AT&T 2015
Annual Sustainability Update

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Letter from our Chairman and CEO

Our world has never been more connected than it is today. From smartphones and smartwatches to smart homes and cities, connectivity is changing virtually everything about how we live, work and solve problems. And AT&T is proud to be in the center of it all. Everything we do is designed to harness the power of connectivity to change the world.

Consider the impact technology is having on one of humanity's biggest challenges: protecting the environment. Thanks to the Internet of Things — millions of wirelessly enabled sensors and devices — cities, companies and consumers have the ability to operate more efficiently, use less energy and reduce their impact on the environment. Smart traffic management, for example, can route cars in ways that save fuel. Smart homes can conserve power by knowing when we're not around. And smart irrigation systems can slash water usage by watering plants only when they need it.

Last year, we set an ambitious goal: by 2025, we will enable carbon savings that are 10 times the footprint of our total operations. To get there, we will leverage technology to deliver energy-saving customer solutions, increase the efficiency of our network and build on the thousands of projects we've implemented to reduce our energy and water consumption. Additionally, projects like our rapid transition to a software-centric network will allow us to move more data traffic while using less energy to do so.

Technology is also helping people prepare for jobs in the digital economy. AT&T has embarked on a multi-year effort to give our employees the skills they need for tomorrow's high-tech jobs. We teamed up with Udacity in 2014 to launch the Nanodegree program, which provides employees — and potential employees — with affordable, online credentials for tech skills such as web development and coding. We're making 1,200 scholarships available for underserved students through qualified non-profit organizations and providing up to 100 paid internships for high-performing graduates.

We're also empowering students to gain the skills they'll need for the future. Our $350 million AT&T Aspire commitment prepares them for success in school and the workplace. We're teaming up with best-in-class organizations — like Girls Who Code, Code.org and Black Girls Code — to help students develop computer science and coding skills. And we're using our technology to connect AT&T mentors with students wherever they are.

We've further broadened our efforts to drive innovation in education through AT&T Aspire Accelerator, which funds groups that are working to bring educational technology products or services to market. In 2015, we graduated our first class of five different ventures that are using technology to help students and start-ups succeed.

It's still early. We're just beginning to explore the potential of the connected world. But what we've seen so far is incredibly exciting. These tools will inevitably become smarter and more powerful over time. As they do, our ability to solve some of society's biggest challenges will increase exponentially.

And I can promise you that AT&T will be right there, leading the charge.

To learn more, please visit us at www.att.com/CSR.

> **AT&T is proud to be in the center of it all. Everything we do is designed to harness the power of connectivity to change the world."**
>
> - Randall Stephenson,
>   Chairman and CEO

2015 By the Numbers

People

>10,000 veterans hired

By end of 2015, AT&T hired more than 10,000 veterans, achieving our 2013 commitment. In 2016, we pledged to hire an additional 10,000 veterans by 2020

Employees

42% people of color **33%** women

AT&T's workforce is 33% women and 42% people of color

Planet

$119.1 MILLION in energy savings

$119.1 million realized in annualized energy savings from 15,050 energy projects

5.9 MILLION gallons of unleaded gas avoided

5.9 million gallons of unleaded gasoline avoided in 2015 through use of 11,257 Alternative Fuel Vehicles (AFVs)

Possibilities

$317 MILLION invested in AT&T Aspire

$317 million invested through AT&T Aspire since 2008 toward a $350 million commitment to education

$156.6 MILLION total giving

$156.6 million contributed through corporate, employee, social investment and AT&T Foundation programs in 2015

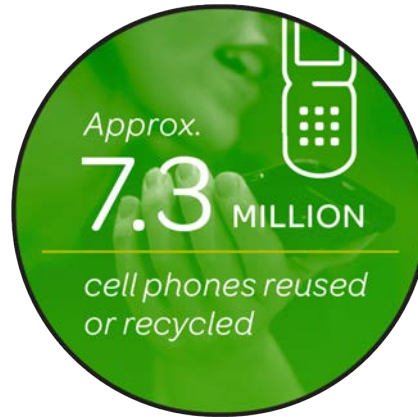# By the Numbers, Continued

People

> **>7.5 MILLION** pledges

More than 7.5 million pledges to keep eyes on the road and not on the phone through the *It Can Wait®* campaign as of December 2015

$13.7 BILLION spent with diverse enterprises

Spent $13.7 billion, or 24.06% of total supplier spend, with minority, women and disabled veterans business enterprises

Planet

Approx. **7.3 MILLION** cell phones reused or recycled

Approximately 7.3 million cell phones reused or recycled through AT&T

>74% avg. sustainability score for suppliers

Top suppliers scored an average of more than 74% on our sustainability scorecard towards our goal of 80% by end of 2017

Possibilities

>1 MILLION *hours of student mentoring*

More than 1 million hours of student mentoring provided by AT&T employees through Aspire Mentoring Academy

>5.4 MILLION *volunteer hours*

More than 5.4 million employee and retiree volunteer hours

Challenges and Opportunities

2015 Was An Eventful Year For AT&T

With an eye to the future, our company is building a truly integrated communications company.

We are moving into a world where billions of devices will be connected to networks around the globe. From connected cars and houses to smart cities and supply chains, our customers demand end-to-end connectivity.

As part of our growth, we acquired DIRECTV and bought two companies that give us access to the Mexican wireless market[1]. We completed these acquisitions throughout the year, so our reporting data largely still focuses on our pre-acquisition AT&T operations and impact. We've woven in DIRECTV data and other information where possible, and are working on aligning our systems internally for future reporting.

We know that our technology has the ability to enable meaningful social and environmental benefits. From connecting the next generations of classrooms to helping cities conserve precious resources, our products are driving positive change. To ensure that our workforce remains positioned to lead us into the future, we maintain a constant focus on re-skilling and training.

To guide us as we move forward, we announced a new set of long-term goals in 2015. Our work to attain these goals by 2025 is focused on three areas.

PEOPLE: Improving the daily lives of our customers, suppliers and employees.

PLANET: Transforming the way we and our customers care for our world.

POSSIBILITIES: Amplifying the combined strengths of our company and our communities to tackle broad challenges

Specific progress against our goals follows in future sections of this report.

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[1] On January 16, 2015, AT&T completed its acquisition of Mexican wireless company GSF Telecom Holdings; On April 30, 2015, AT&T completed its acquisition of Nextel Mexico; And, in July 2015, AT&T complete its acquisition of DIRECTV. See the 2015 Annual Report for more details: http://www.att.com/gen/investor-relations?pid=9186

Challenges and Opportunities

People

We're working to improve the daily lives of our employees, suppliers and customers.

Employees

As the pace of technological change accelerates, we're equipping our people with the skills they need to succeed today and in the years ahead. We're using innovative training and building profiles of future job requirements to help our employees pivot their skills from hardware to software, from legacy wireline to mobile, and from data recorders to data scientists.

In addition, a commitment to diversity and an inclusive culture is essential to sustained innovation and growth, so we embed this commitment in our business practices and hold our employees accountable. Our employees also play a critical role in helping us meet our education goals. In January 2016, nearly a year early, we reached our goal of providing students with 1 million hours of mentoring by our employees. In addition, 4,527 employees recieved the President's Volunteer Service Award (PVSA) for volunteering in their communities at least more than 100

hours in the past year. Collectively, our employees and retirees volunteered more than 5.4 million hours in 2015.

Suppliers

We spend billions of dollars on goods and services every year with hundreds of companies. Given this reach, we know our supply chain is an area with extraordinary opportunity to improve business performance, help reduce our environmental impact and positively influence social equality. We've set 2020 and 2025 goals in this area to help further imbed social and environmental considerations in our supply chain management and vendor selection.

Customers

We are dedicated to empowering our customers to use our products in a safe and responsible manner. Our Digital You website, created in collaboration with Common Sense Media and other digital literacy and online safety experts, is a resource for parents, youth, digital newcomers, people with disabilities and community leaders. It provides information on how to use certain devices, and how to maintain privacy, safety and security in an increasingly connected world.

We've continued to promote our *It Can Wait* campaign to raise awareness and change behaviors around distracted driving. In October 2015, we introduced the *It Can Wait* campaign in Mexico as Puede Esperar. We joined with government and community officials to launch an *It Can Wait* public awareness, advertising and pledge campaign in Mexico City in 2015 and we'll expand the program to other major cities in Mexico in 2016. This expansion builds on our effort in the United States, where we held more than 400 events in 2015 and have collected more than 8 million pledges from people who will keep their eyes on the road, not on their phone.
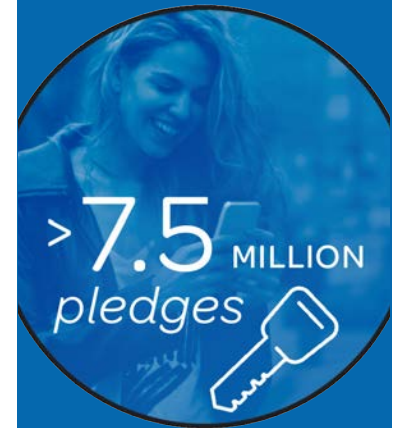
> **7.5 MILLION pledges**

More than 7.5 million pledges to keep eyes on the road and not on the phone through the It Can Wait® campaign as of December 2015

Challenges and Opportunities

🌍 Planet

We're working to improve the way we and our customers care for our world.

AT&T recognizes that climate change is happening and that transitioning to a more resource-efficient world will drive success in the global economy. We believe that our technology can play a big role in this success.

That's why in 2015 AT&T set a goal to enable carbon savings 10 times the footprint of our operations by 2025. We'll get there by enhancing the efficiency of our network and delivering sustainable customer solutions.

The proliferation of Internet of Things (IoT) technology will play a big role in achieving this goal. We're teaming up with cities, companies and customers to implement solutions at scale.

For example, cities currently account for 60–80% of energy consumption and 75% of carbon emissions on Earth.[2] In 2015, we announced a new Smart Cities framework that was rolled out in several initial spotlight cities — including Atlanta, Chicago and Dallas. These locations are serving as pilots for solutions that focus on improving city infrastructure, transportation and citizen engagement in 2016. We're working with Cisco, Ericsson, GE, IBM, Intel and Qualcomm Technologies, Inc. to create impactful solutions to help cities tackle things like energy, water, waste and air quality challenges.

As we empower others, we also continue to tend to our own footprint. Through investments in energy efficiency and alternative energy, for example, we're working to improve network efficiency and reduce our resource use. As of the end of 2015, we implemented more than 40,000 energy efficiency projects since 2010, including more than 15,000 projects in 2015.

In addition, AT&T took our established mobile device eco-rating system a step further with the implementation of Eco-Rating 2.0. The refreshed eco-ratings offer consumers a look into the environmental and social profiles of their AT&T-branded mobile devices and accessories. AT&T-branded tablets have also been added to the portfolio of eco-rated devices. Consumers can find a device's eco-rating icon on the package, in-store or online.

In 2016, we are continuing our efforts in all of these areas, applying our technology to connect to a better world.

5.9 MILLION
gallons of unleaded gas avoided

$5.9 million gallons of unleaded gasoline avoided in 2015 through the deployment of 11,257 AFVs

[2] United Nations: http://www.un.org/sustainabledevelopment/cities/

Possibilities

With the combined strengths of our company and our communities, we're tackling critical challenges.

The high school drop-out crisis and need for workforce readiness skills are areas in which we can play a powerful role through funding and technology.

Our signature philanthropic initiative, AT&T Aspire, drives innovation in education — through technology, social innovation and relationships — to help ensure all students have the skills they need to succeed in school and beyond. We have passed the $300 million mark on our plan to invest $350 million in education from 2008–2017.

In 2015, our focus included a $2 million contribution to support the expansion of the Girls Who Code Summer Immersion Program and Clubs Program, and the launch of the Girls Who

Code Alumni Network, which will help to make sure young graduates of the program have clear pathways to careers in the coding field.

We also graduated our first class of organizations from the Aspire Accelerator. The Aspire Accelerator's mission is to support innovations that can empower every student for a successful future — exponentially and at scale. The first class has already impacted more than 2 million students, 200,000 teachers and 4,500 schools throughout the United States.

To prepare more people with the skills needed for high-demand tech jobs requiring technological expertise, we teamed up in 2014 with education technology leader Udacity to launch the Nanodegree program — which offers new educational online pathways to industry-relevant skills. Nanodegree courses are online, self-paced and taught by leaders in tech, with personalized coaches. Nanodegree credentials will be fully recognized for entry-level jobs at AT&T, and up to 100 graduates will be placed in paid internships at AT&T. Today there are more than 11,000 learners worldwide, including more than 1,000 employees who are enrolled in various Nanodegree credentials and 200 employees who have earned a credential.

The national graduation rate has now hit an all-time high of 82.3%,[3] up more than 10 percentage points over the last dozen years. In spite of this progress, significant challenges remain. AT&T is committed to investing resources, developing initiatives and collaborating with stakeholders with the goal of increasing the U.S. high school graduation rate to 90% by 2020.[4]

$317 MILLION

invested in AT&T Aspire

$317 million invested in AT&T Aspire toward a $350 million commitment to student success in school and beyond

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[3] Civic Enterprises, Everyone Graduates Center at Johns Hopkins University, America's Promise Alliance, Building a Grad Nation Report Update 2014

[4] Graduation rate as measured by GradNation, a campaign of America's Promise Alliance: http://gradnation.org/channels/grad-rate-data

2020/2025 Goals Progress

By 2025, some experts say there will be hundreds of billions of connected devices measuring, analyzing and networking to give us more information than ever before. The possibilities are endless and we want to seize them.

Focused on our vision — Connect to Good — we have established a 10-year roadmap of goals and targets to serve as milestones for this journey.

Our progress toward these goals is captured in the following pages.

Our Network and Our Customers

2020 Goal

We will continue to drive reductions in emissions and increases in resource efficiency and alternative energy deployment.

We will enable AT&T customers to lead more sustainable lives by expanding access to technology, further integrating sustainability solutions into products, and measuring the impacts.

Targets Toward Our 2020 Goal

Network/Operations

Reduce our Scope 1 emissions by 20% by 2020, using a 2008 Scope 1 baseline of 1,172,476 mtons CO_2-e

PROGRESS: We achieved 1,035,603 mtons CO_2-e of Scope 1 emissions in 2015, which equates to an almost 12% reduction as compared to our 2008 baseline.

Reduce the electricity consumption of our company relative to data growth on our network by 60% by 2020 (baseline of 2013)

PROGRESS: AT&T's electricity consumption (in Megawatt Hours) per Petabyte of data carried on its network (AT&T refers to this as its Energy Intensity metric) for 2015 is 129 MWh/Petabyte. Relative to our 2020 target for Energy Intensity (93 MWh electricity/Petabytes of network traffic), AT&T has to date achieved a 46% reduction as compared to the 2013 baseline of 233 MWh/Petabyte.

Expand our on-site alternative energy capacity to at least 45 MW — more than double our 2014 capacity — by the end of 2017 and intensify our pursuit of off-site renewables with competitive financials

PROGRESS: In 2015, AT&T expanded its solar capacity by 1,000 kW in California. We operationalized an additional 4,350 kW of clean, onsite fuel cell power, helping to power three AT&T sites in California and two in New Jersey. The estimated combined annual alternative energy production of these installations is 37.9MW.

Deploy approximately 15,000 alternative-fuel vehicles over a 10-year period through 2018

PROGRESS: As of end of 2015, AT&T had deployed a total of 11,257 alternative fuel vehicles to its fleet, including 3,231 hybrid-electric, all-electric and extended-range-electric vehicles, and 8,026 CNG service vehicles.

2020/2025 Goals Progress: Our Network and Our Customers

Customers

Develop and deploy robust methodology to understand AT&T's network impacts to society

PROGRESS: In 2015, AT&T began the process of engaging with industry groups and customers to develop a credible methodology to measure network impacts to society.

. . . .

Building on a voice and data service network that covers more than 320 million people:

- By mid-year 2019, AT&T will have expanded its all-fiber Internet access service to reach at least 12.5 million mass market customer locations, such as residences, home offices and very small businesses. Combined with AT&T's existing high-speed broadband network, at least 25.7 million customer locations will have access to broadband speeds of 45Mbps or higher.*

  PROGRESS: AT&T exceeded the 2015 annual milestone for deploying fiber internet access service to over 1.6 million mass market customer locations, and is on track again to exceed the year-end 2016 milestone for fiber deployment.

- For a four-year period beginning in 2015, AT&T will offer up to 1 Gbps service to any eligible school or library requesting E-rate supported services, where we have deployed fiber-based broadband Internet access services.*

  PROGRESS: AT&T has offered 1 Gbps service in response to any eligible schools and libraries submitting bids for 1 Gbps speeds for the 2016 E-rate funding year in areas where AT&T has deployed fiber-based internet access service.

- For a four-year period beginning in 2016, AT&T will offer discounted wireline broadband service where technically available within AT&T's 21-state wireline footprint to low-income households that qualify for the government's Supplemental Nutrition Assistance Program. In locations where it's available, we will offer service with download speeds of at least 10 Mbps for $10 per month. Elsewhere, we will offer 5Mbps service for $10 per month or 3Mbps for $5 per month, where such services are available.*

  PROGRESS: On April 22, 2016, AT&T launched Access from AT&T, the discounted broadband services program, throughout its 21-state wireline footprint. In just a few months since launch, Access from AT&T is already connecting more low-income Americans to the internet and helping to bridge the digital divide. As of June 30, 2016, about 500 national, state and local public and private organizations have agreed to help promote Access from AT&T.

  *Conditions of FCC DTV Merger Order

. . . .

Collect more than 20 million devices for reuse, refurbishment or recycling by end-of-year 2020.

PROGRESS: At the end of 2015, approximately 7.3 million cell phones were reused or recycled through AT&T.

. . . .

Provide sustainability information for all AT&T-branded network-connected consumer wireless devices.

- A comprehensive consumer strategy will provide a roadmap for providing Eco-Rating and/or responsible recycling/reuse information to consumers for wireless devices sold by AT&T.

  PROGRESS: Since early 2016, AT&T has been collaborating with BSR to develop a roadmap across the enterprise that will provide consumers with information regarding environmental attributes of and responsible recycling information for all AT&T-branded network connected wireless devices.

2020/2025 Goals Progress: Our Network and Our Customers

Demonstrate the environmental and social enablement power of consumer devices and solutions to live smarter, healthier and more independent lives.

- Collaborate both internally and externally to help quantify the environmental and social sustainability enablement impacts of AT&T consumer devices and solutions (e.g., Internet of Things, Digital Life, Eco-Ratings, connected car, education, accessibility).

  PROGRESS: As AT&T builds an overarching measurement methodology to reach our 2025 goal of enabling carbon reductions 10 times the footprint of our operations, we consider the relevant consumer-facing products and services that will help us reach our goal. Working with our internal business units, we continue to identify the environmental and social benefits associated with specific devices and solutions, as well as their power to enable smarter, healthier and more independent lives.

2025 Goal

By 2025, AT&T will enable carbon savings 10x the footprint of our operations by enhancing the efficiency of our network and delivering sustainable customer solutions.

Targets to 2025

Enhance network efficiency to enable the achievement of the "net positive" ratio.

Deliver customer solutions to achieve "net positive" ratio.

PROGRESS: AT&T joined BSR's Net Positive Project in 2016, a cross-sector coalition that aims to develop practices and tools companies can use to quantify, assess, communicate, and enhance their positive impacts on society and the environment.
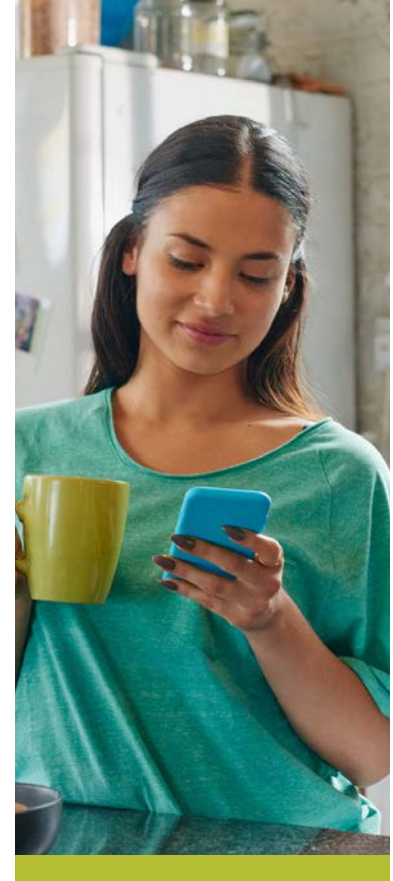
Our Supply Chain

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 spend.

Targets Toward Our 2020 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.

PROGRESS: At the end of 2015, suppliers representing more than 50% of spend reported that they were tracking greenhouse gas emissions and had greenhouse gas reduction goals.

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

PROGRESS: At the end of 2015, the average score for top suppliers was more than 74%, which is up from 63% in 2013.[5]

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

PROGRESS: AT&T has made progress with actions including incorporating sustainability clauses into agreements and RFPs, training our contract managers on the principles of sustainability, and providing scorecards to contract managers on supplier sustainability performance. AT&T will continue to expand incorporation of sustainability oriented standards and analyses into sourcing decisions.

[5] This information is for AT&T only and does not include DIRECTV.

2020/2025 Goals Progress: Our Supply Chain

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.

Targets to 2025

Establish clear, agreed-upon industry sustainability metrics

PROGRESS: AT&T is currently working with organizations, including CDP and QuEST Forum, toward the establishment of common measurements for benchmarking, tracking and improving the performance of companies in the industry.

Promote the use of these metrics in industry sourcing

PROGRESS: AT&T suppliers are currently using CDP Supply Chain metrics to measure and report their greenhouse gas emissions. This is providing our company and the other participating companies the necessary means to benchmark supplier emissions and work with suppliers on making improvements.

Develop and follow an industry roadmap toward truly sustainable performance

PROGRESS: AT&T is moving its suppliers along an industry roadmap with CDP Supply Chain and QuEST Forum to continuously improve measurements, benchmarking and results in sustainable supplier performance.

Our Communities

2020 Goal

> We will invest resources, develop initiatives and collaborate with stakeholders with the goal of increasing the U.S. high school graduation rate to 90% by 2020.[6]

Targets Toward Our 2020 Goal

Plan to invest an additional[7] $250 million by 2017 to drive innovation in education, support effective local programs and create collective impact.

PROGRESS: We have invested approximately $217 million since March 2012. Program highlights include:

» Launching the Aspire Accelerator with the mission of supporting ed-tech innovations that have the potential to help every student achieve a bright, successful future – exponentially and at scale. The first class of five organizations has already impacted more than 2 million students, 200,000 teachers, and 4,500 schools throughout the United States.

» Working with Udacity to launch the Nanodegree program, which offers new educational online pathways to industry-relevant skills, to prepare more people with the skills needed for high-demand tech jobs requiring technological expertise. Nanodegree courses are online, self-paced and taught by leaders in tech, with personalized coaches.

» Supporting a number of organizations that help underserved students develop computer science and coding skills, including Girls Who Code, Black Girls CODE, and Code.org.

» Contributing $4.5 million to Communities In Schools, the nation's largest organization dedicated to keeping kids in school and helping them succeed in life. The investment supports advancement in data collection, technology, research and evaluation, as well as continued site coordinator support and mentoring by AT&T employees.

Engage students at risk of dropping out of high school with 1 million hours of mentoring with AT&T employees by the end of 2016.

PROGRESS: Between September 2012 and year-end 2015, students received more than 1 million hours of mentoring by AT&T employees through Aspire Mentoring Academy, reaching our goal ahead of schedule.

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[6] Graduation rate as measured by GradNation, a campaign of America's Promise Alliance: http://gradnation.org/channels/grad-rate-data

[7] This investment builds on a previous $100 million investment for a total commitment of $350 million since 2008.

2020/2025 Goals Progress: Our Communities

Offer $100 million of free mobile broadband access through 2017 in collaboration with the White House ConnectED initiative.[8]

PROGRESS: In 2014, AT&T committed — as part of the White House's ConnectED initiative — to provide $100 million of free mobile broadband connectivity for mobile learning to students and teachers in Title I schools across the country over the next few years starting in 2016. AT&T remains committed to providing connections to devices supplied or donated by manufacturers. In 2015, AT&T forged a partnership with Apple, another ConnectED participant company, and is on track with plans to provide more than 30,000 students and teachers with mobile broadband and optional web filtering by the end of the 2016/2017 school year.

Encourage technology application to solve vexing education challenges through the Aspire Accelerator for non-profits and for-profits.

PROGRESS: In 2015, AT&T selected five organizations – from 345 applicants – to support with a customized program that included financial investment, access to expert services and mentorship. The inaugural class of organizations thrived in the Aspire Accelerator. All together, the Aspire Accelerator participants reached more than 2 million students, 200,000 teachers, and 4,500 schools throughout the United States during the Aspire Accelerator program.

2025 Goal

> We will invest resources, develop initiatives and collaborate with stakeholders to close the skills gap, by increasing the number of Americans with high-quality, post-secondary degrees or credentials to 60% by 2025.[9]

Targets To 2025

Promote STEM training by co-developing and attracting 10,000 students to the Georgia Tech online master's degree in computer science program by 2017 and 23,000 students to Udacity- Nanodegree program by 2015.

PROGRESS:

- More than 11,000 learners worldwide, including more than 1,000 employees are enrolled in various Nanodegree credentials; to date about 200 employees have earned a credential.

- As of fall 2015, nearly 3,000 students have enrolled in the Georgia Tech online computer science program and more than 300 AT&T employees have been admitted. The program's first class graduated in December 2015 and three of the graduates were AT&T employees.

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[8] ConnectED efforts are contingent on FCC e-rate compliance requirements, and federal, state, and municipal procurement frameworks that will not prohibit or extend these types of initiatives. Eligible school locations will be subject to network congestion, availability, and performance criteria.

[9] Degree/credential rate as measured by MoveED, a campaign of the Lumina Foundation: http://moveed.org/whatisgoal2025/

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