BlackRock

Investment Stewardship

Vote Bulletin: AT&T, Inc.

Company	**AT&T, Inc. (NYSE: T)**
Market and Sector	United States/Telecommunications
Meeting Date	30 April 2021
Key Resolutions[1]	**Item 1c**: Elect Director Scott T. Ford **Item 1g**: Elect Director Michael B. McCallister **Item 1h**: Elect Director Beth E. Mooney **Item 1j**: Elect Director Matthew K. Rose **Item 1l**: Elect Director Geoffrey Y. Yang **Item 3**: Advisory Vote to Ratify Named Executive Officers' Compensation **Item 4**: Lower Ownership Threshold for Action by Written Consent (Shareholder proposal)
Key Topics	Executive compensation, board quality and effectiveness
Board Recommendation	The Board recommended voting FOR the management Items listed above (1c, 1g, 1h, 1f, 1l and 3), and AGAINST the shareholder proposal (Item 4)
BlackRock Vote	BlackRock voted AGAINST all Items listed above

Overview

AT&T, Inc. (AT&T) engages in the provision of telecommunications, media and technology services in the U.S. and globally.

BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance and ESG topics that we believe drive long-term shareholder value, including board quality and effectiveness, corporate strategy and executive compensation - such as the approach to one-time awards and severance packages in the context of past leadership transitions. AT&T has published reports aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and the Sustainability Accounting Standards Board (SASB) standard for its sector, consistent with our expectations. However, as we outline in this Vote Bulletin, BlackRock has concerns with certain inconsistencies and reduced transparency around AT&T's pay practices in the last year.

Rationale for BlackRock's Vote

Items 1c-1l: Elect Compensation Committee members Scott T. Ford, Michael B. McCallister, Beth E. Mooney, Matthew K. Rose, Geoffrey Y. Yang (AGAINST)

Item 3: Advisory Vote to Ratify Named Executive Officers' Compensation (AGAINST)

[1] AT&T, "2021 Annual Meeting of Stockholders".

BIS voted against the proposal to approve executive compensation based on a pay and performance misalignment. We also voted against the re-election of Compensation Committee members Beth Mooney (Chair), Scott Ford, Michael McCallister, Matt Rose and Geoffrey Yang, due to concerns around compensation practices, including a large multi-year equity award to a non-CEO executive.

As discussed in our commentary, "Incentives aligned with value creation," we expect a company's board of directors to put in place a compensation structure that incentivizes and rewards executives against appropriate and rigorous goals and metrics. Outcomes should be aligned with shareholder interests –particularly the generation of sustainable long-term value. As that was not demonstrated in this case, we voted against the executive pay package (Item 3) and held members of the Compensation Committee accountable for poor compensation practices and structures.

In the midst of historical performance challenges, we remain concerned about certain pay practices at AT&T, including a $48 million multi-year equity award to the new CEO of WarnerMedia, Jason Kilar.[2] While the company expects no further equity awards will be granted to Kilar in the next four years,[3] this award lacks performance criteria and vests solely based on time . As rationale for the award, the company emphasized the importance of attracting the 'right' leader to manage the media assets and noted that AT&T had to compete with the cash-intensive executive pay plans of media and entertainment companies.[4] However, while such pay practices may attract leaders, they also make it harder for investors to understand how executives will be retained and appropriately incentivized to generate the long-term performance that BlackRock's clients rely on to meet their investing goals. We also had concerns about the timing of the inducement grant, which benefited the new executive prior to his start date.

Additionally, although the company had historically disclosed the metrics, goals, and attainment levels of its executive compensation program, in 2020 it reduced that transparency, only reporting the actual attainment levels relative to the undisclosed target for each performance metric and the payout scale for the attainment levels.[5]

The Compensation Committee also exercised upward discretion and increased payouts under the short-term incentive to 75% of target,[6] citing successes in 2020 that included the expansion of broadband connectivity, nationwide 5G development, the best full-year postpaid phone net adds in a decade, and HBO/HBO Max subscribers exceeding the target.[7] While we recognize there are times when compensation committees may exercise discretion, we expect rigorous disclosure regarding not only why but also how the company determined the appropriate compensation outcome was 75% of target. We also expect the company to explain how these decisions are either driving or creating long-term sustained performance aligned with shareholder interests. Two notable exceptions to upward discretion were for John Stankey, who became AT&T's CEO in July 2020, and former CEO Randall Stephenson, who transitioned to the role of Executive Chairman in July 2020. Both requested reductions in their salary and annual payout target.

However, overall, the sizable inducement grant and upward discretion exercised to short-term awards, as well as the General Counsel's $9 million equity award for 'career retention' and the post-employment consulting fees

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[2] AT&T, "2021 Notice of Annual Meeting of Shareholders and Proxy Statement".

[3] See previous footnote.

[4] AT&T, "2021 Notice of Annual Meeting of Shareholders and Proxy Statement, page 36.

[5] AT&T, "2021 Notice of Annual Meeting of Shareholders and Proxy Statement, page 40.

[6] AT&T, "2021 Notice of Annual Meeting of Shareholders and Proxy Statement".

[7] AT&T, "2021 Notice of Annual Meeting of Shareholders and Proxy Statement", page 37.

for the former CEO and former CFO all have occurred amid ongoing underperformance relative to peers and the broader market.

Item 5: Lower Ownership Threshold for Action by Written (AGAINST)

BIS voted against this proposal because we believe that the 15% threshold for shareholders to call a special meeting is sufficient.

This proposal requested that the Board undertake the necessary steps “to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This includes shareholder ability to initiate any appropriate topic for written consent.”[8]

AT&T already provides shareholders the right to call a special meeting, which we believe offers shareholders a reasonable opportunity to raise issues of substantial importance without having to wait for management to schedule a meeting.

As stated in our Proxy voting guidelines for U.S. securities, “we believe that in exceptional circumstances and with sufficiently broad support, shareholders should have the opportunity to raise issues of substantial importance without having to wait for management to schedule a meeting. Shareholders should have the right to call a special meeting in cases where a reasonably high proportion of shareholders (typically a minimum of 15% but no higher than 25%) are required to agree to such a meeting before it is called. However, we may oppose this right in cases where the proposal is structured for the benefit of a dominant shareholder, or where a lower threshold may lead to an ineffective use of corporate resources. We generally believe that a right to act via written consent is not a sufficient alternative to the right to call a special meeting.” For these reasons, we voted against this proposal.

[8] AT&T, “2021 Notice of Annual Meeting of Shareholders and Proxy Statement.”

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our Global Principles, market-level voting guidelines, and engagement priorities, material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.