, we assessed external trends in three categories: market, social and regulatory. Where appropriate, we also included information on peer companies and competitors. Combined, this gave us a focused "snapshot" of the key trends and the potential impact they may have on the company.

2010 strategic materiality assessment

All boxes in this assessment comprise the equivalent to the top right box in a traditional 4-box assessment

	Hazardous waste reduction
	Content protection
	Network equipment
	  recycling
	Conflict minerals
	Customer products
	  recycling
		Disaster response
		Products that enable social
		  & environmental benefit
		Company GHG emissions
		Supplier standards
		Supplier performance
			Company energy use
			Network reliability
			Customer privacy &
			  data security
			Innovation
			Customer satisfaction
			Employee diversity
			Network security

Non-hazardous waste
  reduction
	Freedom of expression
	Deployment for rural &
	  underserved areas
	Relationship w/ government
	  (Law Enforcement)
		Education
		Volunteerism
		Online risks & safety
		Life cycle assessment
		Water usage
		Giving & philanthropy
		Cell tower impacts
		Intellectual property rights
		Talent acquisition &
		  retention
			Supplier diversity
			Ethics & integrity
			Product safety
			Inclusivity – access & aging

Compensation, benefits,
  working hours & wages
Off-shoring
Outsourcing
	Packaging
	Freedom of association
	Occupational health &
	  safety
	Restructuring/Downsizing
	Work/Life Balance
		Paper consumption	Employee engagement

Increasing Importance to Stakeholders

Increasing Influence on Business Success

We continually monitor these issues and in 2011 used them to guide our efforts. Several groups are integral to driving these issues into our business and addressing the related risks and opportunities. The Public Policy and Corporate Reputation Committee of the Board of Directors has oversight over all Citizenship & Sustainability issues. The Chief Sustainability Officer reports to the board committee three times a year to provide updates and receive input on the direction of the sustainability work within AT&T. Separately, our Citizenship & Sustainability Steering Committee comprises senior executives and officers from across the company with responsibility for the business areas most linked to our current Citizenship & Sustainability priorities. The committee meets quarterly to identify priorities, align resources and help further integrate these issues into our business operations. It is headed by the Chief Sustainability Officer, who works with the Chairman's Office, AT&T's Board of Directors and the company's executive management team to further integrate sustainable business practices across the company and its supply chain. We also have more than 20 expert teams that are organized around each sustainability issue that is important to our company. Finally, we have a dedicated sustainability team that addresses these issues on a daily basis and drives progress through the business.

Below we examine some of the most critical sustainability issues we face. We explain how we are addressing them to reduce risk to our business and seize opportunities when available.

Company Energy Use

In 2011, we continued to make strides in managing our overall energy consumption. We saved $42 million on an annualized basis by implementing 4,500 energy-saving projects. We also saw a 16.5 percent reduction in electricity consumption relative to data growth in our network. At the same time, we have not been able to move as aggressively as we would like to incorporate more alternative energy into our power mix. We have installed solar power and fuel cells and purchased wind energy, but the return on investment does not currently justify a significant investment in alternative energy. As state subsidies for solar and wind are phased out, it makes the return on investment hurdle more difficult to clear. That said, we did commit to additional alternative energy in 2011. By the end of the year, we had contracted five solar systems total that produce 3.1 million kWh annually, and we have installed fuel cells that produce 3.7 MW of power. Given the current financing environment, our focus will continue to be to reduce our overall energy consumption until alternative energy becomes more cost effective. Learn more about how we're managing our energy use and investing in alternative energy.

Customer Privacy & Data Security

Privacy and data security are critical. We take customer privacy and safety very seriously. These commitments are fundamental to how we do business. We have a simple and comprehensive privacy policy that applies to everyone who has a relationship with AT&T. We also were named one of the 20 most trusted companies for privacy in 2011 by the Ponemon Institute. Currently, some potential adopters and existing users of information and communications technology solutions have security concerns. We take great care to make products that we offer, such as cloud computing and smart grid communications, secure. Our cloud services, for example, offer enterprise-grade data security. Learn more about how we're protecting privacy and collaborating to secure the smart grid.

Network Reliability

Global communications networks have revolutionized the way our customers live, work and play. Mobile Internet services, such as on smartphones, can help transition to a cleaner, more efficient economy. As excited as we are about these changes and potential changes, we have been challenged by the explosive growth of data carried across our network. From 2007 to 2011, data traffic on our wireless network grew 20,000 percent. Wireless spectrum supports this traffic, but it is in limited supply. This is a challenge facing our entire industry. It's a market and a reputation challenge for us. We're doing everything we can outside of the spectrum issue to make our networks as reliable as possible. In 2011 we invested more than $20 billion in our wireline and wireless networks and plan to invest $20 billion more in 2012. We're focusing on building new cell sites, hanging new antennas, launching 4G LTE in more markets and providing alternative mobile broadband access hotspots. Meeting network demands for our customers is a top priority for our company. Learn more about how our focus on network reliability.

Products That Enable Social & Environmental Benefit

Demand for products that are responsibly manufactured and enable users to operate sustainably is growing. It's a growing market for AT&T. In 2011, we worked with the Carbon Disclosure Project (CDP) to quantify the economic and environmental benefits of broadband and cloud computing. We sponsored, and Verdantix conducted, the CDP study "Cloud Computing: The IT Solution for the 21st Century." It found that large U.S. companies[1] that use cloud computing can achieve annual economy-wide energy savings of $12.3 billion and annual carbon reductions equivalent to 200 million barrels of oil, or enough to power 5.7 million cars for one year.[2]

In 2011, we also continued efforts to quantify the benefits of travel substitution technologies. The previous year, we had sponsored a study by CDP and Verdantix, "The Telepresence Revolution," that found that large U.S. firms with revenues of more than $1 billion could collectively achieve financial benefits of almost $15 billion by substituting Telepresence® for some business travel and can cut nearly 4.6 million metric tons of CO_2.[3] In 2011, we rolled out the AT&T Carbon Emissions Calculator tool, which helps businesses calculate the greenhouse gas emission savings, the financial cost savings and productivity and collaboration gains from using travel substitution technology. Learn more about tackling environmental and social challenges with technology.

[1] Represents the 2,653 firms generating revenues of more than $1 billion in the U.S.

[2] Based on Bureau of Transportation Statistics average mpg, Federal Highway Administration average annual mileage and the Energy Information Agency gallons of gasoline per barrel of oil.

[3] Carbon calculations were derived by Cisco's IBSG, which uses the TRX Airline Carbon Emissions Calculator for impact of air travel avoidance, along with a standard calculation for the impact of ground transportation avoided to and from the meeting and airport, less the impact of energy usage for the telepresence application and carbon start up and disposal. Note: Ground transportation to and from the Telepresence® location and airport were assumed equivalent to participants' normal daily commutes, and thus, offset each other.

Conflict Minerals

Conflict minerals including tin, tantalum, tungsten and gold have emerged as a reputational risk for manufacturers and service providers. Increasingly, governments, NGOs and many companies are taking steps to ensure that materials contained in mobile devices do not come from mines in the Democratic Republic of the Congo (DRC). We felt it was important not to wait for government to attempt to regulate in this area. We engage our suppliers at least twice per year during Requests for Proposals for new devices. We ask them to acknowledge that they do not knowingly source minerals from the conflict areas of the Congo region. AT&T has closely watched this issue with its membership in the Global e-Sustainability Initiative (GeSI). While it is difficult to determine if metals mined in this region are conflict vs. non-conflict, we are committed to working closely with suppliers and are closely monitoring the 'in-region pilot procurement strategy' created by members of EICC/GeSI Extractives Working Group. Through continued collaboration with suppliers, we're committed to working toward eliminating such metals in manufactured products. We also recently signed an Expression of Intent to support the Public-Private Alliance for Responsible Minerals Trade (PPA) — an alliance set up by the U.S. State Department, USAID, NGOs and company/industry organizations to address conflict minerals concerns. It promotes solutions to encourage those involved in responsible minerals trade in the DRC and the Great Lakes Region of Central Africa. Learn more about how we're engaging our supply chain in this effort.

Inclusivity – Access & Aging

Accessibility is our commitment to help our customers and employees to communicate where they live and work. We offer innovative and accessible products and services to meet a variety of disability and age-related needs. Accessibility needs are growing. For instance, the aging workforce will continue to push the limits of technology to provide increased quality of life. To meet these needs, we've integrated inclusivity and accessibility into all our activities, from product development to marketing to customer service. The Human Factors Group works to adapt technology to people's needs, rather than making people adapt to their technology. We also embrace Universal Design and encourage developers and manufacturers to be inclusive in their designs. Learn more about our focus on inclusivity.

Alternative-Fuel Vehicles

Because we operate a fleet with more than 70,000 vehicles, our fleet is a big opportunity to reduce our greenhouse gas emissions and fuel use. In 2009, we committed to invest up to $565 million to deploy approximately 15,000 alternative-fuel vehicles (AFVs) over a 10-year period through 2018. By the end of 2011, we had deployed more than 5,000 alternative-fuel vehicles, including nearly 3,500 compressed natural gas vehicles and more than 1,600 hybrid electric vehicles. Our compressed natural gas vehicles will allow us to avoid the purchase of 2.5 million gallons of gasoline in 2012 and each subsequent year they are in service. We plan to continue our purchase of alternative-fuel vehicles in 2012. Learn more about this commitment.

In 2012, we will continue to address these issues and evaluate additional issues that are relevant to our business and our communities. To do this, we will continue to engage our stakeholders to provide guidance on short term and longer term planning. Read our stakeholder engagement principles.