



Connect to Planet

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Engaging Our Supply Chain

Materiality Assessment Topics: Environmentally responsible supply chain; Supply chain human rights practices; Energy efficiency of products

Issue Summary

For a company to fully understand its economic, environmental and social impact, it needs to understand its supply chain.

Collaboration with suppliers is crucial for both addressing major issues facing society and realizing opportunities for advancing a clean-energy economy, reducing greenhouse gas (GHG) emissions, reducing water usage and improving labor practices.

Our Position

We believe it is important to understand more about the social, economic and environmental performance of our suppliers, and we expect our suppliers to share our commitment to citizenship and sustainability.

Given its reach, we believe our supply chain is an area where we have an extraordinary opportunity to streamline operations and reduce long-term costs, while simultaneously limiting our environmental impact and positively influencing social equality. AT&T has established several 2020 and 2025 goals to guide our efforts.

Data Highlights

2017 Key Performance Indicators

- Average score of top suppliers on the AT&T Supplier Sustainability Scorecard: **80.3%**
- Percent spend of suppliers who track greenhouse gas (GHG) emissions and have specific GHG goals: **>50%**
- For supplier diversity Key Performance Indicators, view the [Supplier Diversity](#) issue brief.

2020/2025 Goals



- **2020 Goal:** We will lead our supply chain to improve its social and environmental impacts by integrating sustainability performance metrics into our sourcing decisions for 80% of our spending.¹
- **2025 Goal:** We will work with our industry peers to develop and promote adoption of sustainability metrics that will transform the environmental and social impact of technology supply chains.

Learn more about our [2020/2025 Goals](#).

Targets to our 2020/2025 Goals



In Progress

2017 Target: By the end of 2017, achieve an average score of 80% or higher for top suppliers on the Supplier Sustainability Scorecard, which covers 4 key categories including policy breadth, rigorous goals, reporting transparency and supply chain governance.

- **PROGRESS:** AT&T Global Supply Chain achieved its 80%-by-2017 goal a year ahead of schedule at the close of 2016 with a score of 80.3%.² The goal was established in 2012 to measure the supplier base focused on our network, consumer equipment and corporate services. Going forward, we are working toward our [2020 and 2025 goals](#) that include shared industry approaches in measuring sustainability.

2018 Target: By the end of 2018, incorporate sustainability-oriented standards or analyses into our sourcing decisions with strategic suppliers.

- **PROGRESS:** In 2017, AT&T Global Supply Chain continued to require suppliers to adhere to our [Principles of Conduct for Suppliers](#) and participate in assessments and audits. AT&T continues to make progress with efforts, including incorporating sustainability clauses into agreements and RFPs; training our sourcing managers on the principles of sustainability; and providing updates to sourcing managers on supplier sustainability performance. AT&T will continue to expand incorporation of sustainability-oriented standards and analyses into sourcing decisions.

2025 Target: Establish clear, agreed-upon industry sustainability metrics.

- **PROGRESS:** In 2017, working with our TL9000 industry group, [TIA-QuEST Forum](#), we helped to launch an industry sustainability measurement tool, the QuEST Sustainability Assessor. This tool provides actionable best practices for organizations that help accelerate their sustainability programs. In 2017, we transitioned from our AT&T supplier assessment to this third-party industry tool and sent the new assessment tool to a few hundred of our suppliers. For information and updates, visit questforum.org/sustainability
- AT&T, working with the CDP Supply Chain, annually reaches out to about 500 of our suppliers—representing approximately 80% of our spend—to report on GHG emissions. Using industry-accepted methods, we gather and analyze data on these suppliers' emissions, reduction goals and progress. As a result, in 2017 we were able to report our [4th annual estimate of our supplier emissions](#).
- Also in 2017, AT&T continued a 2nd year with the [Joint Audit Cooperation \(JAC\)](#), which facilitates collaboration among peer telecom companies and Information Communication Technology (ICT) suppliers to verify and audit supply chains on areas such as labor practices, human rights, health and safety, ethics and the environment. JAC Corporate Social Responsibility (CSR) Audits are conducted by recognized, independent third-party auditors at suppliers' manufacturing facilities using a common [audit framework](#).



Our Action

Overview

Engaging Our Supply Chain

[Supplier Sustainability Principles](#)

- The Supplier Sustainability Principles outlines fundamental expectations for working with AT&T.

[Strategic Supplier Sustainability Scorecards](#)

- In 2017, working with our TL9000 industry group, [TIA-QuEST Forum](#), we helped to develop and launch an industry sustainability-measurement tool, the QuEST Sustainability Assessor. This tool provides actionable best practices to organizations that help accelerate their sustainability programs. In mid-2017, we transitioned from our AT&T supplier assessment to this third- party industry tool and sent the new assessment tool to a few hundred of our suppliers.

[Corporate Social Responsibility \(CSR\) Audits](#)

- In 2017, AT&T continued as a member of the [Joint Audit Cooperation \(JAC\)](#), which facilitates collaboration among peer telecom companies and ICT suppliers to verify and audit supply chains on areas including labor practices, human rights, health and safety, ethics and the environment.

[GHGs and Environment](#)

- AT&T proactively works with strategic suppliers on tracking and setting goals on their GHGs.

[U.S. EPA SmartWay Program](#)

- AT&T is a member of the U.S. EPA SmartWay Transport Program. This helps us in our continued efforts to reduce transport-related emissions.

Embedding Sustainability in the Contract Process

[Sustainability Clauses](#)

- Our standard materials and services purchase agreement template contains a clause specifically addressing citizenship and sustainability.

[Sourcing Manager Training](#)

- AT&T trains sourcing managers—more than 200 sourcing professionals — about sustainability in the supply chain and is providing the tools necessary to engage our strategic suppliers on sustainable business practices.



Collaborating with Suppliers

[Standardizing Supply Chain Sustainability Measurements](#)

- AT&T is working with industry groups on developing a sustainability measurement model that provides a data-driven process to empower companies to share and apply best practices.

[Energy Efficiency](#)

- AT&T works with the Alliance for Telecommunications Industry Solutions (ATIS) to set industry expectations for network equipment energy efficiency.

[Packaging](#)

- Working with suppliers, AT&T is using innovation to reduce the size and environmental impact of packaging.

[Supplier Sustainability Awards](#)

- The AT&T Supplier Sustainability Awards honor suppliers that make outstanding contributions to our sustainability efforts. Awards have been issued to suppliers for energy efficiency, alternative energy, process improvement, packaging and the environment.

Engaging Our Supply Chain

Supplier Sustainability Principles

We outline our expectations in our [Principles of Conduct for Suppliers](#), which covers topics including sustainable business practices, diversity, conflict minerals, ethics and labor rights. Suppliers are required to acknowledge these principles as part of the annual supplier sustainability assessment. Additionally, every new contract agreement with suppliers requires that they acknowledge the principles.

Strategic Supplier Sustainability Assessments and Scorecards

In 2017, working with our TL9000 industry group, [TIA-QuEST Forum](#), we helped develop and launch an industry sustainability measurement tool, the [QuEST Sustainability Assessor](#). This tool provides actionable best practices to help organizations accelerate their sustainability programs. In mid-2017, we transitioned from our AT&T supplier assessment to this third-party industry tool and sent the new assessment tool to a few hundred of our suppliers in place of the AT&T sustainability assessment.



The QuEST Sustainability Assessor and assessment reports enable suppliers to continuously improve sustainable best practices with:

- A 10-factor model that provides structure for users;
- Several business pathway options that refine appropriate questions;
- Individualized reports with a prioritized set of recommendations to optimize sustainability programs;
- Enablement of sustainability planning aligned with the organization's strategy;
- Shifting emphasis from compliance to excellence;
- Support of TL 9000 and ISO requirements for sustainability planning; and
- Providing benchmark data against others in industry.

The 10 key factors that are measured by the assessor tool are:

1. Environmental management
2. Resource efficiency optimization
3. Carbon footprint and ozone depletion
4. Corporate social responsibility
5. Supply chain management
6. Stakeholder engagement
7. Organizational engagement and capabilities
8. Eco design
9. End-to-end delivery
10. Circular economy

For information and updates, see questforum.org/sustainability

Corporate Social Responsibility (CSR) Audits and Assessments

As reflected in the [AT&T Principles of Conduct for Suppliers](#), we take issues around human rights and labor practices in our supply chain seriously.

As described in the Sustainability Clause section, our standard materials and services purchase agreement template contains a clause specifically addressing citizenship and sustainability, including labor practices and human rights.

Through our membership with the Joint Audit Cooperation (JAC), CSR Audits are conducted by recognized, independent third-party auditors at suppliers' manufacturing facilities using a common audit framework . They include the following:



1. Facility evaluation of production areas, office areas, storage facilities, distribution centers and dormitories.
2. Management interviews of site, production, EH&S (environment, health and safety), quality, human resources and payroll manager(s).
3. Confidential worker interviews of permanent, temporary and subcontract labor—including workers of both genders, new workers, and workers from various departments and shifts.
4. Documentation review of relevant company documents necessary to understand whether the supplier is conforming to common CSR principles and standards. This may include personnel records, proof-of-age documentation, timesheets, payroll records, environmental permits, emergency response plans, Health & Safety training documentation and certifications.

The 10 main areas of focus during the audits are:

- Child labor
- Forced/bonded labor
- Health and safety
- Freedom of association
- Discrimination
- Disciplinary practices
- Working hours
- Wages and compensation
- Environment
- Business ethics

In 2017, JAC members completed 89 facility audits, with 70% of audits focused on Tier 2 and 3 suppliers (i.e. – suppliers upstream of JAC members' direct Tier 1 suppliers).

AT&T also addresses human rights and labor practices through suppliers completing the QuEST Sustainability Assessor, described in the previous section. The assessment requests suppliers to respond about their policies and management practices that:

- Prohibit child labor
- Prohibit forced labor
- Protect freedom of association
- Prohibit discrimination
- Prohibit physical coercion and inhumane disciplinary practices
- Ensure health and safety
- Limit the number of working hours
- Address wages and compensation
- Prohibit corruption and bribery



AT&T also communicates our [human rights policy](#) directly to suppliers and expects them to recognize and abide by it. It is posted on the [AT&T Supplier Portal](#), along with other policies and materials that explain our supply chain sustainability approach. To learn more about our human rights policy, please see our [Human Rights](#) issue brief.

Conflict Minerals

Use of minerals from the conflict zones of the Democratic Republic of the Congo (DRC) and surrounding areas is an important human rights issue that requires increased transparency in our supply chain. Mobile phones and other electronics contain an array of metals in small amounts that allow them to function properly. Some of these metals—in particular tin, tantalum, tungsten and gold (conflict minerals)—have been linked to armed conflict in the DRC and adjoining countries (conflict zones). These areas have suffered devastating wars and millions of deaths for more than a decade. Metal mining in this region often uses forced labor and may financially benefit armed groups. Most metals in electronics are mined from locations outside the conflict zones and involve no known human rights violations. However, minerals from the conflict zones give cause for concern.

Mining activities in conflict zones could involve serious human rights violations and require increased transparency. We support industry efforts to address and rectify this situation.

As a large device retailer, we've actively sought to address the issue of conflict minerals from the above referenced conflict zones. Our [Principles of Conduct for Suppliers](#) confirm our expectations that the products we sell will not contain conflict minerals that directly or indirectly finance or benefit armed groups. We reserve the right to suspend or terminate suppliers who fail to demonstrate a commitment to this expectation. AT&T works with non-governmental organizations (NGOs) and our suppliers on this issue.

In addition, we have taken the following steps:

- We do not employ forced, compulsory or slave labor and have the same expectation for our suppliers. Both our [Human Rights Policy](#) and [Principles of Conduct for Suppliers](#) are clear in this respect.
- We remain involved in this issue through our membership in the Global e-Sustainability Initiative (GeSI). Through this membership and our participation in the Responsible Minerals Initiative (RMI) (formerly the Conflict Free Sourcing Initiative), we support the continued development of the Conflict-Free Smelter Program and the use of RMI's Conflict Minerals Reporting Template (CMRT). Through continued collaboration with suppliers, we are committed to the responsible mining of these minerals.



AT&T has taken rigorous steps to determine the extent to which we may have reporting obligations under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the SEC's rules implementing that Act (SEC Conflict Minerals Rules).

With respect to the products we sell, AT&T has put in place the following ongoing activities to identify potential reporting obligations:

- A comprehensive Conflict Minerals (CM) Program, which serves as the documented framework in which AT&T performs the steps required to determine the applicability of and compliance with the SEC Conflict Minerals Rules.
- A working team that addresses the day-to-day activities associated with complying with the SEC Conflict Minerals Rules.
- A governance committee that reviews and provides general guidance on conflict minerals compliance activities.
- An AT&T officer steering committee that provides oversight, guidance and accountability.

To date, AT&T has not had a reporting obligation pursuant to the SEC Conflict Minerals Rules. AT&T will continue to execute the CM Program annually to identify any potential changes to our filing status.

Greenhouse Gas (GHG) Emissions and Environment

AT&T continues to proactively work with our suppliers to advance sustainable business practices throughout our supply chain. An important part of this effort is our work with our top suppliers on tracking and setting goals for their GHGs.

AT&T, working with CDP's Supply Chain program, annually reaches out to about 500 of our suppliers—representing approximately 80% of our spend—to report on GHG emissions. Using industry-accepted methods, we gather and analyze data on these suppliers' emissions, reduction goals and progress. As a result, in 2017 we were able to continue reporting an annual estimate of our supplier emissions in our [greenhouse gas emissions reporting](#).

Additionally, suppliers completing the QuEST Sustainability Assessor are requested to respond about their policies and management practices for greenhouse gas emissions, targets on carbon emissions and the use of renewable energy sources. These assessments will be used with supplier evaluations in support of our 2020 goal. With the assessments used as a measurement and best practice improvement tool, suppliers are encouraged to improve performance in GHG emissions reductions, as well as other key sustainability areas.

U.S. EPA Smartway Program



In 2017, more than 99.8% of the miles covered by AT&T Transportation Control Center, an organization managed by AT&T Global Supply Chain, were done by carriers that participate in the EPA SmartWay program. Additionally, the AT&T Transportation Control Center covered 100% of the miles in support of DIRECTV with carriers that participate in the EPA SmartWay program. To learn more, read about our [company fleet and transportation initiatives](#).

Embedding Sustainability in the Contract Process

Sustainability Clauses

As of 2011, all of our template supply chain managed materials and service agreements contain a standard Citizenship and Sustainability clause that requires the suppliers to align with the [AT&T Principles of Conduct for Suppliers](#) and respond to sustainability-related information requests from AT&T. Since that time, AT&T has executed thousands of agreements that contain the clause. We also have several clauses in our contract library that cover sustainability considerations such as energy efficiency.

Sourcing Manager Training

We train our sourcing managers about sustainability in the supply chain and are providing the tools necessary to engage our strategic suppliers on sustainable business practices. We focus on how the sourcing managers can help ensure that suppliers respond to our sustainability assessments and how they can help suppliers improve their performance and scores. As a result, we are seeing greater awareness and participation by our suppliers—with more than 230 suppliers completing the QuEST Sustainability Assessor in 2017.

Collaborating with Suppliers

Standardizing Supply Chain Sustainability Measurements

With TIA-QuEST Forum, we are using the QuEST Sustainability Assessor that is focused on sustainability-driven business improvement and profitability. The model provides a data-driven process that empowers companies to share and apply best practices. The goal is to provide the industry benchmarking methodology with holistic sustainability measures to drive business improvements and control costs.

Energy Efficiency



We collaborate with others in the industry and across our supply chain to develop more efficient products and practices. Examples of our engagement include:

- Founding Member of The Green Grid: a global consortium dedicated to advancing energy efficiency in data centers and business computing ecosystems.
- Founding Member of GreenTouch: an industry consortium whose mission is to deliver the architecture, specifications and roadmap to increase network energy efficiency by a factor of 1,000 compared to 2010 levels.
- Member and Chairman of the Board of Directors of the Alliance for Telecommunication Industry Solutions (ATIS): the North American telecommunications standards development organization. We also initiated and now vice-chair the Telecommunications Energy Efficiency (TEE) committee, which developed a methodology for measuring and reporting the energy efficiency of telecommunications equipment.
- US Green Building Council (USGBC) and its Leadership in Energy and Environmental Design (LEED) program: a third-party verification program for green building. AT&T currently has several of its facilities with prestigious and coveted Platinum or Gold certifications, with several more projects underway to certify more facilities.
- Recognized as 2017 ENERGY STAR® Partner of the Year – Sustained Excellence award: for our work investing in efficient designs for pay TV hardware and services, bringing this equipment into homes, and educating technicians and customers about energy savings associated with their ENERGY STAR certified receivers.
- Member of TechNet: the national bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy. TechNet supports policies and programs that recognize the importance of resiliency in the face of security threats, natural disasters and the need for uninterrupted energy supplies. Understanding that clean energy and resilient energy are not mutually exclusive, TechNet seeks to advance the focus on the intersection of sustainable energy and resilient energy.

Packaging

AT&T continues to address packaging opportunities in our supply chain for innovative solutions to both reduce packaging materials and environmental impact. For more information on packaging reductions, please see the packaging section in our [Product Life Cycle](#) issue brief.

Supplier Sustainability Awards

The AT&T Supplier Sustainability Awards honor suppliers that make outstanding contributions to our sustainability efforts. In 2017, we honored 4 suppliers that helped us advance our



sustainability commitment in 2016 in the areas of process improvement, energy efficiency, the environment and packaging:

- **Packaging:** EPE Industries USA developed reusable packaging for DIRECTV set-top boxes. This saved packaging material and helped AT&T lower our carbon footprint.
- **Reverse Logistics and Circular Economy:** HOB International developed a parts-recovery and testing process to support AT&T efforts to refurbish mobile phones.
- **Process Improvement:** MasTec Network Solutions helped AT&T achieve our “80 x 2017” Supply Chain Sustainability goal.
- **Resource Improvement:** PerfectVision Manufacturing developed a reusable cable dispenser. It lowered cable usage by 15% and helped AT&T save on materials

Read about our Supplier Sustainability Awards winners:

- [2017 Supplier Sustainability Awards](#)
- [2016 Supplier Sustainability Awards](#)
- [2015 Supplier Sustainability Awards](#)
- [2014 Supplier Sustainability Awards](#)
- [2013 Supplier Sustainability Awards](#)
- [2012 Supplier Sustainability Awards](#)

In 2017, the supply chain excellence organization [APICS](#) awarded a member of our Global Supply Chain Sustainability staff with the APICS Award of Excellence (Individual) – [Corporate Social Responsibility Catalyst](#).

Supplier Diversity

We are committed to promoting, increasing and improving the overall participation of minority-, women-, service-disabled veteran- and LGBT-owned business enterprises by purchasing their materials and services. We also encourage subcontracting opportunities for these businesses by requiring supplier diversity participation from prime suppliers. Read more in our [Supplier Diversity](#) issue brief.

¹ This goal is focused on network, consumer equipment and corporate services spend, and does not include video content and entertainment companies.



²This does not include video content and entertainment companies. Looking ahead, we are focusing on an industry-wide measurement for assessing our suppliers.