



CWA REVIEW AND RECOMMENDATIONS: VOTING ITEMS ON AT&T PROXY STATEMENT

INTRODUCTION

AT&T remains the largest telecommunications company in the US, with 166 million wireless subscribers, 14 million home broadband subscribers and 20 million video subscribers. Its Warner Media segment includes Turner, HBO, Warner Bros and video game production. The company also operates a satellite television business in Latin America, a wireless network in Mexico, and an advertising business called Xandr. In 2019, AT&T had revenues of \$181 billion and net income of \$15 billion with capital expenditures of \$19.6 billion.ⁱ Each of AT&T's 247,000 employees generated an average \$731,000 of revenues.

AT&T now considers itself a media company, with extensive efforts to integrate its Warner Media content with its communications products through bundling and cross-promotion.ⁱⁱ CWA bargaining units are the foundation upon which AT&T's future is being built, and the company's network remains the heart of the business – the Communications segment representing 79% of revenues.ⁱⁱⁱ CWA members are also on the frontlines of AT&T growth – staffing stores, providing customer support, laying fiber, maintaining plant, installing and maintaining equipment. We are the ones who build the networks and customer relationships, and create the needed stability for the company to grow.

CWA members should engage in the opportunity to exercise their votes as shareholders, helping shape the direction of the company and establishing principles that will govern the company. CWA has prepared this shareholders' voting guide to offer some insight into the shareholder proposals in AT&T's 2020 proxy statement. We encourage you to exercise your right to vote on this company's future.

DETAILS OF THE MEETING

Date: **April 24, 2020 at 9am**

Location: **Via webcast: www.meetingcenter.io/272787934**

AT&T [announced](#) on April 7 that it will be holding its annual meeting via webcast. As part of that announcement, the company stated: *In advance of the webcast, stockholders of record and AT&T 401(k) plan participants holding shares as of February 26, 2020, may submit questions to AT&T's leadership. To do so, they should log into that site with their individual control numbers, which will be sent separately.*

MANAGEMENT PROPOSALS

ITEM 1. ELECTION OF DIRECTORS

The Board of Directors consists of 14 individuals, all of whom are independent except for Randall Stephenson, AT&T's Chairman and CEO. Thirteen directors have been nominated for re-election. Laura D'Andrea Tyson is retiring at the 2020 Annual Meeting and the board has voted not to replace her, reducing its size to 13 members.

RECOMMENDATION FOR ITEM 1: VOTE YOUR CONSCIENCE.

ITEM 2. RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITOR

Ernst & Young has been the auditor for AT&T, and previously SBC, since 1995. The Board's Audit Committee has re-appointed the firm for another fiscal year, through December 31, 2020. With this vote, shareholders are asked to affirm the Committee's decision. Corporate governance experts believe that such lengthy relationships can compromise the independent perspective necessary for a trustworthy review of financial results.^{iv}

RECOMMENDATION FOR ITEM 2: VOTE AGAINST.

ITEM 3. ADVISORY APPROVAL OF EXECUTIVE COMPENSATION

The proposal asks shareholders to approve a compensation program already in place. The vote is only advisory and would not be binding on the company. The proxy statement includes principles for setting pay and a detailed discussion of all aspects of executive pay.

This is the third year public companies must report the relationship between CEO pay and the median compensation at the company. At AT&T in 2019 the ratio was 325 to 1 (see page 79 of the proxy statement).

RECOMMENDATION FOR ITEM 3: VOTE AGAINST.

STOCKHOLDER PROPOSAL

ITEM 4. INDEPENDENT CHAIR

This proposal from Kenneth Steiner, Independent shareholder, requests that the Chair of AT&T's Board of Directors be independent – that is, not employed by AT&T. This proposal is supported by many institutional shareholders because it is a structure designed to assure greater board oversight of management. Last year it received 40.54% of the vote at AT&T.^v The Company has agreed to separate the Chair and CEO role after Randall Stephenson retires. This proposal would ask the Board to amend the company's governing documents to ensure that "the Chairman of the Board be an independent member of the Board whenever possible."^{vi}

RECOMMENDATION FOR ITEM 4: VOTE FOR.

STOCKHOLDER PROPOSAL

ITEM 5. EMPLOYEE DIRECTOR

This proposal from retired CWA Secretary Treasurer Jeff Rechenbach requests that AT&T nominate an Employee Representative Director for election to the Board by shareholders at AT&T's 2021 annual meeting. Employee representation on AT&T's Board would add knowledge and insight on critical issues and may result in more informed decision making. Corporate boards in other countries already follow this practice and AT&T can lead the way to adopt this practice in the United States.^{vii} The company opposes this proposal and states that shareholders would not benefit from a nominating process "that favors a single constituency [employees] over the interests of other constituencies" and that an employee director would not qualify as independent.^{viii} CWA believes that some recent actions taken by AT&T – such as massive job cuts and stock buybacks – indicate that the corporate culture is out of alignment with the values of its employees and communities, and that an Employee Representative Director would help the company achieve sustainable long-term success.

RECOMMENDATION FOR ITEM 5: VOTE FOR.

STOCKHOLDER PROPOSAL

ITEM 6. IMPROVE GUIDING PRINCIPLES OF EXECUTIVE COMPENSATION

This proposal from Jing Zhao of the US-Japan-China Comparative Policy Research Institute requests that AT&T improve its guiding principles for executive compensation. This would include decreasing the ratio of CEO pay to median employee pay, in line with international competitors. AT&T's CEO-to-median-employee-salary ratio was 304:1 in 2018 and 325:1 in 2019.^{ix} CBS News reported in August 2019 that "CEOs rake in 940% more than 40 years ago, while average workers earn 12% more."^x Currently, AT&T

includes no non-US companies in its analysis of peer company executive compensation, despite having more than 44,000 employees outside the US. Meanwhile, Japanese and European company CEOs earn less than one tenth of big American companies, according to the proposal. Management opposes this proposal because “Shareholders have overwhelmingly endorsed our Company’s pay practices” with 91% of votes cast in 2019. While this proposal could be more specific in its prescription, CWA supports its intent to reevaluate executive compensation practices to address the vast inequities between executives and frontline workers.

RECOMMENDATION FOR ITEM 6: VOTE FOR.

ⁱ AT&T Form 10-K for the year ended December 31, 2019, at p28.

<https://www.sec.gov/ix?doc=/Archives/edgar/data/732717/000156276220000064/t-20191231.htm>

ⁱⁱ S&P Market Intelligence, “HBO Max to get distribution, promotional boosts across AT&T’s portfolio,” October 30, 2019.

<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/55111146>

ⁱⁱⁱ AT&T Form 10-K for the year ended December 31, 2019, at p27.

^{iv} See, for example, Council of Institutional Investors, “Policies on Corporate Governance,” last updated March 10, 2020. CII recommends “a fact specific explanation for not changing the company’s auditor if the committee chooses to renew the engagement of an auditor with more than 10 consecutive years of service.”

https://www.cii.org/corp_gov_policies

^v AT&T Inc. Form 8-K, May 2, 2019. Available at:

<https://www.sec.gov/Archives/edgar/data/732717/000073271719000014/votingresults8k.htm>

^{vi} AT&T Inc., 2020 Proxy Statement, at p13.

^{vii} See, for example, the German supervisory board model. Thompson Reuters, “Corporate governance and directors’ duties in Germany: overview.” [https://uk.practicallaw.thomsonreuters.com/8-502-1574?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/8-502-1574?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1)

^{viii} AT&T Inc., 2020 Proxy Statement, at p14.

^{ix} AT&T Inc., 2019 Proxy Statement at page 78; AT&T Inc., 2020 Proxy Statement at page 79.

^x CBS News, “CEOs rake in 940% more than 40 years ago, while average workers earn 12% more,” August 14, 2019. <https://www.cbsnews.com/news/ceo-pay-in-940-more-than-40-years-ago-workers-make-12-more/>