

CWA RECOMMENDATIONS FOR VOTING YOUR AT&T PROXY

MARCH 22, 2017

SHAREHOLDER MEETING

Date: April 28, 2017 9:00 AM Central

Location: Dallas City Performance Hall, 2520 Flora Street, Dallas, TX 75201

SHAREHOLDER PROPOSALS

NUMBER 1. ELECTION OF 13 DIRECTORS – MANAGEMENT PROPOSAL

This is a vote for individual directors.

RECOMMENDATION: VOTE YOUR CONSCIENCE

NUMBER 2. AUDITOR– MANAGEMENT PROPOSAL

This is a vote to approve Ernst & Young as auditor.

EVALUATION: Ernst & Young has been the auditor for AT&T and previously SBC since at least 1995. The wisdom in corporate governance circles is that such lengthy relationships become incestuous and can lead to inefficient practices.

RECOMMENDATION: VOTE AGAINST

NUMBER 3. ADVISORY APPROVAL OF EXECUTIVE COMPENSATION – MANAGEMENT PROPOSAL

This proposal asks that shareholders approve the pay and the method of paying the five top executives.

EVALUATION: AT&T is often criticized for overpaying its executives. Randall Stephenson was ranked 38 in the New York Times “200 Highest Paid CEOs” for 2016. AT&T’s proxy indicates Stephenson was paid \$26,716,620¹ in 2016, including Includes salary, value of options and stock vested, and other perks. As of 12/31/2016, the value of Stephenson’s pension benefit was estimated to be \$54,031,216.

RECOMMENDATION: VOTE AGAINST

NUMBER 4. ADVISORY APPROVAL ON THE FREQUENCY OF VOTE ON EXECUTIVE COMPENSATION – MANAGEMENT PROPOSAL

This proposal asks shareholders to choose the frequency of the advisory vote on compensation – 1, 2, or 3 years.

EVALUATION: Management recommends 1 year and an annual vote is considered best practice in corporate governance circles.

RECOMMENDATION: VOTE 1 YEAR

NUMBER 5. POLITICAL SPENDING REPORT – PROPOSAL FROM DOMINI SOCIAL EQUITY FUND

This proposal requests that company produce a report every six months on indirect political expenditures – through trade associations, for instance – used to influence political campaigns or public policy. Report should include the amounts given and recipients. Report should also disclose the names and titles of those in AT&T who authorized payment. Report does not need to include expenditures on lobbying.

EVALUATION: This is a good governance proposal supported by many shareholder activists. AT&T already publishes a semi-annual report on direct political expenditures, though it is not as detailed as what is requested and it does not include indirect expenditures.

RECOMMENDATION: VOTE FOR

NUMBER 6. LOBBYING REPORT – PROPOSAL FROM WALDEN ASSET MANAGEMENTⁱⁱ

This proposal requests that the company produce an annual report on lobbying policy – direct, indirect (through trade associations) and grassroots lobbying communications. Report should also include direct and indirect expenditures as well as payments to grassroots organizations. In this report AT&T should disclose membership in any organization that produces model legislation. The report should detail decision making process on why expenditures made and why company decided to affiliate with other organizations.

EVALUATION: This is a good governance proposal. It gets at membership in ALEC which has produced model legislation on Right to Work among others pieces of legislative mischief.

RECOMMENDATION: VOTE FOR

NUMBER 7. PROXY ACCESS – PROPOSAL FROM MYRA YOUNG, INDEPENDENT SHAREHOLDER

This proposal asks shareholders to amend the bylaws to enable a shareholder or group (with no limitation on the number) of shareholders who hold at least 3% of the shares to nominate a director. No more than 25% of the current directors or 2, whichever is greater, could be nominated in this fashion.

Also, this proposal allows “proxy access” directors, previously nominated but unable to secure a majority vote, to be nominated again for director.

EVALUATION: This is a good governance proposal. The current policy of AT&T allows a maximum of 20 shareholders who hold at least 3% of the shares to nominate a director. Current policy allows 20% of directors to be so nominated. This proposal increases the number of shareholders who can pool shares. Otherwise, it is almost impossible to reach the 3% threshold. This proposal also increases the percentage of directors who can be so nominated to 25%.

RECOMMENDATION: VOTE FOR

NUMBER 8. REDUCE VOTE FOR WRITTEN CONSENT – PROPOSAL JOHN CHEVEDDEN, INDEPENDENT SHAREHOLDER

This proposal requests that the company take the necessary steps to ensure that shareholders can petition the company for a vote on particular items.

EVALUATION: This is a good governance proposal. The current policy of AT&T allows a super-majority (66.66%) of shareholders to change the corporate charter to permit actions by written consent. At the 2014 annual meeting, this proposal received 50.9% of the vote from shareholders, less than the 2/3 required to change the corporate charter. Still, a majority should have encouraged the company to push this change actively. The company further argues that 15% of shareholders can already call for a special shareholder meeting where items can be voted upon. The company believes this proposal to be superfluous.

RECOMMENDATION: VOTE FOR

ⁱ Note this calculation uses the “realized gains” approach to executive compensation – what the company actually paid the executive in a given year. It differs from the “fair value” approach which combines both direct payments and the projected values of future stock and option awards. The fair value figure is the one typically found in the Summary Compensation Table of the proxy statement. The realized gains figure can be more easily compared to the compensation of other employees.

ⁱⁱ 13 co-sponsors: Co-Sponsors: The Brainerd Foundation, The First Parish in Cambridge, The Lemmon Foundation, The Max and Anna Levinson Foundation, The Needmor Fund, The Oneida Tribe of Indians Trust Fund for the Elderly, Sisters of the Holy Family, Friends Fiduciary Corporation, Benedictine Sisters of Mount St. Scholastica, Benedictine Sisters of Monasterio Pan de Vida, Benedictine Sisters of Monasterio de San Benito, Benedictine Sisters of Virginia, Missionary Oblates of Mary Immaculate.