



Engaging Our Supply Chain

Materiality Assessment Topics: Supplier standards; Supplier performance

Issue Summary

In order for a company to fully understand its economic, environmental and social impact, it needs to understand the impact of its supply chain.

Our Position

We believe it is important to understand more about the social and environmental performance of our suppliers and expect our suppliers to share our commitment to citizenship and sustainability (C&S).

Data Highlights

2012 Key Performance Indicators

- Average score of top suppliers on the balanced C&S Scorecard (percent): **62**
- Spend with minority, women and disabled veterans business enterprises: **\$12.8B**
- Percent of total spend with minority, women and disabled veterans business enterprises: **23.96**

2012 Goal

By the end of 2015, a majority of spend with strategic suppliers will be with those who track greenhouse gas (GHG) emissions and have specific GHG goals.

2012 Progress Toward Goal

We are actively engaging our strategic suppliers and are on track toward the 2015 goal with an increasing portion of our annual spend being with suppliers who track GHG emissions and have specific GHG goals.

2013 Goals

- By the end of 2015, a majority of spend with strategic suppliers will be with those who track greenhouse gas (GHG) emissions and have specific GHG goals.
- By the end of 2017, achieve an average score of **80 percent** for top suppliers on the balanced C&S Scorecard.



Our Action

Overview

<u>Engaging Our Supply Chain</u>	<u>Citizenship & Sustainability (C&S) Principles of Conduct for Suppliers</u>	The C&S Principles of Conduct for Suppliers outline fundamental expectations for working with AT&T.
	<u>Strategic Supplier Sustainability Scorecards</u>	The sustainability scorecard is based on key weighted data from the annual supplier surveys. We are increasing the accountability of our suppliers with sustainability scorecards. The scorecards use data that we have been gathering since 2009 with our annual surveys. Results are incorporated into the overall quality scorecards that are used in performance reviews with strategic suppliers.
	<u>Labor Practices and Human Rights Program</u>	We are working with our suppliers to assess their labor practices and human rights policies and performance.
	<u>U.S. EPA SmartWay Program</u>	AT&T is now a member of the U.S. EPA SmartWay Transport Program. This will help us in our continued efforts to reduce transport-related emissions.
<u>Embedding Sustainability in the Contract Process</u>	<u>Sustainability Clauses</u>	Our contract library contains a clause specifically addressing C&S as well as several clauses that cover sustainability considerations like energy efficiency.
	<u>Contract Manager Training</u>	We are beginning to train our contract managers about sustainability in the supply chain and are providing the tools necessary to engage our strategic suppliers on sustainable business practices.
<u>Collaborating with Suppliers</u>	<u>Energy Efficiency</u>	We are working with Alliance for Telecommunications Industry Solutions (ATIS) to set industry expectations for network equipment energy efficiency.
	<u>Packaging</u>	Working with suppliers, we are innovating to reduce size and environmental impact of packaging.
	<u>Supplier Sustainability Awards</u>	Annually, we recognize suppliers that are leading the way.



ENGAGING OUR SUPPLY CHAIN

C&S Principles of Conduct for Suppliers

We outline our expectations in our [Citizenship & Sustainability Principles of Conduct for Suppliers](#) guidelines, which cover topics including sustainable business practices, diversity, ethics and labor rights.

Conflict Minerals

Use of minerals from the conflict zones of the Democratic Republic of Congo and surrounding areas is an important human rights issue that requires increased supply chain transparency. AT&T is a member of the Global Electronics Sustainability Initiative and also has signed on with the Private-Public Alliance for Responsible Trade with the U.S. State Department. These organizations are developing standard processes to address issues relating to conflict minerals. Read more about our efforts on [conflict minerals](#).

Strategic Supplier Sustainability Scorecard

AT&T measures the performance of its strategic suppliers on their adherence to sustainable business practices. Areas of focus include the environment, health, safety, energy efficiency, greenhouse gas emissions, hazardous substances, labor and water. The sustainability scorecard is based on key weighted data from the annual supplier surveys that have been conducted since 2009.

Additional data is being gathered from the CDP Supply Chain Initiative. Each year we send the CDP Supply Chain survey to suppliers who represent approximately 80 percent of our total spend. We know that the majority of our spending is with suppliers who track GHG emissions or have plans to do so. We've set a goal that by the end of 2015, the majority of our

spending with strategic suppliers will be with those who track GHG emissions and have specific GHG goals.

We also are working with EcoDesk to gather supplier sustainability information. Results are incorporated into the overall quality scorecards that are used in performance reviews with strategic suppliers. Scorecard results are also starting to be factored into the overall procurement process.

Labor Practices and Human Rights

As reflected in our Supplier Sustainability Principles, we take issues around labor practices and human rights in our supply chain seriously. In 2012, we began working with our suppliers on assessing and, in some cases, auditing their labor practices and human rights policies and performance. In 2013, we will continue this engagement to include additional suppliers.

U.S. EPA SmartWay Program

AT&T's involvement in the [SmartWay](#) program requires us to benchmark and measure progress in our transport emissions management. This will help us further integrate energy efficiency, air quality and climate change initiatives into our transportation decision-making process. The program will also provide support to identify potential additional carbon reductions and cost savings opportunities in our distribution network.

EMBEDDING SUSTAINABILITY IN THE CONTRACT PROCESS

Sustainability Clauses

Our contract library contains a clause specifically addressing citizenship and sustainability (C&S), as well as several clauses that cover sustainability considerations like energy efficiency. The C&S clause is embedded in models that are used by contract managers when creating new



agreements, and covers expectations that the supplier abides by the Principles of Conduct for Suppliers, and that the supplier responds to requests from AT&T on sustainability.

Contract Manager Training

In 2013, we are beginning to train our contract managers about sustainability in the supply chain and are providing the tools necessary to engage our strategic suppliers on sustainable business practices. By training the people who know our suppliers most closely, we're hoping to set expectations about the resource efficiency and social issues associated with the products and services they provide to us.

COLLABORATING WITH SUPPLIERS

Energy Efficiency

We are working with our major network suppliers to establish goals to improve the efficiencies of next-generation network equipment and we work with the Alliance for Telecommunications Industry Solutions (ATIS) on using the Telecommunications Energy Efficiency Ratio (TEER) metric. Already we are seeing results collaborating with strategic network suppliers with including TEER baselines and goals in our agreements. Additionally, as noted under "Supplier Sustainability Awards" below, we have acknowledged Cisco Systems for their contribution in energy efficiency.

Packaging

AT&T continues to address packaging issues in its supply chain. In 2012, we reduced the amount of cardboard and plastic in our DSL packaging. In 2013, we will engage suppliers even further for innovative solutions to both reduce packaging materials and environmental impact. Learn more about our [packaging efforts](#).

Supplier Sustainability Awards

The AT&T Supplier Sustainability Awards were established to honor the suppliers that made outstanding contributions to our sustainability efforts. In 2012, we honored four suppliers that helped us advance our sustainability commitment in the areas of energy efficiency, environment and water use. The winners by category were the following:

- **Energy Efficiency Category**
Cisco Systems, for their contribution enabling AT&T to meet its annual Energy Intensity goals in part using their Carrier Routing System CRS-3 core router in AT&T's common IP backbone where traffic is growing significantly year over year.
- **Environmental Category**
Quest Resource Management Group, for helping AT&T Global Fleet Operations achieve its sustainability goals by providing a single source for all of our waste collection services including a closed-loop re-refined oil process.
- **Greenhouse Gas Emissions Category**
Schneider Electric — Professional Services, for their contribution to AT&T providing expertise and guidance for AT&T's tracking and reporting of GHG Emissions.
- **Water Use Category**
Water & Energy Systems Technology, Inc. (WEST, Inc.), for their contribution enabling AT&T to save 6.6 million gallons of water since November 2011 at cooling towers in Arizona through use of the NanoFiltration system.

SUPPLIER DIVERSITY

Read more about AT&T's long history of embracing [diversity in our supply chain](#).