

AT&T 2006  
Social Responsibility  
Report



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For ease of reading, AT&T Inc. is referred to as "we," "AT&T," or the "company" throughout this report, and the names of particular subsidiaries and affiliates providing services have been omitted. Prior to the Nov. 18, 2005, acquisition of AT&T Corp., the company was known as SBC Communications Inc. (SBC). AT&T Inc. is a holding company and does not provide communications services. Its subsidiaries and affiliates operate in the communications services industry both domestically and internationally. Examples cited in this report are taken from either AT&T or are combined from the two pre-merger companies as appropriate but are presented here as AT&T examples in order to make reading as easy as possible.



**AT&T has enjoyed a long history as one of the world's leading communications companies. Since 1885, we have dedicated ourselves to satisfying customers, enriching stockholders and meeting the needs of society.**

## The Chairman's Letter

AT&T has enjoyed a long history as one of the world's leading communications companies. Since our company was created, we have dedicated ourselves to satisfying customers, enriching stockholders and meeting the needs of society. Customers depend on our service and reliability. Stockholders value our stability and integrity. And the communities in which we operate expect us to be good stewards of local resources.

While in some respects AT&T today is a new company, our philosophy toward global citizenship remains as steady and strong as it has ever been. The SBC Communications Inc. acquisition of AT&T Corp. has served to strengthen this commitment. The credit for our consistency and passion for doing good work in our respected places of business is a direct result of the investments that the legacy SBC Communications Inc. and AT&T Corp. made in responsible business and social practices. Our two companies — independently, and now combined — have always put the needs of customers, stockholders, employees, suppliers and communities first and foremost.

We hope that you will enjoy reading this report and learning more about our commitment to good citizenship.

With sincerest regards,

A handwritten signature in black ink that reads "Edward E. Whitacre Jr." in a cursive script.

Edward E. Whitacre Jr.  
Chairman and Chief Executive Officer  
AT&T Inc.

# AT&T Overview

AT&T is the largest telecommunications company in the United States and one of the largest communications companies in the world.

In November 2005, SBC Communications Inc. closed on its historic acquisition of AT&T Corp. to form AT&T Inc. This acquisition was the latest in a series of strategic investments in new technology, new markets and new products that has transformed the company into the market leader it is today.

**Today, AT&T is:**

- No. 1 in wireless customers
- No. 1 in local access and long distance lines
- No. 1 in large-business customers
- No. 1 in data revenues
- No. 1 in DSL broadband lines
- No. 1 in directory publishing

These are just a few of the reasons why *Fortune* magazine named AT&T as America's and the World's Most Admired Telecommunications Company in 2006.

The SBC acquisition of AT&T Corp. brought together two companies with an equal commitment to good citizenship. This report highlights the good work of the merged companies while focusing on plans for the future. AT&T will continue to demonstrate leadership in the good citizenship categories that have made the company truly great.

## Our Principles

- AT&T is committed to acting responsibly in every way and to improving the quality of life in the communities it serves.
- Guided by our rich heritage and time-honored values of honesty, integrity, openness and respect, we are driven to deliver on our promise to always do the right thing.
- AT&T's philosophy toward corporate social responsibility reinforces a commitment to serving our customers, stockholders, employees, suppliers and communities with attention to quality, care and value. A central component of our philosophy is AT&T's insistence on behavior that is consistent with good citizenship on a global scale.
- AT&T's global citizenship commitment encompasses good corporate governance; innovation; community engagement; volunteerism and philanthropy; diversity and inclusion; and environment, health and safety.

This social responsibility report briefly highlights our work and engagement in the important areas noted above. AT&T continues to improve existing programs and to develop new plans and programs in the areas of good corporate citizenship for 2006 and beyond.

# AT&T Company Profile

## Global Reach

AT&T has long been a global leader in the large-business market, serving multinational companies, including nearly all of the Fortune 1000 companies, in more than 200 countries and territories, including the Americas, Europe, Africa, Asia and the Pacific Rim. In the United States, AT&T serves more consumers than any other telecommunications company.

## Recognition

AT&T has long been recognized for its many contributions to building social, economic and environmental opportunities in the community, workplace and marketplace. The following are a few recent examples:

- Computerworld Premier 100 IT Leaders, *Computerworld* magazine (2006)
- “Most Honors for Diversity,” *DiversityInc’s* Top 10 Specialty Lists (2006)
- Best Places to Work, Human Rights Campaign (2006)
- America’s Top Corporations for Women’s Business Enterprises, Women’s Business Enterprise National Council (2006)
- Best Corporations for Veteran-Owned Businesses, *Veterans Business Journal* (2006)
- InformationWeek 500, *InformationWeek* (2005)
- CNET’s International CES 2005 Next Big Thing Award (2005)
- Top Employers for Women, *Fortune* magazine (2005)
- 50 Top Employers for Minorities, *Fortune* magazine (2005)
- Top 10 Companies for Philanthropic Giving, *Hispanic Business* magazine (2005)
- Top Corporations for Multicultural Business Opportunities, DiversityBusiness.com (2005)

## Products and Services

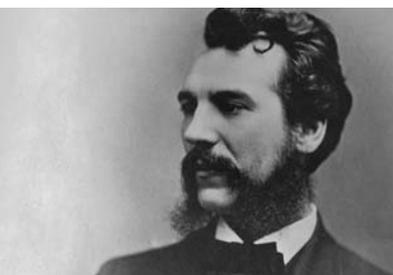
AT&T serves millions of customers around the globe, including international, national, midsize and regional businesses, and government customers. Through its subsidiaries and affiliates, AT&T delivers an unsurpassed portfolio of traditional and IP-based voice, broadband Internet, data transport, wireless and video services. In addition, AT&T offers online and print directory publishing and advertising.

### Mass Market: Consumer and Small-Business Portfolio

- Broadband DSL
- Wi-Fi connectivity at more than 28,000 hot spots in the United States and the world, offering broadband service for on-the-go customers in a total of 58 countries (including company-owned and roaming locations)
- Home and small-business networking
- Wireless services
- Satellite television and, beginning with limited rollout in late 2005 and 2006, IPTV entertainment services
- Local and long distance voice services
- Messaging services and call management features
- IP and Layer 2 data transport services
- Directory services, listings and advertising
- VoIP via CallVantage

### International, National, Midsize, Regional and Government Portfolio

- Access and local services
- Contact management services
- Data/managed data services
- Hosting
- Integrated offers
- IP and IP-VPN services
- Long distance voice
- Network integration and consulting
- Security and business continuity
- Voice and data CPE
- Voice over IP
- Enterprise mobility



## From Inventor to Social Change Agent

### How Alexander Graham Bell Transformed the World With a Passion for Innovation

Born into a family of speech pathologists, Alexander Graham Bell first tested his early theories about speech and hearing on his deaf mother. From that early moment on, Bell would consider himself a man committed to human communication. At the age of 21, while living in London, Bell began teaching children with hearing loss. He continued his teaching career in Canada and New England, and in 1872, he established a Boston-based school for teachers of the deaf and a private school for the deaf and hard of hearing. Through this work, Bell met and eventually married Mabel Hubbard, whose father provided funding and encouragement for Bell's early inventions.

Bell's fascination with the telegraph led to his own experiments in sound and voice travel. Because Bell was inspired by ideas rather than by mechanics, he paired with engineer Thomas Watson to help construct his first transmitter. On March 10, 1896, Bell spoke the first words ever transmitted via electricity when he called to his assistant on his experimental phone, "Mr. Watson, come here, I want you." That achievement was the culmination of an invention process Bell had begun at least four years earlier. One year later, the Bell Telephone Company, later known as AT&T, was founded.

Bell's imagination and quest for discovery did not allow him to rest on the laurels of that first, momentous discovery. He won the Volta Prize, a large financial purse, from the French government, which he used to establish the Volta Laboratory and later the Volta Bureau, which is now known as the Alexander Graham Bell Association for the Deaf and Hard of Hearing. He also invented the graphophone, the first successful sound recorder, and recommended Anne Sullivan as a teacher to Helen Keller. In appreciation for his lifelong dedication to the hearing impaired, Helen Keller dedicated her autobiography to Alexander Graham Bell.

Bell is known for conducting experiments with aeronautics and kites, which helped build the case for manned flight. He invented a hydrofoil, a crude metal detector used before the invention of the X-ray to find bullets lodged in shooting victims (including President James Garfield), and a vacuum jacket, which served as an early model of the iron lung. He also invented the photophone, which allowed for the transmission of sound on a beam of light, which was a precursor of fiber optics. Bell was granted 18 patents in his name and shared 12 with collaborators. He succeeded his father-in-law as president of National Geographic and, believing in the importance of sharing visual images and stories of far-flung places, he founded *National Geographic* magazine.

**“Leave the beaten track occasionally and dive into the woods. Every time you do so you will be certain to find something that you have never seen before. Follow it up, explore all around it, and before you know it, you will have something worth thinking about to occupy your mind. All really big discoveries are the results of thought.”**

**Alexander Graham Bell**

Alexander Graham Bell died in Baddeck, Nova Scotia, in 1922.

With the coming together of AT&T Corp. and SBC Communications Inc., the new AT&T is a testament to Bell’s inspiring work with innovative communications tools and services. Today, AT&T is the largest telecommunications company in the United States and one of the largest communications companies in the world. From the invention of the telephone through the advent of e-commerce and beyond to new, uncharted inventions, AT&T’s values have shaped the company’s actions and guided its principles.



**BY KEEPING OUR HOUSE IN ORDER, WE HAVE BECOME A GLOBAL LEADER. AT&T INC. IS COMMITTED TO THE HIGHEST STANDARDS OF ETHICS, INTEGRITY, PERSONAL AND CORPORATE RESPONSIBILITY AND ADHERENCE TO LAWS AND REGULATIONS THAT GOVERN OUR BUSINESS.**



## Governance

### **A PROMISE TO DO WHAT IS RIGHT**

Through our dedication to these corporate values, we have gained and retained the public's trust and confidence for more than a century.

In keeping with this commitment, we have adopted a number of processes and policies that guide all of our employees and our Board of Directors in upholding the integrity of the AT&T name.



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## Code of Ethics

AT&T's Code of Ethics provides all directors, officers and employees with guidelines on the company's values and expectations. The principles and procedures set forth in the code are intended to:

- Encourage honest and ethical conduct, including fair dealing and the ethical handling of conflicts of interest.
- Encourage full, fair, accurate and timely disclosure that is easy to understand.
- Encourage compliance with applicable laws and governmental rules and regulations.
- Ensure the protection of the company's legitimate business interests, including corporate opportunities, assets and confidential information.
- Deter wrongdoing.

## Ethics and EEO Line

The AT&T Ethics and EEO Line has been specially developed so that every employee knows that suspected violations of the Code of Business Conduct or other company rules and practices can be reported outside the chain of command. Callers to the AT&T Ethics and EEO Line are not required to identify themselves.

## Code of Business Conduct

AT&T's Code of Business Conduct provides basic guidelines that help employees make responsible and ethical decisions. At least once a year, employees must sign an agreement stating that they understand and will adhere to the code, both in letter and in spirit. Violations are considered a serious matter and may result in disciplinary action, including dismissal.

### As outlined in the Code of Business Conduct:

Employees are expected to comply with all applicable laws, regulations, court and commission rulings governing our business in every country in which we operate.

Employees must avoid activities that create a conflict of interest or even the appearance of a conflict.

Employees must treat our customers with courtesy and respect, and they must maintain and respect customers' privacy, as required by law.

Employees are expected to provide full and accurate disclosure of corporate data, including financial results. Furthermore, they must ensure that company property is used appropriately and only for the benefit of AT&T, its customers and stockholders.

Employees are required to adhere to federal securities laws and to refrain from buying or selling AT&T stock and the stock of any other company based on information that is not yet disclosed to the public.

## Guiding Principles

AT&T's Guiding Principles provide a practical and common-sense compass for how we treat our customers, suppliers, investors, communities, employees and our co-workers and describe what is expected of each AT&T employee.

### Following are the key tenets of these principles:

**Talk Straight; Follow Through.** We earn trust by speaking clearly and honestly and by keeping promises. We adhere to the highest ethical standards in every interaction with customers, suppliers and one another.

**Lead by Example.** We are leaders because of what we accomplish, not because we say so. As an industry leader, we set the standard for service, convenience and reliability. As a technology leader, we challenge ourselves to develop new and better solutions. As a community leader, we seek opportunities to expand the educational and economic benefits of communications.

**Work Together.** What we do is more than just a job; it is a calling that we pursue with passion and purpose. We deliver our best results when we work as a team, take responsibility for our actions and hold each other accountable for results. We treat all people with dignity and respect, knowing that a diversity of perspectives is one of our greatest strengths.

**Deliver Our Future.** We are dedicated to keeping our company strong for decades to come. We invest in the future — in our company, in our networks and in our team. We focus on creating long-term value for our stockholders, our customers and the communities in which we work.



## Corporate Governance Guidelines

AT&T's Board of Directors is responsible for the management and direction of AT&T and for establishing broad corporate policies. AT&T's Corporate Governance Guidelines were developed by the company's Board of Directors as a common set of expectations for how the Board and its Committees should perform their duties. These Guidelines provide instruction on topics including the qualifications for Board membership and the standards for ascertaining the directors' independence. They also address the holding of regular executive sessions of nonmanagement directors, the structure and governance of the Committees and the self-evaluation process for the Board and its Committees. The Guidelines are posted on the company's Web site at <http://att.sbc.com/gen/investor-relations?pid=5606>.

## THEN AND NOW

### 1913

AT&T becomes one of the first major companies to establish a formal employee-benefits program. The initial program includes pension, sickness and accident coverage, and a death benefit.

### 2006

*Fortune* magazine names AT&T Inc. as America's Most Admired Telecommunications Company and the World's Most Admired Telecommunications Company. As the new AT&T, this is the ninth time in 11 years that *Fortune* magazine has named AT&T Inc. (formerly SBC Communications Inc.) as America's Most Admired Telecommunications Company.



**INNOVATION IS THE ENGINE THAT WILL KEEP THE WORLD GROWING IN TODAY'S FAST-CHANGING GLOBAL ECONOMY. AT&T EMBRACES CREATIVITY IN ORDER TO RAPIDLY CONVERT IDEAS INTO USEFUL PRODUCTS AND SERVICES.**

# Innovation

## **A LEGACY OF INVENTIONS AND IMPROVEMENTS**

While AT&T's work in innovation, research and development is focused on the company and its customers, we are aware that our vision and products have an impact beyond our immediate imagination. To innovate with the best interests of society in mind, we apply principles of sound, responsible and forward-looking stewardship to the needs of society.

With that understanding, innovation at AT&T moves beyond the traditional confines of the laboratory to working with groups throughout the company to develop new and better ways to perform everyday functions. As innovations progress, they are evaluated for their impact on the company and its customers and for their contributions to key company initiatives such as environmental stewardship and economic advancement.



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## AT&T Labs — Inspiring Innovation

Despite its pioneering efforts in other areas of the company, including diversity, customer service and human resources, AT&T's reputation for innovation remains closely tethered to AT&T Labs.

AT&T Labs exists in order to further technical innovation for the benefit of AT&T and its customers. The impact of AT&T Labs goes well beyond our primary stockholders to influence related technologies, suppliers and the people to whom they are connected throughout the world.

As we develop new technologies and practices, we take into account and are energized by the responsibility inherent in the global and long-term impact of our work.

Our goal is to design and create the new global network, processes and service platforms that maximize automation, allowing for a reallocation of human resources to more complex and productive work. This evolution will have a continuing profound and positive effect on the environment, health and safety of our workers and our customers, and we will continue to work to improve.

### THEN AND NOW

**1923**

AT&T produces its first telephone amplifier to help the hearing impaired. Within a 20-year period, AT&T invents and introduces the audiometer for medical diagnostics, the artificial larynx to restore speech and the first wearable hearing aids.

**2001**

AT&T Natural Voice™ Text-to-Speech Engine is used in Freedom Box Internet, an online service designed for disabled people, allowing them to access the Internet and operate computers using only voice commands.

### A Rich History That Continues Today

One hundred years ago, 10,000 rival telephone companies were competing for a share in the rapidly growing voice communications marketplace spawned by Alexander Graham Bell's historic first call to Watson a quarter of a century earlier. Bell System founders understood that for the technology to truly succeed, two conditions needed to be met in order to provide service throughout the United States and the world. AT&T realized the need to achieve a sustained research and development component to foster continued innovation, and so created Bell Labs in 1925. AT&T also recognized that it could not go alone in this endeavor and made a series of strategic acquisitions and promoted uniform standards across the globe.

Late in the 20th century, during a telecommunications transition, AT&T inherited the divisions of Bell Labs that focused on computing, information and communications science, and the name changed to AT&T Labs. While the name may have changed, AT&T Labs remains committed to creating the innovations that drive the AT&T global network to the cutting edge and technologies to transform AT&T and the industry.

From 1925 to today, Bell Labs — and now AT&T Labs — has attracted some of the world's greatest scientists, engineers and developers. The members of this brain trust are responsible for discoveries that have won the Nobel Prize and launched entirely new industries.



Even a glance at the list of AT&T innovations reveals some of the most significant contributions in the history of American business and global technology, including:

- High-fidelity recording (1925)
- First TV transmission (1927)
- Trans-Atlantic radiotelephone (1929)
- Radio astronomy (1933)
- The first computer (1939)
- The transistor (1937)
- The laser (1960)
- Optical fiber communication (1977)
- Cellular technology (1983)
- The C++ operating language (1983)
- Speech recognition and synthesis (1992)
- Voice over IP technology (1995)
- Quantum computing (1999)
- Natural Voice™ Text-to-Speech Engine (2001)
- Internet Project predictive and proactive network security (2005)

Recognized as a pioneer in the IT revolution of the late 1990s, the direction of innovation at AT&T Labs influences not only the ways we live and work today but also our lives and the workplace of the future.

With these guiding principles, our work in development, creativity and innovation lead to improved social, economic and environmental opportunities for AT&T communities.

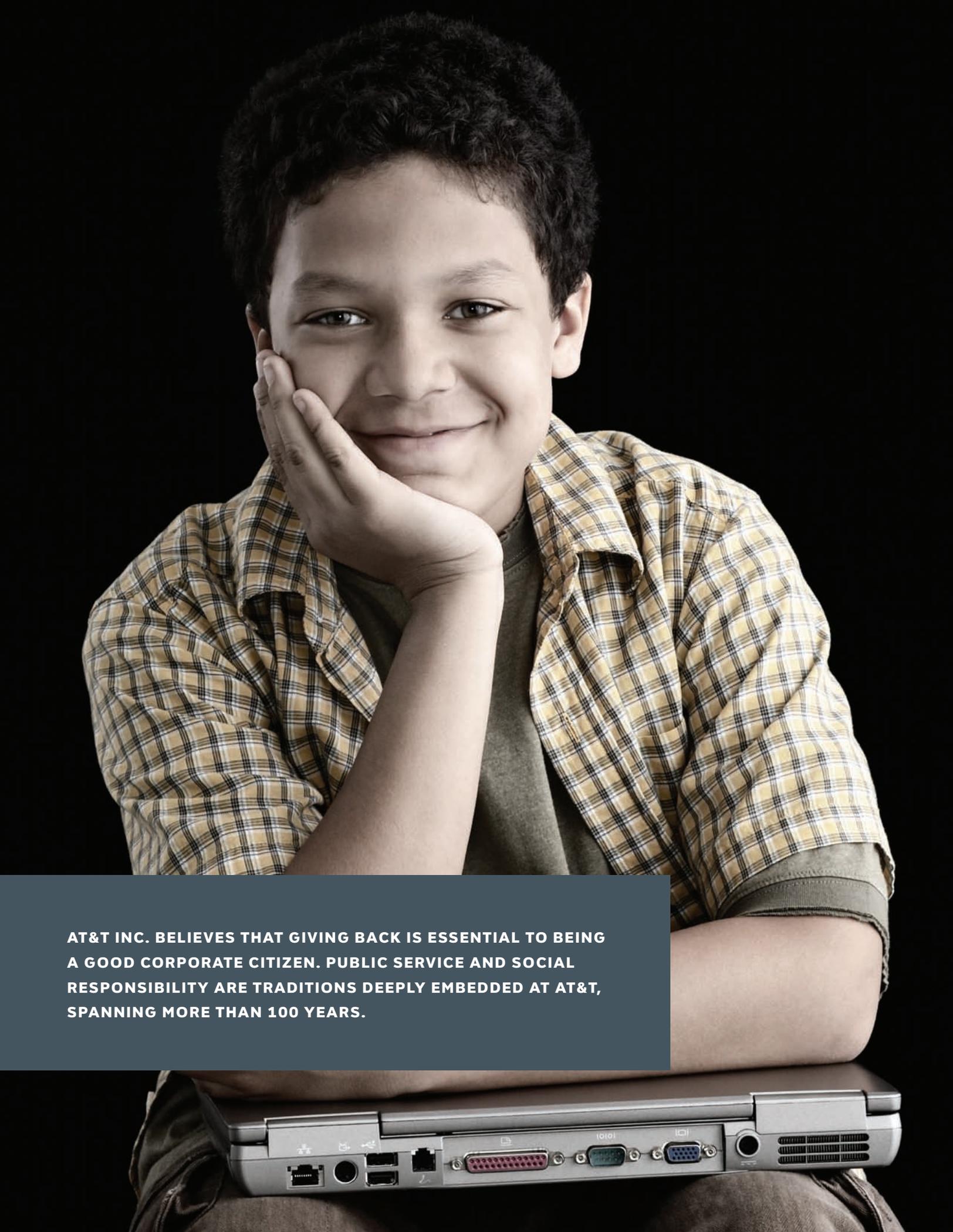
### Expanding Access to Innovative Technologies

Through the “Project Lightspeed” fiber-optic technology advancement and construction program, in May 2006, AT&T expanded coverage of its broadband Internet and IP-based services to rural communities where broadband is unavailable. By rapidly deploying these new broadband technologies and aggressively rolling out new services, AT&T is reinforcing its commitment

to making video services accessible to more than 5.5 million low-income households within three years. These initiatives could deliver broadband to as many as 11.5 million additional homes and businesses — and eventually to 100 percent of its residential and rural service areas.

### INNOVATION HIGHLIGHTS

- **AT&T Labs is made up of approximately 6,900 of the world’s best scientists and engineers.**
- **AT&T has averaged more than two global patents issued per business day since the inception of AT&T Labs.**
- **In the past two decades, more than 50 AT&T Labs professionals have been named AT&T Fellows for demonstrated technical and scientific excellence.**
- **The AT&T Global Network Operations Center (GNOC) is the largest and most sophisticated command-and-control center of its kind in the world. The GNOC plays a vital role in ensuring that AT&T’s standards of excellence are maintained across all segments of the global network.**
- **AT&T Knowledge Ventures is focused on being a partner and catalyst for business growth — both within the telecommunications industry and beyond. AT&T Knowledge Ventures actively pursues a variety of transactions and business relationships to broaden the use of and strengthen its intellectual property assets — including sale, license, equity transactions, donations, reseller arrangements, etc.**



**AT&T INC. BELIEVES THAT GIVING BACK IS ESSENTIAL TO BEING A GOOD CORPORATE CITIZEN. PUBLIC SERVICE AND SOCIAL RESPONSIBILITY ARE TRADITIONS DEEPLY EMBEDDED AT AT&T, SPANNING MORE THAN 100 YEARS.**

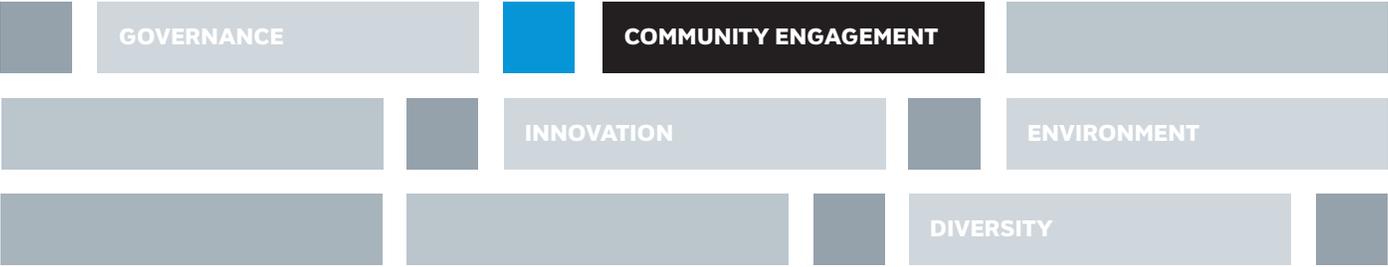
# Community Engagement, Volunteerism and Philanthropy

## **A RICH HISTORY OF GIVING**

Through the AT&T Foundation and the AT&T Pioneers, the company provides both financial resources and volunteer efforts to initiatives that enrich the quality of life in the communities it serves.

The culture of giving at AT&T permeates every level of the organization, guided by fundamental principles that shape our goals and direct our actions. AT&T employees and retirees are active members of the community, and we seek to build long-term relationships with our community neighbors and partners.

We continually strive to use technology and to find innovative ways to apply the resources of AT&T in meeting community needs. And at the heart of every relationship, we work to maintain respect for individual and cultural differences in our diverse society.



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## The AT&T Foundation

In late 2005, AT&T combined operations of the SBC Foundation and AT&T Corp.'s corporate foundation to form the new AT&T Foundation, the philanthropic arm of AT&T Inc. The AT&T Foundation today combines more than 40 years and \$1.7 billion of philanthropic commitment to communities across the country. The AT&T Foundation continues the philanthropic traditions established by SBC and AT&T Corp. and works in conjunction with other AT&T organizations and employee groups to create a dynamic, multifaceted philanthropic program that includes direct grants, corporate contributions, matching grants and employee-giving programs.

### AT&T Foundation Record

In 2005, AT&T contributed more than \$101 million through corporate-, employee- and Foundation-giving programs to support education, community vitality and technology access. With its strong giving record, the Foundation is among the top five largest corporate foundations in the United States. The Public Policy and Environmental Affairs Committee of the AT&T Board of Directors has oversight responsibility for company philanthropy.

For its positive philanthropic impact, AT&T consistently receives distinctions from local and national organizations. For example, in 2005, AT&T ranked No. 1 on *Hispanic Business* magazine's "Top 10 Companies for Philanthropic Giving" list. In 2005, the ABFE (formerly the Association of Black Fundraising Executives) gave the company its Institutional Award for Philanthropic Leadership for its record in support of African-American communities. But these accolades are merely the byproduct of the company's larger goal, which is to improve lives in the communities where it does business.

### AT&T Foundation-Funding Areas

The AT&T Foundation achieves its mission by providing grants to community-based organizations and programs that improve education, advance community development, address vital community needs and enhance unique cultural assets.

#### Improving Education

The AT&T Foundation is committed to investing in educational programs that are enhanced through the use of technology and which provide the necessary skills for succeeding in an ever-expanding global economy. The Foundation supports initiatives that improve student achievement, teacher preparedness and minority-student success and that increase the use of new technologies — from kindergarten to the university level.

In 2005, the AT&T Foundation provided more than \$25 million to support education initiatives across the nation, representing 38 percent of direct Foundation-giving. Since 1996, the AT&T Foundation has distributed more than \$219 million in grants to support new classroom technology, after-school programs, teacher-training and other educational endeavors.



In 2004, the AT&T Foundation established a unique partnership with The National Council for Community and Education Partnerships (NCCEP), providing education funding to support Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). This federal initiative helps youth from low-income communities attain a postsecondary education.

Since then, the AT&T Foundation has provided \$10 million to NCCEP to fund more than 150 regional GEAR UP partnerships. As a result, GEAR UP will expand education opportunities for approximately 1.5 million low-income middle and high school students in the U.S. and its territories. The AT&T Foundation is the largest corporate supporter of the public/private GEAR UP partnership.

### **Advancing Community Development**

The AT&T Foundation supports initiatives that advance community development by funding organizations and programs that promote economic growth.

AT&T Excelsior is a key program for advancing community development. This competitive grants program funds projects that emphasize the use of technology to improve the performance of nonprofit organizations. AT&T Excelsior also connects some of the nation's neediest residents — including at-risk youth and underserved urban families — to important community resources, such as Internet access, hands-on computer training, math and reading classes and job-skills programs.

Since its inception in 2002, AT&T Excelsior has allocated \$33 million in regional competitive grants to more than 2,000 community-based organizations. In 2005, the Foundation provided \$7 million in AT&T Excelsior grants, \$6 million in competitive local grants to 513 nonprofits and \$1 million in invitational grants to national nonprofits.

One prime example of a national AT&T Excelsior grant is a \$500,000 grant in 2005 to the United States Hispanic Chamber of Commerce Foundation to support the creation of 20 Casa Cyber Community Technology Centers — community-based, small-business incubation centers operated in conjunction with local Hispanic chambers of commerce.

### **Access for the Underserved**

In 2006, the Foundation announced a new three-year, \$100 million initiative designed to provide technology access to benefit low-income families and underserved communities across the country. One of the most significant and far-reaching elements of this initiative is a collaboration with One Economy, Habitat for Humanity affiliates and other low-income housing providers to deliver technology packages, including Internet access, to 50,000 low-income families.



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## Addressing Vital Community Needs

Many community-based organizations work on the front lines to provide immediate and long-term need assistance. To best reach these organizations and help those most in need, the AT&T Foundation directs its support through the United Way.

Since 1996, the AT&T Foundation has contributed more than \$100 million to the United Way through local, regional and national grant support. In 2005, the AT&T Foundation donated more than \$6.2 million to local United Way agencies, helping the organization maximize community impact at the local level.

In addition, each year, AT&T employees participate in significant employee campaign fund drives to raise money for local United Way chapters. Since 2000, AT&T employees have pledged more than \$124 million to United Way organizations.

## Disaster Relief

The AT&T Foundation is committed to providing support to local and national relief agencies to help people with immediate needs. Following the devastation of Hurricanes Katrina and Rita in 2005, AT&T, the AT&T Foundation and AT&T employees gave generously to the American Red Cross and other charities providing relief to victims, generating \$5 million.

In early 2005, following the tsunami disaster in Southeast Asia, the AT&T Foundation made a five-year \$1 million disaster-relief contribution to the American Red Cross Annual Disaster Giving Program in an effort to directly address the needs of that region and future needs in the United States.

## Enhancing Unique Cultural Assets

The arts and cultural assets are integral threads in the fabric that make each community unique. The AT&T Foundation supports institutions, organizations, traditions and performances that inspire and educate entire communities. AT&T and the AT&T Foundation are committed to strengthening communities and the people and places that make them unique. In 2005, AT&T and the AT&T Foundation provided more than \$5.4 million to enhance unique cultural assets. Since 1996, AT&T and the AT&T Foundation have distributed more than \$65 million in grants to the arts and cultural initiatives.

A long-standing benefactor of arts and cultural institutions, the AT&T Foundation has provided the largest corporate contribution to any women's organization, fund or program with its \$10 million grant, in 1998, to help build The Women's Museum (a Smithsonian Institution affiliate).

The AT&T Foundation's work continues today, as exemplified by an innovative 2005 grant to the John F. Kennedy Center for the Performing Arts. The AT&T Foundation's grant helped launch the Sustaining the American Orchestra program, providing 23 orchestras with training and support to build long-term success. The grant also funds the Capacity-Building Program for Culturally Specific Arts Organizations, providing management guidance for 14 arts organizations serving culture-specific communities.

## Diversity in the Community

In every funding area, the AT&T Foundation is especially committed to supporting efforts to cultivate diversity and inclusion in the community through initiatives that focus on advancing opportunities for diverse populations. Within the AT&T service region, the AT&T Foundation consistently reaches ethnic and racial minority groups with its grant-making at levels surpassing these groups' proportion of in-region population.

In 2005, the AT&T Foundation contributed more than \$21 million and supported more than 800 organizations and programs that enrich and strengthen diverse communities nationwide.

## Volunteerism

AT&T employees and retirees have a long heritage of supporting diverse people and neighborhoods through a variety of volunteer initiatives. More than 250,000 AT&T employees and retirees serve their communities as AT&T Pioneers, one of the largest company-sponsored volunteer organizations in the country.

In 2005, AT&T Pioneer employees and retirees donated 11.3 million hours of their time and talents to a variety of outreach activities — or nearly \$204 million worth of volunteer time toward building stronger communities.

Each year, AT&T Pioneers volunteer time to education, health and human services, disaster relief and environmental projects. The volunteers donate and deliver hundreds of food baskets to area food banks for families in need. Since 1997, AT&T Pioneers have worked with Habitat for Humanity International to build homes across the country. Each year, they repair and refurbish more than 135,000 “talking books” for those who cannot see, bringing the joy of the printed word to more than 2 million people since 1960.

## Support for Our Troops

The AT&T Pioneers have placed a special focus on supporting U.S. troops. Since 2003, the AT&T Pioneers have packaged and sent out more than 5,000 care packages to troops in Iraq. AT&T and AT&T Pioneers have provided free AT&T Prepaid Calling Cards to help connect veterans in VA hospitals and nursing homes, as well as current military personnel, with their families. Working with the Freedom Calls Foundation, AT&T and the AT&T Pioneers have connected hundreds of troops.

## THEN AND NOW

### 1940

In anticipation of World War II, AT&T begins an extensive program to build and operate telephone-calling centers at military facilities across the U.S. Many Americans make their first personal long distance call to speak to a soldier or sailor far from home.

### 2003 to the Present

Using the latest technology, AT&T, working with the Freedom Calls Foundation, has connected hundreds of troops serving in Iraq with their family members to talk via a video online-chat session. Troops are able to see their loved ones and spend quality time connecting.



**AT AT&T, DIVERSITY AND INCLUSION HAVE LONG BEEN COMPANY PRIORITIES. AT&T BELIEVES THAT RESPECT FOR DIFFERENCES IS ESSENTIAL TO A SUCCESSFUL BUSINESS STRATEGY. THE COMPANY STRIVES FOR INCLUSION OF ALL VIEWPOINTS TO BETTER SERVE OUR EMPLOYEES, BUSINESS PARTNERS AND CITIZENS IN THE COMMUNITIES IN WHICH WE LIVE AND WORK.**

## Diversity

### **AN UNWAVERING COMMITMENT TO INCLUSION**

AT&T's diversity and inclusion efforts permeate everything we do, including workforce inclusion, supplier diversity, community impact and multicultural outreach.

AT&T's goal is to search for innovative ways to improve today's environment and to ensure that we maximize the advantages that inclusion brings to our organization.



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## Workforce Inclusion

**Diversity and inclusion are essential to the company's culture and business success. In fostering diversity and inclusion, AT&T 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.**

### Commitment to Our Employees

AT&T realizes that diverse, talented and dedicated people are key to a company's success. The company's philosophy is to provide employees with continued opportunities in order to grow and to develop their careers. Management is charged with successful implementation of various diversity initiatives as part of this philosophy. AT&T's leaders are expected to understand the importance of cultural competency.

AT&T also offers its management and occupational employees opportunities to get involved. AT&T has several Employee Resource Groups (ERGs) that are open to all employees and reflect the diversity of the company's employee base. AT&T's Employee Resource Groups support the company's commitment to diversity and inclusion through their efforts in the workplace, the marketplace, and the community. AT&T recognizes the value and goodwill that these groups can provide in furthering the company's goal, values and interests. Employee resource groups include representation for women, African-Americans, Asian Americans, Hispanics/Latinos, Native Americans, GLBT and employees with disabilities.

### Our Strong Workforce

In the rapidly evolving telecommunications industry, AT&T's commitment to diversity and inclusion remains strong and a top priority for the company. AT&T's diverse workforce is an asset to the company and a result of its commitment to recruit and hire the very best talent.

Today, AT&T's 50-state workforce is 45 percent female and 35 percent people of color.

### Workforce Highlights:

- Women make up 44 percent of AT&T's managers — this statistic is above the average of most Fortune 500 companies. People of color make up 28 percent of the company's managers, while nationally people of color make up only 22 percent of managers, professionals and related occupations, according to the U.S. Census.
- *DiversityInc* named AT&T to six of its Top 10 specialty lists, the highest number of honors received by any U.S. company. These honors include recognition for the company's diverse African-American, Latino and GLBT workforce; its impressive number of executive women; supplier diversity; and recruitment and retention.
- In 2005, AT&T's tuition program assisted more than 3,500 candidates, 58 percent of whom were women and 37 percent were people of color.



- Since 1988, hundreds of recently hired college graduates have successfully completed AT&T's Leadership Development Program — 45 percent of these employees are women; 48 percent are people of color.

### Supplier Diversity

AT&T is known as a pioneer and a national leader in developing and implementing supplier diversity best practices. AT&T's commitment to supplier diversity is evident on the benchmark best-spending results achieved — among the highest in the nation.

In 2005, AT&T spent \$2.4 billion with diverse suppliers, representing 15 percent of its procurement base.

In the past 10 years, AT&T has spent more than \$20 billion with diversity-owned companies, representing 18 percent of the total procurement dollars. During this same period, AT&T increased its spending with diverse suppliers by 180 percent. According to 2003 benchmark studies from the Center for Advanced Purchasing Studies, this spending achievement is more than double that of other companies.

While our results are strong, AT&T has very aggressive goals. The company's goal is to procure 21.5 percent of its total procurement from diversity-owned enterprises.

- 15 percent with Minority Business Enterprises (MBE)
- 5 percent with Women Business Enterprises (WBE)
- 1.5 percent with Disabled-Veteran Business Enterprises (DVBE)

### INDUSTRY HIGHLIGHTS

- **AT&T is a member of the Billion Dollar Roundtable, a supplier diversity think tank of corporations that spend more than \$1 billion annually with diverse companies. Only 12 companies qualify for this level.**
- **Since 2000, the AT&T Foundation has granted more than \$830,000 in diversity supplier educational scholarships and programming.**
- **AT&T is one of the corporate signatories of the Institute for Supply Management's Principles of Social Responsibility.**
- **In 2003, AT&T released a groundbreaking resource, the Telecom Supplier Diversity Task Force Study, that demonstrates the benefits of supplier diversity for corporations.**
- **AT&T is among the first companies to get diverse suppliers into nontraditional product and service areas and into the core operations of the telecommunications supply chain.**
- **In 1989, AT&T created one of the first corporate Prime Supplier Participation programs, requiring prime suppliers to set and meet their own supplier diversity spending goals.**



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## Supporting Diverse Enterprises

### Minority Business Enterprises (MBE)

- In 2005, AT&T spent \$1.6 billion with minority-owned firms.
- In the past 10 years, AT&T spent more than \$14 billion with minority-owned companies, representing more than 13 percent of the total procurement dollars.
- AT&T is a contributing corporate partner with the Hispanic Association for Corporate Responsibility, the Rainbow/PUSH Coalition, the U.S. Pan Asian American Chamber of Commerce, the U.S. Black Chamber of Commerce and several other supplier diversity advocacy organizations.
- AT&T is an active member of the National Minority Supplier Development Council (NMSDC) and has been recognized by the organization for its long-term distinguished record for supporting minority businesses.

### Women Business Enterprises (WBE)

- AT&T's formalized women's business enterprise program has been in place for more than 26 years.
- WBEs are included throughout AT&T's supply chain, including IT computers, outside plant services, finance and marketing.
- WBEs make up 52 percent of AT&T's top 25 diversity suppliers.
- In the past 10 years, AT&T has spent \$5 billion with WBEs, representing 5 percent of AT&T's overall purchasing dollars.
- AT&T is a long-standing partner and strong supporter of the Women's Business Enterprise National Council, which works to increase contracting opportunities for women-owned businesses.

### Disabled-Veteran Business Enterprises (DVBE)

- AT&T's DVBE program, established in 1993, focuses on inclusion of service-disabled and veteran-owned businesses in the company's supply chain.
- In 2005, AT&T spent \$63 million with DVBEs.
- In the past 10 years, AT&T has increased its DVBE spending by 1,600 percent, spending nearly \$580 million with DVBE firms.
- In 2005, AT&T was awarded the Patriot Partner award by the Association for Service Disabled Veterans for being a leader in DVBE programs and being a leader and advocate of increasing opportunities for DVBEs.

## Impacting Lives

The AT&T Foundation is committed to enriching and strengthening diverse communities nationwide. The Foundation supports nonprofit organizations and projects that increase inclusion and create opportunities for diverse populations.

In 2005, AT&T and the AT&T Foundation contributed more than \$21 million and supported nearly 800 organizations and programs that enrich and strengthen diverse communities nationwide.

Since 2000, AT&T and the AT&T Foundation have distributed more than \$114 million to programs and initiatives that enhance education, support community vitality and help meet the needs of underserved and diverse communities.

## Making a Difference in the Marketplace

The AT&T Foundation supports several supplier diversity development programs around the country, and since 2000, the Foundation has provided more than \$2.8 million in support to diverse scholarship programs, including the United Negro College Fund and the National Society of Hispanic MBAs.

## Making a Difference in the Community

**Hispanic Community.** In 2005, the United States Hispanic Chamber of Commerce (USHCC) Foundation received a \$500,000 AT&T Excelerator grant to support the creation of 20 Casa Cyber Community Technology Centers, which are operated in association with local Hispanic chambers of commerce. In 2004, the League of United Latin American Citizens received a \$1 million grant to provide PCs and DSL, as well as technology curriculum and support to community centers throughout the existing AT&T territory.

**African-American Community.** In 2004, the National Urban League received \$1,070,000 in AT&T Excelerator funds to launch 12 Digital Empowerment Academies, which will offer technology-job-skills training to African-Americans in low-income communities.

**Native American Community.** In 2005, the George Washington University's Graduate School of Political Management received a \$357,000 grant to fund a first-of-its-kind political leadership development program for Native American college students.

**Asian Community.** In 2005, AT&T provided more than \$1.1 million to more than 100 community organizations serving a range of Asian and Asian American communities. Grants and corporate contributions supported projects that included technology-center upgrades, language-lab facilities and after-school programs.

**Older Americans.** In 2005, the OASIS Institute received more than \$500,000 in AT&T Excelerator funds to support a new project for mature adults who want or need to continue working in productive roles beyond the traditional retirement age. In 13 cities across the United States, participants will be able to update their technology and job skills.

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## THEN AND NOW

### 1968

AT&T is a leader among top corporations in developing groundbreaking supplier diversity initiatives.

### 2005

AT&T spends \$2.4 billion with minority-, women-, and disabled-veteran-owned business enterprises, representing 15.1 percent of the company's procurement base. AT&T is one of only 12 companies qualifying for the Billion Dollar Roundtable, a supplier diversity think tank of corporations that spend more than \$1 billion with diverse companies.

## Multicultural Outreach

As a global company touching diverse customers and markets, AT&T values individual perspectives and connects to customers through its multicultural outreach efforts.

The company is committed to promoting an environment of inclusion — one in which all individuals are valued and all values are heard.

AT&T expects its employees to practice respect for differences in their daily interactions in order to understand the importance of cultural competency. By understanding the regions served, AT&T is better-positioned to meet the unique needs of its customers wherever it does business.

## Top Priorities

With more than 1,700 AT&T representatives working in 22 call centers providing service to more than 1.5 million customers in languages other than English, AT&T believes that it is essential to provide service assistance and to conduct business in the preferred language of its customers.

The company currently conducts business in more than 160 languages and advertises in top languages in selected sites.

For AT&T, part of doing business is also being committed to providing competitive pricing and a wide variety of service and product choices that meets the needs of its diverse customer base.

### Breaking the Language Barrier

AT&T has a full-service Spanish-language Web site, [www.LaNuevaATT.com](http://www.LaNuevaATT.com), and is constantly striving to better communicate with the Hispanic community online. Since it launched in December 2003, the Web site has recorded more than 25 million hits.

In 2005, AT&T launched [www.att.com/world](http://www.att.com/world), a Web site with five Asian languages to offer self-service capabilities to customers preferring to do business in Chinese, Vietnamese, Korean, Tagalog or Japanese. The site has recorded more than 2.5 million hits since its launch.

### Making a Difference

AT&T takes a leading consumer-advocate role by distributing information, in Spanish, on programs and initiatives that help customers understand and protect themselves against fraud, scams and deceptive marketing.

AT&T's commitment to inform not only customers but also the public through Spanish-language media is making a difference. The company has created media-outreach campaigns in Spanish to announce strategic corporate developments, new products and services, and community initiatives.

- AT&T translates all key corporate and consumer announcements into Spanish and distributes them to Hispanic media. They can also be found under the News section of the AT&T Spanish Web site.
- AT&T invests in programs that help educate both adults and children about the benefits of a high speed Internet connection to help increase digital inclusion and to empower the Hispanic community with online tools so that these citizens may be successful and competitive.



**AT AT&T, WE RESPECT THE COMMUNITIES IN WHICH OUR EMPLOYEES WORK AND THE WORLD IN WHICH WE ALL LIVE AND DO BUSINESS TOGETHER. AT&T IS COMMITTED TO MAKING ITS WORK AND COMMUNAL ENVIRONMENTS SAFE AND HEALTHY FOR EVERYONE.**



## Environment, Health and Safety

### **COMMITTED TO SAFE WORKPLACES AND A HEALTHY ENVIRONMENT**

AT&T is committed to sound policies and practices in the areas of environment, health and safety on behalf of all of our employees and business contacts. We intend to be good stewards in the communities we serve.



## AT&T's Goal

**Our goal is to create a more productive and satisfied workforce and a healthy, welcoming community in which to conduct business. As an added and extremely important benefit, AT&T improves corporate performance through environment, health and safety strategies that reduce long-term liability and lower operating costs. These strategies include innovative combinations of business integration with hands-on environment, health and safety technical support.**

To ensure that these commitments are kept, the Public Policy and Environmental Affairs Committee of the Board of Directors oversees AT&T's environmental activities. AT&T's Executive Environmental Council is chartered to provide a regular forum for senior leaders of AT&T companies to review their ongoing implementation of the AT&T Environmental Policy and to determine appropriate actions. This includes, but is not limited to, reviewing the performance of the Environmental Management System (EMS), an end-to-end approach to ensure environmental compliance across the company.

The environmental compliance officer chairs this council while other members of the council include senior leaders who represent business units with operations that may affect environmental performance.

### Greenhouse Gas Emissions

AT&T understands the importance of reducing greenhouse gas emissions. In 2005, AT&T became the first telecommunications company to join the California Climate Action Registry for operations in California. This registry, created by a California statute in 2001, helps companies and organizations track, publicly report and reduce emissions of the gases that can lead to global climate change.

Results from this registry are certified by independent organizations to confirm accuracy. More than 40 major companies, cities, government and nongovernment agencies belong to the registry. As a member, AT&T will voluntarily measure and publicly report its California emissions of greenhouse gases.

Additionally, AT&T is investigating centralizing its electricity and fuel purchases for cost-control purposes, and the company has a good model to follow. Before its merger, and while operating as SBC, AT&T reduced its overall fleet of vehicles by 26 percent. Today, AT&T purchases low-emission vehicles.

In addition, from 2001 to 2004 the company:

- Decreased its annual gasoline-fuel consumption by 10 percent
- Decreased its annual diesel-fuel consumption by 20 percent

AT&T also recycles used oil and antifreeze from its fleet of service vehicles and backup power generators. This reduces energy usage and the generation of air emissions related to petroleum production and refining.



## Waste Minimization

AT&T's technology provides the infrastructure for enabling environmental improvements throughout the global economy. Services such as teleconferencing, videoconferencing, electronic commerce, e-billing and NetMeeting are prime examples of technologies that directly reduce or eliminate energy and material consumption.

AT&T recognizes the need to use energy and other natural resources responsibly. Since 1998, AT&T has continued to drive cost-savings and improvements in energy efficiency across its facilities. AT&T's energy programs have improved the energy efficiency of some of our data centers by nearly 25 percent.

## eBill Paperless Program

AT&T actively promotes online paperless billing and printing double-sided phone bills.

AT&T and The National Arbor Day Foundation received the Silver Cause Marketing Halo Award for Best Environmental/Wildlife Program in 2006. The honor was awarded in recognition of AT&T's successful eBill Paperless Program campaign with the National Arbor Day Foundation to encourage residential and small-business customers to sign up for AT&T eBill service and promote tree planting.

More than 520,000 residential and small-business customers responded to AT&T's pledge to donate \$1 to the National Arbor Day Foundation for each customer who switched to paperless billing during the 2005 – 2006 campaign. From July 2005 through March 2006, monthly enrollments in AT&T's eBill service increased 54 percent.

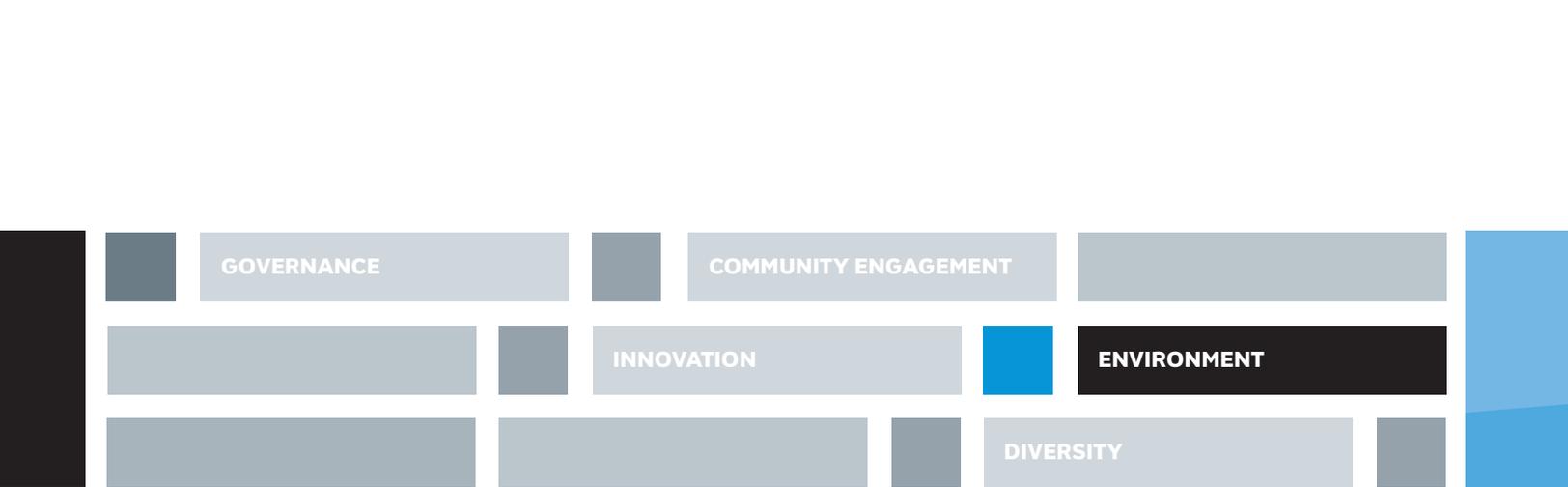
## Yellow Pages Recycling

AT&T Yellow Pages directories are produced to be recyclable and are printed on paper containing more than 40 percent post-consumer recycled content. Books are recycled into new phone books, newsprint, cardboard boxes, compost, insulation and other household products.

## Our Reputation for Good Stewardship

AT&T's commitment to environment, health and safety stewardship is reflected in the following examples:

- In recent years, AT&T has invested in industrial ecology-related research through the mentoring of graduate and undergraduate students. In addition, AT&T has led the way in research on industrial ecology, a multidisciplinary science that investigates how the economy and the environment can coexist in harmony. AT&T has provided industrial ecology faculty fellowships through the AT&T Foundation. The 2005 AT&T Foundation Industrial Ecology Faculty Fellowships were awarded to the following research teams:
  - > Carnegie Mellon University, Pittsburgh, Pa., for "Information Technology-Based Monitoring and Control Systems to Mitigate Energy Use in Households" by Eric Williams, Ph.D., and H. Scott Matthews, Ph.D.



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- > New Jersey Institute of Technology, Newark, N. J., for “Avoiding Jevons’ Paradox in the Quest for Virtual Mobility: Assessing the Impact of Internet2-Based Videoconferencing on Physical Travel” by Maurie J. Cohen, Ph.D.
- > University of Minnesota, St. Paul, Minn., for “An Integrated Approach to Communicating Environmental Assessment Information in the Industrial Supply Chain” by Timothy M. Smith, Ph.D.
- AT&T was recently honored by the *Journal of Industrial Ecology (JIE)* for its pivotal role in the journal’s development. The official journal of the International Society for Industrial Ecology, the JIE is an international, peer-reviewed quarterly designed to foster understanding and practice in the emerging field of industrial ecology. Since its premier in spring 1997, the journal has provided a forum for continuing the exchange of information and opinions through contributions from scholars, environmental managers and policymakers, advocates and others involved in environmental science, management and policy.

## Planning for the Future

AT&T’s Environment, Health and Safety organization will continue to lead the company in engaging its employees and leveraging its technology to protect human health and the environment in all operations and to contribute to the achievement of a socially responsible and environmentally efficient national and global economy.

AT&T will serve our constituents with an environmental policy and management system that strives to employ best practices for areas such as organizational structure, training courses, compliance requirements and procedures, verification processes and information systems.

AT&T is committed to complying with all applicable environmental laws and regulations. We expect the same commitment from our suppliers. AT&T is also committed to integrating environmental considerations into our business. For example, AT&T encourages the development of voluntary industry standards to enable the verification of conformance to ASTM 06.71.10 (Energy Generation) and ASTM F40.04 (Product Declarations for Restrictions of Hazardous Substances). AT&T includes environment and safety performance considerations in network equipment design standards.

## Engaging Employees

Engaging AT&T employees is critical to the success of AT&T's commitment to responsible environment, health and safety performance. To achieve this objective, AT&T has implemented an employee-awareness campaign consisting of the following elements:

- Environment, health and safety intranet site
- Telephone hot line operating 24 hours a day, seven days a week
- Environment, health and safety compliance and awareness job aids, programs, practices and training

The campaign has helped to inform employees about opportunities to improve the environment in various AT&T communities through employee volunteer programs. In addition, AT&T helps educate employees in methods for working more safely, ensuring that employees are aware of their personal responsibilities for enacting environment, health and safety practices within the company. AT&T offers employees a host of online and leader-led training including, but not limited to, environment, health and safety awareness, ergonomics, hazardous waste management, and noise and hearing conservation.

## Engaging Stockholders

AT&T belongs to a variety of external organizations that provide the AT&T Environment, Health and Safety organization with opportunities to benchmark itself against similar companies. Organizations such as the Organization Resources Counselors and the National Safety Council help AT&T to stay abreast of legislative and regulatory activities that guide the company. AT&T maintains a staff of professionals who manage corporate activities in the areas of environment, health and safety and who help AT&T contribute to the communities in which we operate.

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## Compliance

Compliance is a critical element of AT&T policy. All employees must comply with all applicable laws, regulations and AT&T standards and practices governing environment, health and safety. Furthermore, we incorporate these considerations into the Code of Business Conduct.

We proactively create processes designed to maintain compliance, and if problems nevertheless occur, we implement processes designed to prevent recurrence. In addition, AT&T has developed a comprehensive incident-management process to respond immediately to all emergencies, including fires, chemical spills and releases, hospitalizations and fatalities and regulatory inspections. The AT&T Environment, Health and Safety hot line is available 24 hours a day, seven days a week. Trained incident managers are on call to provide assistance in an emergency.

## THEN AND NOW

### 1980

The Alliance to Save Energy awards AT&T its first National Energy Efficiency Award.

### Since 2001

As one of the largest stand-alone online billers in the United States, AT&T has eliminated printing more than 15 million paper bills for its 1.3 million online-billed residential customers since 2001.





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