



# Challenges & Opportunities

In order to achieve the greatest impact with our sustainability efforts, we regularly assess our top challenges and opportunities and devote resources to addressing these issues. Our areas of focus for 2012 included the following: devoting resources to educate our future workforce, supporting our military, managing energy and water, ensuring our products are used safely, and strengthening our network reliability.

## EDUCATION

Currently, about one in five students does not graduate high school with their peers, and of those who do, many are not fully prepared for college and career success. But there is hope: nationally, high school graduation rates are increasing, but not nearly as fast as they need to be, which is why we are continuing and expanding our commitment to AT&T Aspire. Education has been a priority for over a century and will continue to be our philanthropic focus. In 2008, we launched AT&T Aspire, the largest education initiative in AT&T's history with an initial \$100 million commitment, specifically focused on high school retention and workforce readiness. In 2012, we announced an additional commitment of \$250 million planned over five years. In 2012 alone, we invested more than \$43.6 million in AT&T Aspire. Also in 2012, we launched Aspire Mentoring Academy with the goal to provide students with 1 million hours of mentoring by our employees through the end of 2016. Since the October launch, AT&T employees hosted 160 events in 71 cities – including 1,100 employee volunteers and 9,300 students providing over 30,000 hours of mentoring. Investing in education is one of the single most important things we can do to ensure a strong future. Education has been a priority for over a century and will continue to be our philanthropic focus.

## MILITARY SUPPORT

For nearly 100 years, AT&T has remained dedicated to supporting active military personnel, veterans and their families. Our nation's service men and women make sacrifices to protect our country and our freedoms, and as a company we see it as an honor to support them both at home and abroad. In 2012 we accelerated this support by taking Operation Hand Salute, a groundbreaking mentoring program for service disabled veteran CEOs helping them improve their business operations and enhance their ability to win corporate contracts to a national level, and increased graduates from 4 in 2011 to 14 in 2012. We also increased our support for military families by providing financial and volunteer support that enabled Big Brothers Big Sisters (BBBS) of North Texas to expand their military mentoring program for youth. The expanded funding will allow for 400 mentor pairs, matching children from military families with a volunteer mentor with a military background. Additionally, we were honored to support the launch of Cell Phones for Soldiers' new program, Helping Heroes Home, with a social media campaign on causes.com and



with a financial contribution. Also in 2012, AT&T tripled its veteran hires bringing in nearly 1,000 veterans into AT&T. We are stepping up our veteran recruiting efforts with the goal of hiring 5,000 veterans and their family members into AT&T career opportunities over the next five years, consistent with our commitment to equal employment opportunities.

## MANAGING COMPANY ENERGY USE

As demand for our products and services grows, so does the amount of energy needed to power the network. Data over our network has grown more than 30,000 percent from January 2007 through December 2012. In 2012, we continued to make strides in managing our overall energy consumption. Finding ways to drive greater energy efficiencies throughout our company remains the most cost efficient means to reduce our energy consumption. Between 2010 and 2012, our employees identified more than 14,000 energy saving projects that produced an annualized savings of \$151 million. We also reduced the electricity consumption of our company relative to data growth on our network by 57 percent compared to our 2008 baseline. We're on our way to our goal to reduce the electricity consumption of our company relative to data growth on our network by 60 percent by 2014 (baseline of 2008). Finally, while the ROI is still challenging for us to significantly increase our use of solar or wind, we did exceed our alternative energy goal of 5MW by installing an additional 7MW of alternative energy last year. A component of this was our investment in fuel cells. In 2012, we installed fuel cells that added 7,500 kW of capacity at 11 sites in California and have 7,000 kW capacity planned in 2013.

## WATER CONSUMPTION

When we conducted our initial water footprint in 2010, we discovered that we consume more than 3 billion gallons of water each year, primarily in our cooling towers. The footprint identified 125 facilities that consume nearly 50 percent of our overall water consumption and of these, 31 of these facilities are in water stress regions in the U.S. As such, we are concentrating our efforts to reduce our consumption in the areas where we will have the greatest impact. To help us identify ways in which we could significantly reduce our water consumption in 2012 we teamed up with the Environmental Defense Fund and piloted different methods to reduce water consumption at our cooling towers. We examined various operational and technical improvements that could reduce consumption as well as trying to use more free air cooling. Based on these pilots we announced a three year goal to reduce water consumption by 150 million gallons.

We purposely set these goals to establish good operational practices, push the limits of our expected savings estimates and to stress the importance of sharing these findings with a broad audience. The fact is that the 30-40 percent reduction potential associated with the cooling process that we've identified is a substantial savings when scaled across AT&T, but it could be a tremendous savings if achieved more broadly. To that end, we're making our tools available to all organizations that could benefit from them.

## PRODUCT SAFETY

While our products and services improve the ways in which our customers live and work, we are dedicated to empowering our customers to use them in a safe and responsible manner. That's why AT&T is committed to saving lives by ending texting and driving through raising awareness and changing behavior. Introduced in 2009, we expanded It Can Wait® in 2012. To make texting while



driving personal, we asked people to pledge that they would never text while driving and share their commitment with friends and family. With this came the launch of the first-ever national "No Text on Board Pledge Day" with more than 70 local events and a national event with AT&T's chairman, the FCC Commissioner and the U.S. Secretary of Transportation. By the end of that year, more than 1.3 million pledges were taken. AT&T tapped into our innovation programs to help the movement – the AT&T DriveMode® app to curb the urge to text while driving emerged from an employee's submission to The Innovation Pipeline. In 2013, our goal is to make the It Can Wait movement even more effective. We're reaching out to health care organizations and first responders, and bringing on new corporate partners that want to use their resources to spread the message and reach to teen drivers and beyond. Together we can make a difference – a difference that can't wait.

## NETWORK RELIABILITY

Combating wireless network congestion is a challenge that we and our industry peers face every day as customer demand continues to skyrocket. Mobile data traffic on our national wireless network has increased more than 30,000 percent from January 2007 through December 2012. It is important that we continue to take proactive measures to meet exploding customer demand. The raw material needed to support all that traffic is a scarce resource – wireless spectrum. AT&T and the industry as a whole need new spectrum to meet customer demand. As the FCC itself has acknowledged, "if we don't act, the costs of not addressing the spectrum crunch – dropped connection, congested airways, lousy service and rising prices for data – will get higher every day."

Within current spectrum constraints, we continue to invest in and enhance our network to drive service improvements.

- AT&T has invested nearly \$98 billion in the U.S. economy over the past five years (2008-2012), more than any other public company. We expect to invest in the \$21 billion range in 2013.
- To support growing customer demand, AT&T has launched Project VIP, a three-year (2013-2015), \$14 billion initiative to significantly expand and enhance our wireless and wireline IP broadband networks. As part of the initiative, we plan to deploy more than 10,000 macro cells, more than 1,000 distributed antenna systems and more than 40,000 small cells by year-end 2015.